

Weekly Economics and Markets Review

- The RBA's October Board meeting minutes were more hawkish than expected, with the Board signalling its willingness to increase interest rates further if the outlook for inflation moved higher.
- Stronger-than-expected US data, higher oil prices and Fed officials being open to further rate hikes saw further increases in US Treasury yields.
- Inflation continued to ease across several advanced economies, though remains well above most central bank's targets.

Week in review

Domestic

- The RBA's October Board minutes showed that the decision was once again between an increase in the cash rate or holding it steady. Ultimately, the decision to hold was based on the Board's assessment that there 'had not been sufficient new information over the preceding month' to justify a rate hike.
- However, the discussion at the October meeting was more hawkish than expected, with the Board signalling its willingness to increase interest rates further if the outlook for inflation was revised higher. A key change to the Minutes was the insertion of 'The Board has a low tolerance for a slower return of inflation to target than currently expected'.
- RBA Governor Michele Bullock reinforced the RBA's hawkish policy stance in her first public Q&A since becoming Governor. Bullock said the RBA was 'very alert' to upside risks to inflation and noted the Board was prepared to respond with higher rates. She also stated that if the RBA did not reduce inflation, inflation expectations could rise and make it more difficult to bring inflation down in the future.
- The unemployment rate fell a tenth to 3.6 per cent in September, though this fall mainly reflected unemployed people dropping out of the labour force. Employment rose by a modest 6.7k in September following a large 63.3k increase in August.

Offshore

- Commentary from Federal Reserve officials suggested that the Fed is content to pause rate hikes and see how the economic data unfolds. However, officials noted that higher rates would be needed if there was an upturn in the economic data or if the current economic strength were to persist. New York Fed President John Williams also outlined his view that interest rates will have to stay restrictive for some time while Fed Chair Powell had an open mind as to whether higher bond yields could substitute for further rate hikes.
- In the US, retail sales and industrial production were stronger than expected in September, while consumer sentiment softened, and housing data were mixed.
 - US headline retail sales increased 0.7 per cent and core retail sales (which exclude autos, gasoline, and building materials) rose 0.6 per cent.
 - Industrial and manufacturing production also increased by more than expected in September.

- The University of Michigan Consumer Sentiment Index fell by more than expected in October.
- Housing starts increased by 7.0 per cent in September, while the more forward-looking building permits fell by 4.4 per cent. Existing home sales fell 2.0 per cent and are at their lowest level since 2010. The NAHB Housing Market Index also fell to its lowest level since January, with all three of the main components (present sales, future sales, and traffic of prospective buyers) in contractionary territory.
- Inflation continued to ease across several advanced economies, though remains high.
 - In the UK, the annual rate for both core (6.1 per cent) and headline (6.7 per cent) inflation were slightly higher than expected in September.
 - In Canada, headline CPI inflation in September rose 3.8 per cent-on-year, with the core trim and core median measures also softer at 3.7 per cent and 3.8 per cent respectively.
 - In New Zealand, annual headline CPI inflation eased from 6.0 per cent to 5.6 per cent in the September quarter. This outcome was below consensus expectations (5.9 per cent) and the RBNZ's August Monetary Policy Statement (6.0 per cent).
- In China, economic activity data were generally stronger than expected.
 - GDP increased by 1.3 per cent in the September quarter, which was above both expectations (0.9 per cent) and the previous outcome (0.5 per cent).
 - Industrial production growth was unchanged at 4.5 per cent year-on-year in September (consensus: 4.4 per cent), with higher growth in power generation but lower growth in steel and cement output.
 - Retail sales growth lifted to 5.5 per cent year-on-year in September (consensus: 4.9 per cent), with modest improvements in both automobile and restaurant sales growth.
 - Fixed asset investment growth slowed to 3.1 per cent year-to-date annualised in September (consensus: 3.2 per cent).
 - Property related data was mixed with the annual rate of growth in floor-space sold and new home starts contracting by less, that for floor area under construction steady (though still negative), real estate investment shrinking faster, and new home completions growing even faster.

