

# Weekly Economics and Markets Review

- Consumer Confidence rose to its highest level since January 2023, while inflation expectations continued to trend lower.
- The Bank of Canada cut its policy rate by 50 basis points, noting that the lower rates were needed to stimulate growth and keep inflation within its target band.
- The IMF lowered its global growth forecast for next year, highlighting geopolitics and trade protectionism as key risks to the outlook.

## Week in review

### Domestic

- **ANZ-Roy Morgan** Consumer Confidence rose to its highest level since January 2023. The 'time to buy a major household item' index also rose to its highest level over the same period, while households' confidence in their current and future financial conditions reached a 90-week high.
- Consumer inflation expectations continued to trend lower, falling one-tenth to 4.5 per cent. This is its lowest level since late 2021.
- **CBA's Household Indicator** suggests that average household income increased by 6.2 per cent over the year to Q3 2024, with lifts across salary, rent income, investment income and government benefit payments. However, CBA suggests that higher housing costs have continued to 'soak up' much of this income growth.
- **RBA** Deputy Governor Hauser commented that financial markets' response to incoming data has been 'quite encouraging', implying that the markets outlook for interest rates is broadly consistent with the RBA's assessment.

### Offshore

- The **Bank of Canada (BoC)** cut its policy rate by 50 basis points, as was widely expected. The policy statement said that the 50-basis point cut was needed to stimulate growth and keep inflation within its target band. There was limited forward guidance, with officials continuing to suggest that the timing and pace of future rate cuts would depend on the incoming data.
- The **People's Bank of China (PBOC)** delivered a 25-basis point cut to both the 1-year and 5-year loan prime rate, in an attempt to provide further support for its slowing economy.
- **Reserve Bank of New Zealand (RBNZ)** Governor Orr noted that the central bank is guided by a 'policy-of-least regret' framework. He said that the RBNZ increased interest rates quickly following the pandemic to reset expectations about future inflation and send a clear signal to households that interest rates were normally higher. However, Orr noted that the RBNZ could take a more incremental approach in reducing interest rates, given 'calmer' economic conditions and some 'lingering' inflation pressures.
- **Bank of England (BOE)** Governor Bailey said that headline inflation has slowed faster than expected, reinforcing his recent suggestion that the BOE could be 'a bit more aggressive' with rate cuts if inflation continued to improve. However, this sentiment is not shared across all BOE officials. BOE's Greene suggested the central bank should take a cautious and gradual approach to reducing interest rates, while BoE's Mann warned that it may have cut rates prematurely and that the easing of services inflation still has a long way to go.
- **European Central Bank (ECB)** President Lagarde said that the two per cent inflation target will 'probably be reached sometime in 2025'. She added that while the direction for policy is clear, the pace of rate cuts will continue to be data dependent. This sentiment was shared across other recent ECB speeches, with most officials noting that the euro area economy has continued to weaken and that there are downside risks to growth.
- **US Federal Reserve (Fed)** officials noted that while inflation readings have improved, the Fed is not on a predetermined path and that future interest rate decisions will depend on the upcoming data.
- The **IMF** lowered its global growth forecast for next year in their latest World Economic Outlook, highlighting geopolitics and trade protectionism as key risks to the outlook. The IMF forecast global growth will be 3.2 per cent in 2025 (from 3.3 per cent in the July update).
- **S&P Global PMIs** were mixed in October. The US composite PMI increased unexpectedly, with increases in both services and manufacturing. In contrast, the euro area composite PMI was broadly stable in October, while the UK composite index fell.
- Outside of the PMIs, there was limited **US economic data** released over the past week. Initial jobless claims unexpectedly fell to 227k, marking its second straight weekly fall and signalling some unexpected strength in the labour market. In contrast, housing starts declined by 0.5 per cent in September, with a small increase in single-family starts being more than offset by a 9.4 per cent fall in multi-family starts.
- In **China**, real GDP growth moderated to 4.6 per cent year-on-year in Q3, slightly above market consensus. Industrial production, retail sales, and fixed asset investment also showed broad-based upside surprises in September.

## Markets

US Treasury yields increased over the past week despite a lack of first-tier data. Increasing speculation that former President Trump could win the election supported market sentiment, with his policy agenda for tax cuts and steeper tariffs viewed as supporting both economic growth and higher inflation.

