

Weekly Economics and Markets Review

- The RBA's Board Minutes were slightly more dovish, with the Board not considering the case for higher interest rates at its September meeting.
- The NAB Business Survey provided tentative signs that business conditions are stabilising, while Westpac-Melbourne Institute Consumer Sentiment rose to its highest level since the RBA started hiking interest rates two and a half years ago
- US labour market conditions and CPI inflation were firmer than expected in September, prompting investors to revise their outlook for US interest rates.

Week in review

Domestic

- The **RBA's September Board Minutes** set a slightly more dovish tone. The RBA Board did not explicitly consider the case for tighter policy (as it had at its August meeting), while it also removed the line that 'it was unlikely that the cash rate target would be reduced in the short term'.
- The Minutes noted that economic data received since the previous meeting were broadly in line with expectations. While headline CPI inflation is expected to slow sharply in upcoming CPI releases due to government cost-of-living relief, underlying inflation is anticipated to remain above target.
- The **NAB Business Survey** provided tentative signs that business conditions are stabilising, with conditions rising to around its long-run average in September. Business confidence also increased slightly in September, though the level of confidence remains weak.
- NAB's measures of cost and price growth slowed further in September. Purchase cost growth eased to 1.2 per cent (from 1.6 per cent), while labour cost growth eased one-tenth to 1.7 per cent. Product and retail price growth also slowed in the month.
- **Westpac-Melbourne Institute Consumer Sentiment** rose 6.2 per cent in October, marking its highest level since the RBA started hiking interest rates two and a half years ago. Westpac noted that consumers are no longer 'fearful' of further RBA hikes, with expectations buoyed by interest rate cuts abroad and signs that domestic inflation is moderating. However, responses around family finances suggest that cost-of-living pressures continue to weigh heavily on sentiment.
- **New housing lending** slowed to 1.0 per cent in August, with the annual rate easing to 23 per cent higher. Investor loan growth (1.4 per cent month-on-month) remains stronger than for owner-occupiers (0.7 per cent). The average size of new loans remains at a historically high level, particularly in states with strong house price growth (QLD, WA and SA).

Offshore

- The **Reserve Bank of New Zealand (RBNZ)** cut its cash rate by 50 basis points, as was widely expected. The decision was based on an assessment that inflation is trending towards the midpoint of its target, the economy is 'in a position of excess capacity', and that the level of interest rates is 'still restrictive'.
- The **US Federal Reserve's** September Minutes suggested there was some pushback against the FOMC's decision to cut rates by 50 basis points. The Minutes noted that some participants 'would have preferred a 25-basis-point reduction' at this meeting, with several participants noting that a 25-basis point reduction would be consistent with a gradual path of policy normalization.
- There were several speeches from Fed officials this week. Most officials expressed support for last month's 50 basis point cut, but noted that the decisions going forward will be data dependent. On the risks to the outlook, some officials now see the risks to the Fed's inflation and labour market goals as being roughly in balance, while others see greater risks in the labour market.
- **US** labour market conditions and CPI inflation were firmer than expected in September.
 - Non-farm payrolls grew its fastest pace in six months, with the 254K increase in September being well above consensus expectations for a 150K rise.
 - The unemployment rate edged lower to 4.1 per cent in September (from 4.2 per cent in August and 4.3 per cent in July).
 - Headline CPI increased by 0.2 per cent in September month-on-month, against consensus expectations for a 0.1 per cent rise. On a year-on-year basis, headline inflation eased one-tenth to 2.4 per cent. Core CPI was also stronger than expected, rising 0.3 per cent in the month and 3.3 per cent over the year.
- In **China**, the NDRC press conference disappointed financial markets, with no announcement of any material increase in fiscal spending. Instead, the NDRC used the press conference to reaffirm its commitment China's 5 per cent GDP growth target for 2024.

Markets

US Treasury yields increased over the past week in response to stronger-than-expected US labour market and inflation data, as well as slightly less dovish commentary from the Fed. Australian Government bond yields largely tracked the moves in US Treasury's, despite a slight dovish tilt in the RBA's September Board Minutes. Brent crude oil prices increased, with concerns about supply in the Middle East outweighing the drag from a disappointing fiscal announcement from China's NDRC.

Economic and Market Calendar

DATE	DETAILS
Domestic	Thursday: Labour force survey (Sep)
Offshore	US: Retail sales (Sep), University of Michigan Sentiment (Oct), Housing starts (Sep) Euro area: ECB meeting (17 Oct), CPI (Aug F); UK: CPI (Sep), Retail sales (Sep), Unemployment rate (Aug) Japan: CPI (Sep) China: GDP (Q3), Industrial production (Sep), Retail sales (Sep), Fixed asset investment (Sep)