Markets

US bond yields increased over the week in response to stronger-than-expected economic data, higher oil prices, and US policymakers being open to further rate hikes.

Economic & Market Calendar

DATE	DETAILS
Domestic	Wednesday: CPI (Q3); Thursday: Trade prices (Q3); Friday: PPI (Q3)
Offshore	US: GDP (Q3), PCE Inflation (Sep), Personal spending (Sep), Monthly Budget Statement (Sep), Durable goods orders (Sep), PMIs (Oct), Philadelphia Fed Non-Manufacturing Activity (Oct), Richmond Fed Business Conditions (Oct), Chicago Fed National Activity Index (Sep) UK: Jobless claims (Sep), Unemployment rate (Aug) Eurozone: ECB Monetary Policy Decision (Oct), PMIs (Oct)

Economic and Financial Market Charts

CHART 1: MARKET PRICING FOR THE CASH RATE SHIFTED HIGH THIS WEEK IN RESPONSE TO THE RBA'S HAWKISH COMMENTARY

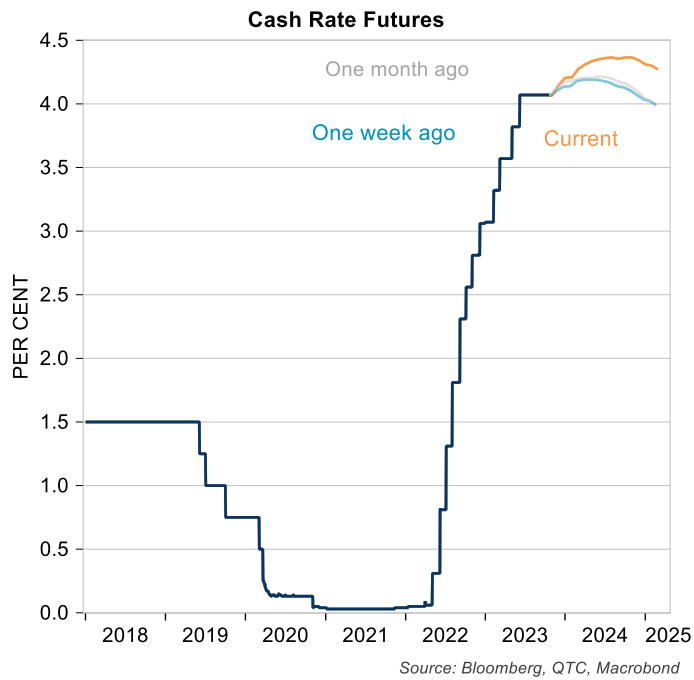


CHART 2: THE UNEMPLOYMENT RATE HAS REMAINED AT A HISTORICALLY LOW LEVEL OF 3.4-3.7 PER CENT SINCE JUNE 2022...

