

Weekly Economics and Markets Review

- The labour market remained resilient in September, with employment posting another strong increase and the unemployment rate holding steady at 4.1 per cent.
- The ECB's Governing Council cut policy rates by 25 basis points, as expected, with President Lagarde noting the decision was unanimous.
- China's policymakers provided further details on increased fiscal spending, in response to increasing concerns of slower growth.

Week in review

Domestic

- The **domestic labour market** remains resilient, with broad-based strength across the key indicators in the September labour force survey. Employment posted a strong 64.1k increase, the unemployment rate held steady at 4.1 per cent, and the underemployment rate fell one-tenth to 6.3 per cent. The participation rate and employment-to-population ratios also both increased to record highs.
- SEEK job ads increased by 0.5 per cent in September, marking its third straight increase and signalling a stabilisation of ad volumes. Job ads rose by 7.2 per cent in the *Retail and Consumer Products* sector, while *Hospitality and Tourism* posted its fourth consecutive monthly rise following two years of trending lower. Applicants per job ad also increased further in September.

Offshore

- There were several speeches from **US Federal Reserve** officials over the past week, with most officials seeing 'further modest reductions' in interest rates and expressing a preference for a cautious approach to rate cuts going forward.
- In **US politics**, Former President Trump defended his proposal to sharply increase tariffs on foreign goods, saying the tariffs were for the 'protection of the companies that we have here and the new companies that will move in.' With less than three weeks before the US Election, polls have a very thin margin between Former President Trump and Vice President Kamala Harris.
- The **ECB's** Governing Council cut policy rates by 25 basis points, as expected, with President Lagarde noting the decision was unanimous. The post-meeting statement reaffirmed the ECB's data-dependent, meeting-by-meeting approach. Lagarde noted that the current level of interest rates is restrictive and would remain so even after another 25-basis point cut.
- The ECB viewed the disinflationary process as being on track, with inflation expected to return to target next year. It also observed that economic activity had been weaker-than-expected and noted that there are downside risks to growth.

- **China's policymakers** provided further details on its planned increases in fiscal spending to address slowing growth and property sector weakness.
 - China's Minister of Finance (MoF) pledged an increase in fiscal spending next year alongside a commitment to spend all the budgeted money this year.
 - China's Ministry of Housing and Urban-Rural Development also detailed new policy measures to stabilise the property sector. In addition to earlier support measures, policymakers introduced: (1) cash-backed settlements for urban village and aging housing renovations, and (2) adding all qualified commodity housing projects to a bank lending 'whitelist' and raising loans for these projects from RMB2.2tn to over RMB4tn by end-2024.
- In the **US**, retail sales and initial jobless claims were stronger than expected, while industrial production was weighed down by strikes and poor weather.
 - Core retail sales increased by 0.7 per cent in September, well above expectations for a 0.3 per cent rise. Gains were broad-based in the month, with electronics and furniture being the only two categories to see declines.
 - Initial jobless claims pointed to stronger-than-expected labour market conditions, falling by 19,000 to 241,000 last week (consensus: 259,000).
 - Industrial production declined 0.3 per cent in September, with growth weighed down by both the Boeing strike and recent hurricanes.
 - University of Michigan Sentiment fell in October, with declines in both the *Current Conditions* and *Expectations* components. Consumers one-year ahead inflation expectations rose to 2.9 per cent (from 2.7 per cent), while 5-10 year ahead inflation expectations edged one-tenth lower to 3.0 per cent.
- In the **UK**, annual core CPI inflation fell from 3.6 to 3.2 per cent in September, which was well below consensus expectations. Headline inflation was also weak at 1.7 per cent, undershooting both consensus expectations (1.9 per cent) and the BoE's August MPR forecast (2.1 per cent).
- In **New Zealand**, quarterly CPI inflation was 0.6 per cent in Q3, below both consensus expectations (0.7 per cent) and the RBNZ's estimate (0.8 per cent). Annual CPI inflation slowed sharply to 2.2 per cent (from 3.3 per cent), marking the first time inflation has been back in the RBNZ's target band since Q1 2021.
- In **China**, annual headline CPI inflation edged down to 0.4 per cent in September (from 0.6 per cent), while the core CPI was 0.2 lower over the year. The fall in core CPI inflation reflected a decline in energy prices and tourism-related services prices.

Markets

US Treasury yields increased over the past week, supported by stronger-than-expected retail sales and initial jobless claims. In the UK, a weaker than expected inflation report prompted a sharp rally in gilts. Global oil prices fell as concerns about a potential supply disruption eased and OPEC lowered its global demand forecast.