Economic and Financial Market Charts

CHART 1: NAB BUSINESS CONDITIONS APPEAR TO BE STABILISING, WITH CONDITIONS PICKING UP SLIGHTLY IN SEPTEMBER

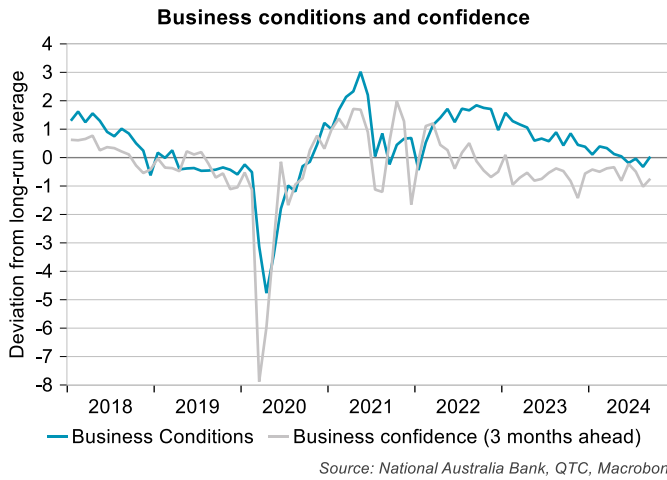


CHART 2: CONSUMER SENTIMENT INCREASED TO ITS HIGHEST LEVEL SINCE THE RBA STARTED HIKING INTEREST RATES IN MAY 2022

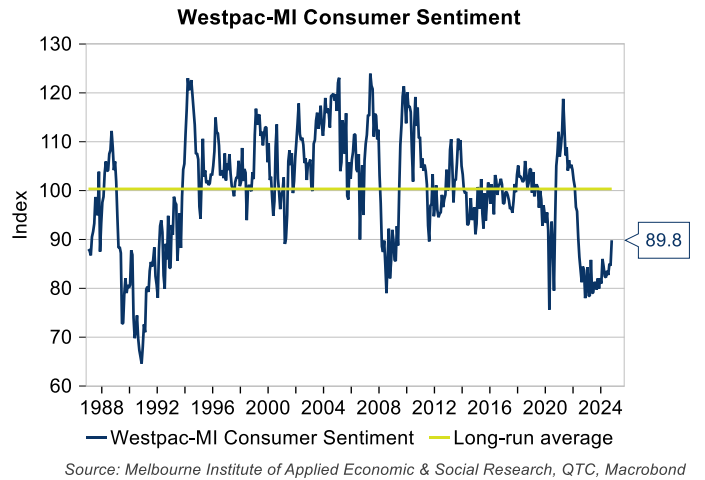


CHART 3: US LABOUR MARKET CONDITIONS HAVE PICKED UP IN RECENT MONTHS, WITH PAYROLLS JOBS MOVING HIGHER...

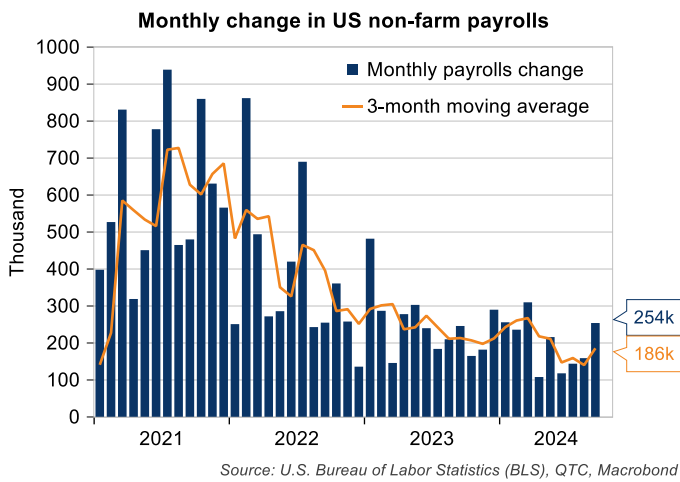


CHART 4: ... AND THE UNEMPLOYMENT RATE TICKING LOWER

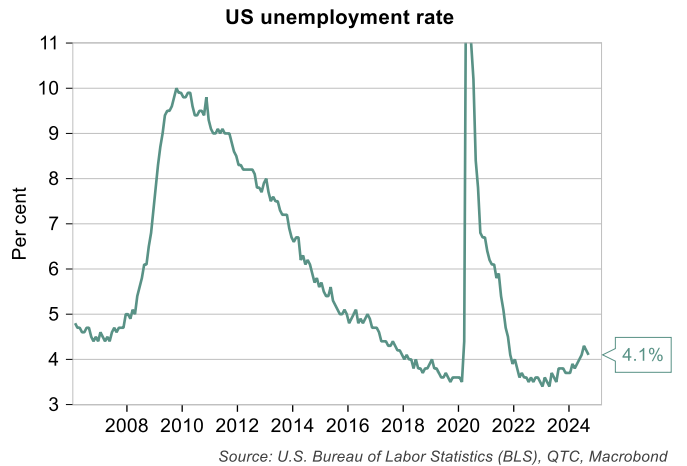


CHART 5: US HEADLINE INFLATION WAS HIGHER THAN EXPECTED IN AUGUST, SUPPORTING THE VIEW THAT THE FED WILL TAKE A MORE GRADUAL APPROACH TO RATE CUTS IN COMING MONTHS