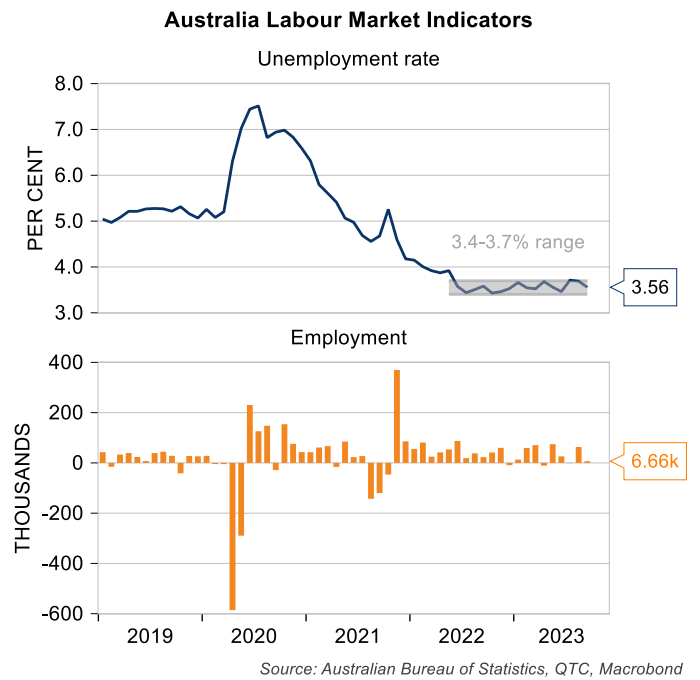


CHART 3: ...WITH IT CURRENTLY NOTICEABLY LOWER THAN THE RBA'S FORECASTS FOR Q4

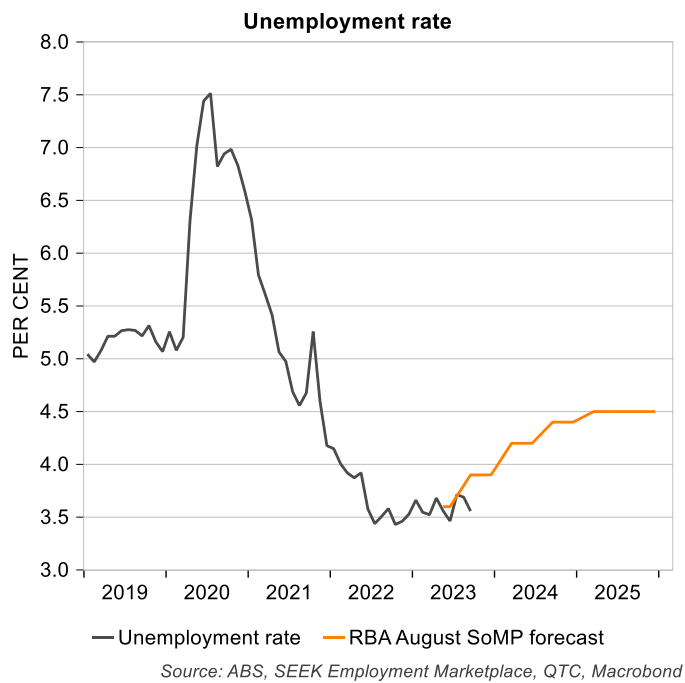


CHART 4: US RETAIL SALES WERE STRONGER THAN EXPECTED IN SEPTEMBER, WITH ANNUAL GROWTH ALSO PICKING UP OF LATE

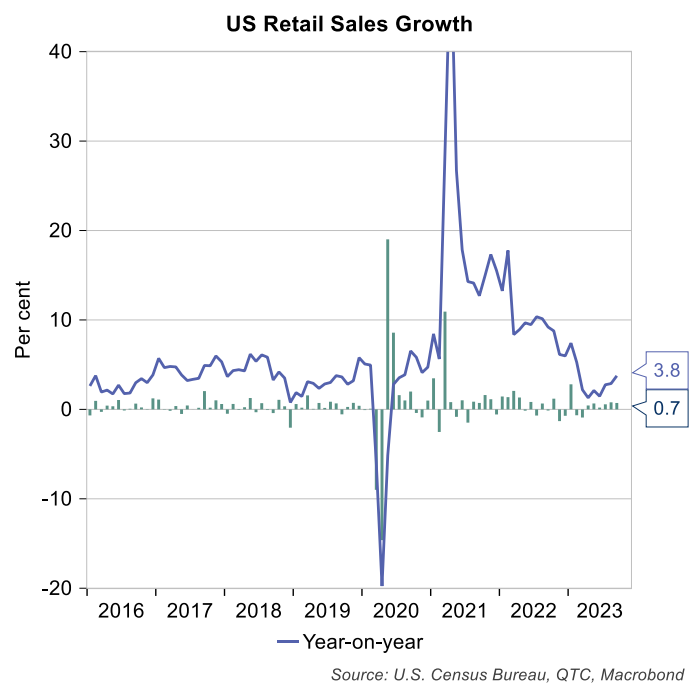
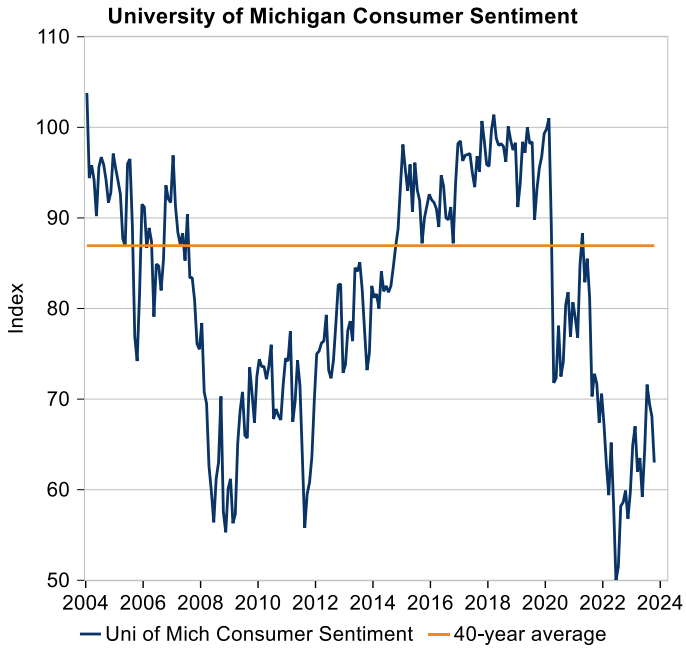