Economic and Market Calendar

DATE	DETAILS
Domestic	Monday: RBA Deputy Governor Andrew Hauser Q&A at the CBA 2024 Global Markets Conference (21 Oct)
Offshore	Advanced economies: S&P Global PMI's (Oct) US: Existing home sales (Sep), Housing starts (Sep) China: 1- and 5-year loan prime rate Japan: Tokyo CPI (Oct) Canada: BOC meeting (23 Oct)

Economic and Financial Market Charts

CHART 1: THE UNEMPLOYMENT RATE HAS EDGED LOWER IN RECENT MONTHS, WHILE THE PARTICIPATION RATE IS AT A RECORD HIGH

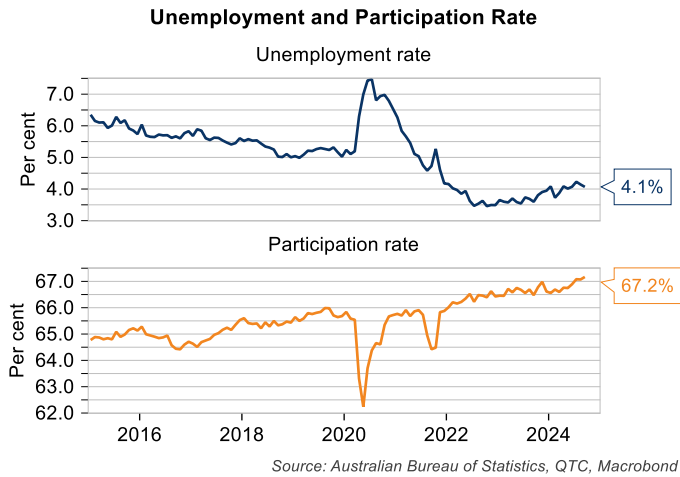


CHART 2: EMPLOYMENT GROWTH REMAINS STRONG, SUPPORTED BY ROBUST POPULATION GROWTH AND THE STOCK OF JOB VACANCIES

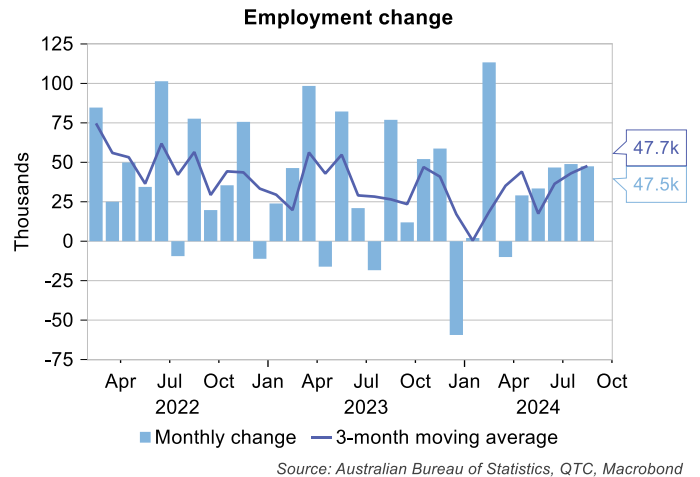


CHART 3: THE FLOW OF SEEK JOB ADS HAS STARTED TO LEVEL OUT, FOLLOWING A SUSTAINED DECLINE SINCE MID 2022...

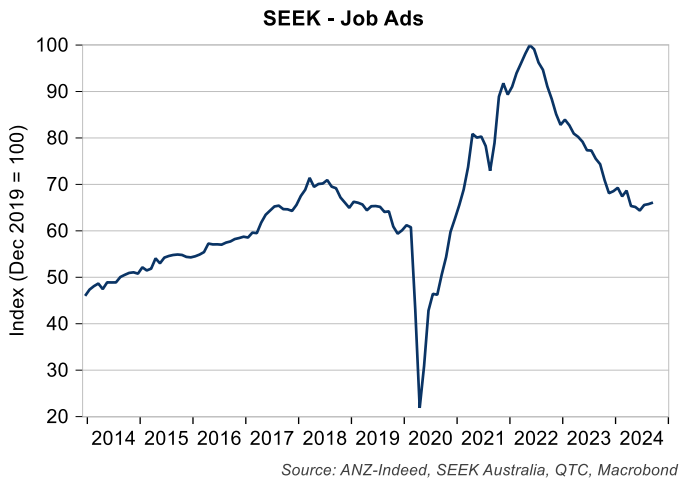


CHART 4: ... WHILE THE NUMBER OF APPLICANTS PER JOB AD HAS INCREASED TO ITS SECOND HIGHEST LEVEL ON RECORD

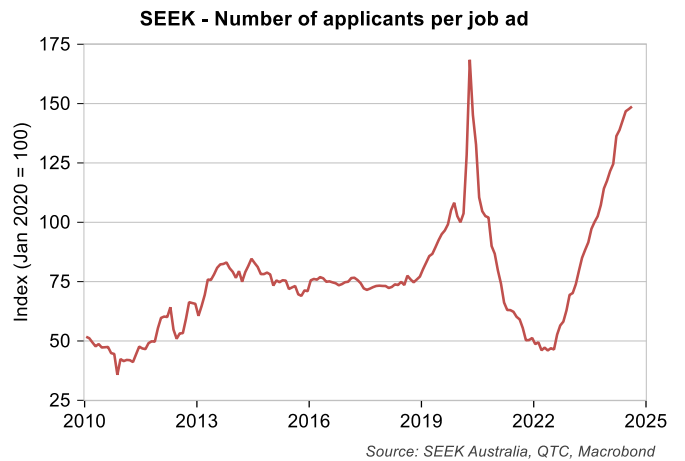


CHART 5: GLOBAL MEASURES OF CORE INFLATION CONTINUE TO MODERATE, WITH THE PAST WEEK SEEING A FURTHER DECELERATION IN THE NZ AND THE UK