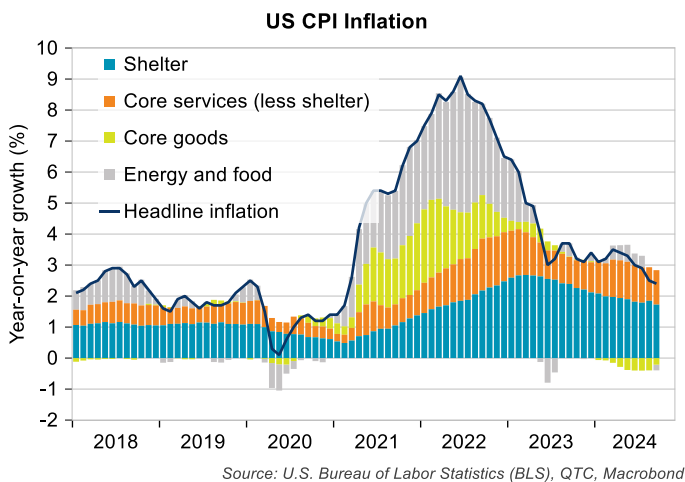
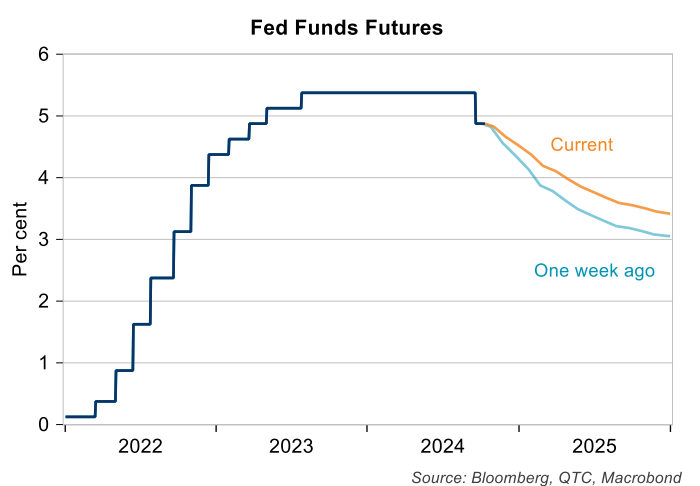


CHART 6: MARKET EXPECTATIONS FOR THE FED FUNDS RATE HAS SHIFTED HIGHER IN THE PAST WEEK, IN RESPONSE TO STRONGER-THAN-EXPECTED LABOUR MARKET AND INFLATION DATA



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)		
			1 WEEK	1 MONTH	1 YEAR			1 WEEK	1 MONTH	1 YEAR
3 Year	QTC	4.07	24	29	-14	AUD/USD	0.67	-1.79	1.10	6.04
	NSWTC	4.09	24	30	-14	AUD/EUR	0.62	-0.92	2.03	2.47
	TCV	4.12	23	28	-15	AUD/GBP	0.52	-1.31	1.19	-0.68
	WATC	4.03	23	27	-16	AUD/JPY	99.98	-0.39	5.41	5.35
	Australian Government	3.79	24	28	-13	AUD/CAD	0.92	-0.22	2.19	6.77
	US Government	3.87	25	41	-98	AUD/NZD	1.11	0.55	2.34	3.80
5 Year	QTC	4.29	24	35	-8	AUD/SGD	0.88	-0.98	1.27	1.37
	NSWTC	4.30	24	35	-11	AUD/HKD	5.22	-1.75	0.75	5.33
	TCV	4.35	24	35	-8	AUD/KRW	909.14	-0.60	1.76	6.49
	WATC	4.25	24	36	-9	AUD/CNY	4.76	-1.32	0.51	2.82
	Australian Government	3.87	24	30	-16	AUD/INR	56.43	-1.86	1.09	6.93
	US Government	3.89	26	46	-81	MAJOR CURRENCIES				
7 Year	QTC	4.58	23	36	-5	EUR/USD	1.09	-0.88	-0.91	3.48
	NSWTC	4.59	23	35	-12	GBP/USD	1.30	-0.50	-0.09	6.77
	TCV	4.66	23	35	-6	USD/JPY	148.77	-1.43	-4.26	0.65
	WATC	4.51	23	37	-9	USD/CHF	1.17	-0.60	-1.25	5.32
	Australian Government	4.03	22	29	-19	USD/CNY	7.08	-0.49	0.59	3.04
	US Government	3.96	25	44	-76	MAJOR COMMODITIES				
10 Year	QTC	4.97	22	35	-5	Brent Crude Oil	79.40	2.29	14.76	-7.67
	NSWTC	4.98	21	35	-11	Gold	2,630	-0.98	4.49	40.71
	TCV	5.05	22	35	-10	Copper	9,723	-1.45	7.72	21.67
	WATC	4.83	22	36	-10	Iron Ore	104.39	-4.25	15.02	8.77
	Australian Government	4.21	21	29	-23					
	US Government	4.06	22	42	-64					

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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