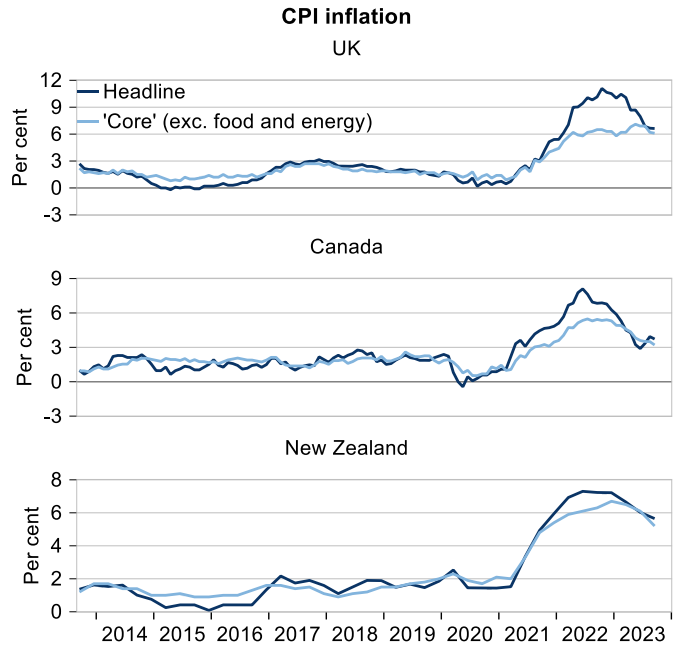


CHART 5: CONSUMER SENTIMENT HAS FALLEN IN RECENT MONTHS, RETRACING SOME OF THE GAINS FROM EARLIER IN THE YEAR



Source: University of Michigan, QTC, Macrobond

CHART 6: CORE INFLATION HAS CONTINUED TO EASE ACROSS ADVANCED ECONOMIES, THOUGH THE LEVEL OF INFLATION REMAINS WELL ABOVE MOST CENTRAL BANK'S TARGETS