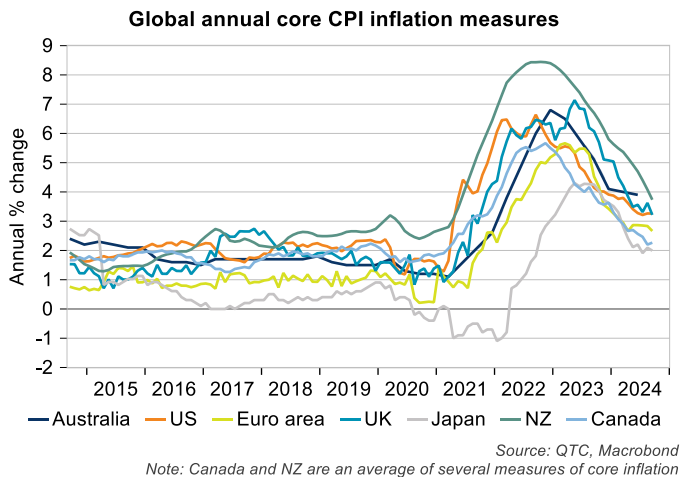
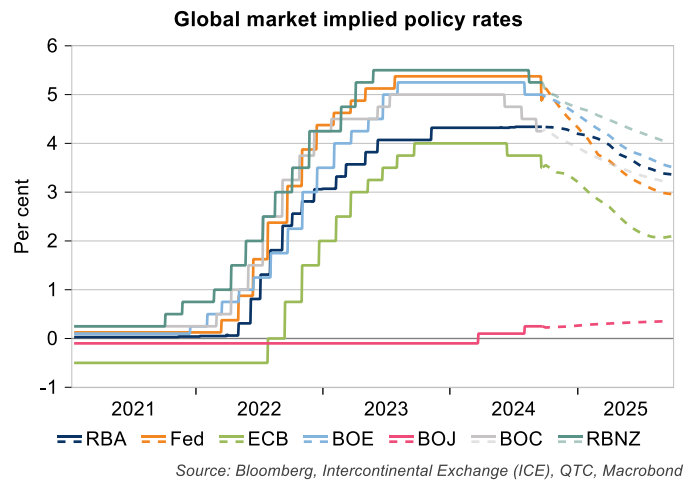


CHART 6: MOST CENTRAL BANKS HAVE STARTED EASING MONETARY POLICY, WITH THE RBA AND BOJ BEING NOTABLE EXCEPTIONS



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	4.10	3	42	-24	AUD/USD	0.67	-0.34	-0.94	6.01
	NSWTC	4.11	2	44	-25	AUD/EUR	0.62	0.51	1.76	3.49
	TCV	4.15	3	41	-26	AUD/GBP	0.52	-0.00	0.44	-0.95
	WATC	4.06	3	41	-26	AUD/JPY	100.45	0.47	4.91	6.05
	Australian Government	3.81	2	39	-28	AUD/CAD	0.92	-0.10	0.49	6.45
	US Government	3.89	2	42	-113	AUD/NZD	1.11	-0.09	1.17	2.09
5 Year	QTC	4.32	3	48	-14	AUD/SGD	0.88	0.11	0.45	1.46
	NSWTC	4.32	2	47	-19	AUD/HKD	5.21	-0.28	-1.18	5.33
	TCV	4.37	2	46	-17	AUD/KRW	918.10	0.99	2.63	6.96
	WATC	4.28	2	48	-17	AUD/CNY	4.77	0.25	-0.54	3.22
	Australian Government	3.89	2	42	-29	AUD/INR	56.31	-0.22	-0.60	7.20
	US Government	3.90	1	46	-106	MAJOR CURRENCIES				
7 Year	QTC	4.62	3	48	-9	EUR/USD	1.08	-0.84	-2.65	2.44
	NSWTC	4.61	2	45	-17	GBP/USD	1.30	-0.34	-1.38	7.03
	TCV	4.67	1	45	-13	USD/JPY	149.98	-0.82	-5.91	-0.03
	WATC	4.54	3	49	-14	USD/CHF	1.16	-0.82	-2.20	3.50
	Australian Government	4.06	3	41	-29	USD/CNY	7.12	-0.59	-0.41	2.63
	US Government	3.99	2	45	-102	MAJOR COMMODITIES				
10 Year	QTC	5.00	3	45	-7	Brent Crude Oil	74.45	-6.23	1.02	-19.41
	NSWTC	5.00	2	44	-14	Gold	2,693	2.39	4.80	36.38
	TCV	5.06	1	42	-14	Copper	9,516	-2.13	1.56	19.05
	WATC	4.85	2	46	-12	Iron Ore	99.62	-4.57	7.79	0.81
	Australian Government	4.23	2	39	-30					
	US Government	4.09	3	45	-90					

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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