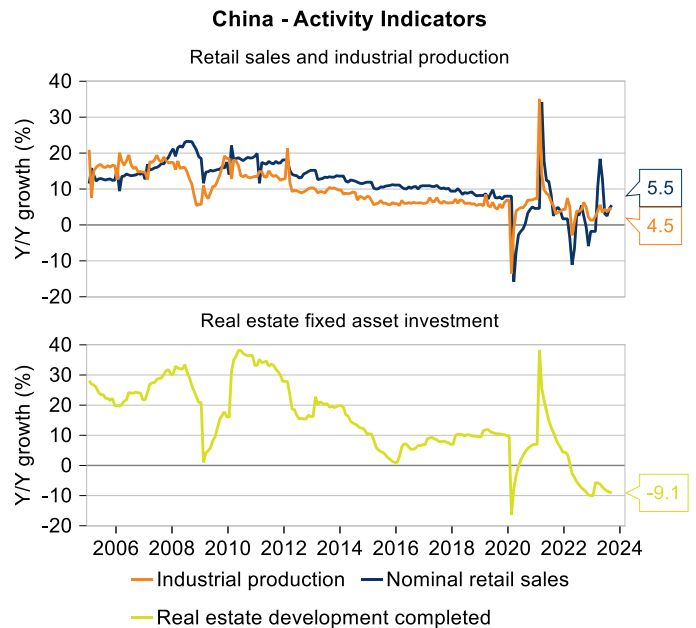
Source: QTC, Macrobond

CHART 7: QUARTERLY GDP GROWTH PICKED UP IN CHINA IN Q3...



Source: China National Bureau of Statistics (NBS), QTC, Macrobond

CHART 8: ...WITH SOME OF THIS EVIDENT IN THE ACTIVITY INDICATORS FOR THE MONTH OF SEPTEMBER



Source: China National Bureau of Statistics (NBS), Macrobond Financial AB, QTC, Macrobond

Financial markets data table

The table below shows yields for bonds issued by the central financing authorities of various state governments in Australia as well as those on bonds issued by the Australian and US Governments. Further, there are values for the Australian Dollar against a range of currencies, and major exchange rates against the US Dollar. The change in these yields and rates over different time periods is also included.

MATURITY	ISSUER	YIELD	CHANGE (BASIS POINTS)			EQUITIES	RATE	CHANGE (PER CENT)		
			1WEEK	1MONTH	1YEAR			1WEEK	1MONTH	1YEAR
3 Year	QTC	4.48	31	35	58	AUD/USD	0.6347	0.30	-1.67	0.54
	NSWTC	4.50	31	35	63	AUD/EUR	0.599	-0.13	-0.86	-6.97
	TCV	4.54	30	35	64	AUD/GBP	0.5214	0.53	0.04	-7.05
	WATC	4.45	30	33	55	AUD/JPY	95.041	0.31	-0.40	0.42
	Australian Government	4.23	33	35	75	AUD/CAD	0.869	0.47	0.13	0.31
	US Government	5.02	17	24	36	AUD/NZD	1.0834	1.62	-0.51	-2.15
5 Year	QTC	4.64	33	45	53	AUD/SGD	0.8702	0.47	-1.21	-3.04
	NSWTC	4.69	35	46	57	AUD/HKD	4.9652	0.30	-1.64	0.20
	TCV	4.72	35	47	61	AUD/KRW	861.55	1.75	0.46	-4.71
	WATC	4.62	34	45	53	AUD/CNY	4.626	0.32	-1.81	1.18
	Australian Government	4.36	36	45	71	AUD/INR	52.487	-1.64	-2.09	0.83
	US Government	4.96	26	44	51	MAJOR CURRENCIES				
7 Year	QTC	4.91	35	52	63	EUR/USD	1.0537	0.08	-1.33	7.66
	NSWTC	4.99	36	54	67	GBP/USD	1.2141	-0.28	-2.03	8.06
	TCV	5.00	36	55	69	USD/JPY	149.93	0.08	1.41	-0.15
	WATC	4.87	35	52	58	USD/CHF	0.8990	-1.05	0.13	-10.44
	Australian Government	4.56	39	53	76	USD/CNY	7.3160	0.16	0.25	1.02
	US Government	5.01	29	55	66	MAJOR COMMODITIES				
10 Year	QTC	5.29	38	57	74	Brent Crude Oil	93.05	8.20	-1.37	0.73
	NSWTC	5.37	39	59	75	Gold	1,962.07	4.84	1.61	19.91
	TCV	5.42	39	62	80	Copper	7,972.50	-0.23	-3.86	5.45
	WATC	5.19	37	56	66	Iron Ore	116.93	2.02	-0.72	43.95
	Australian Government	4.76	41	60	84					
	US Government	4.99	29	63	76					

Note: The Australian yield data (national and state) is sourced from QTC while the exchange rate and US yield data is from *Macrobond*.

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