### Economic and Market Calendar

DATE	DETAILS
Domestic	<b>Wednesday:</b> CPI (Q3), Monthly CPI indicator (Sep) <b>Thursday:</b> Retail sales (Sep), Building approvals (Sep), Private sector credit (Sep), <b>Friday:</b> Corelogic house prices (Oct), Household spending (Sep), PPI (Q3), Housing loans value (Sep)
Offshore	<b>US:</b> PCE inflation (Sep), GDP (Q3), Non-farm payrolls (Oct), Unemployment rate (Oct), Employment (Oct), ADP Employment (Oct), JOLTS Job openings (Sep) <b>Euro area:</b> CPI (Oct), GDP (Q3) <b>Japan:</b> BOJ meeting (31 Oct), Jobless rate (Sep), Retail sales (Sep), Industrial production (Sep) <b>China:</b> PMIs (Oct), Industrial profits (Sep)

## Economic and Financial Market Charts

CHART 1: CONSUMER CONFIDENCE HAS IMPROVED IN RECENT WEEKS, THOUGH IT REMAINS WELL BELOW PRE-PANDEMIC LEVELS

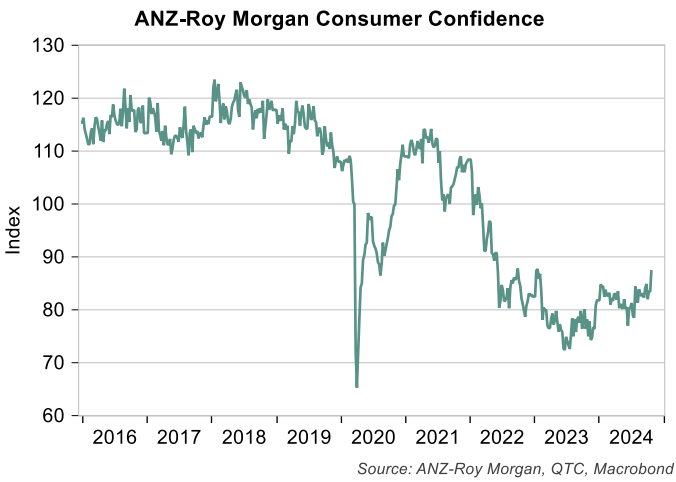


CHART 2: CONSUMER INFLATION EXPECTATIONS HAVE SLOWED TO THEIR LOWEST LEVEL SINCE LATE 2021

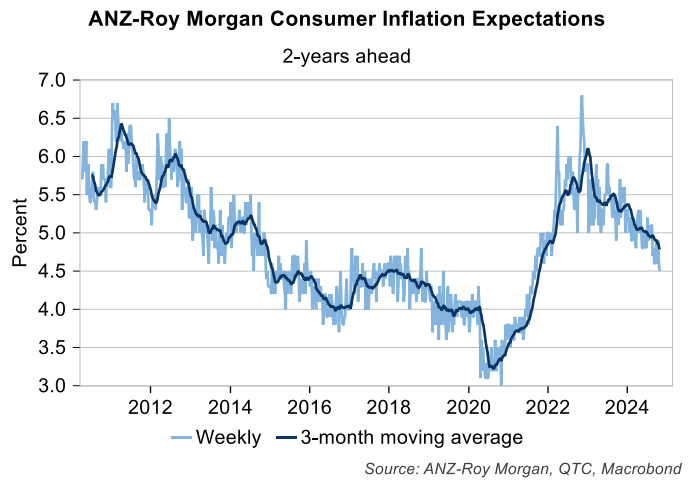


CHART 3: THE IMF'S GROWTH OUTLOOK IS LARGELY UNCHANGED AND REMAINS AT ITS WEAKEST LEVEL IN DECADES

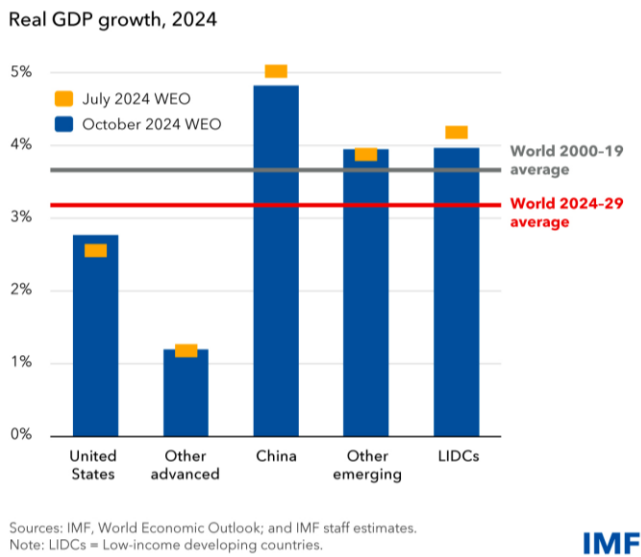


CHART 4: GLOBAL UNEMPLOYMENT IS INCREASING BUT ONLY GRADUALLY, CLOSE TO PREVIOUS NON-RECESSION PERIODS

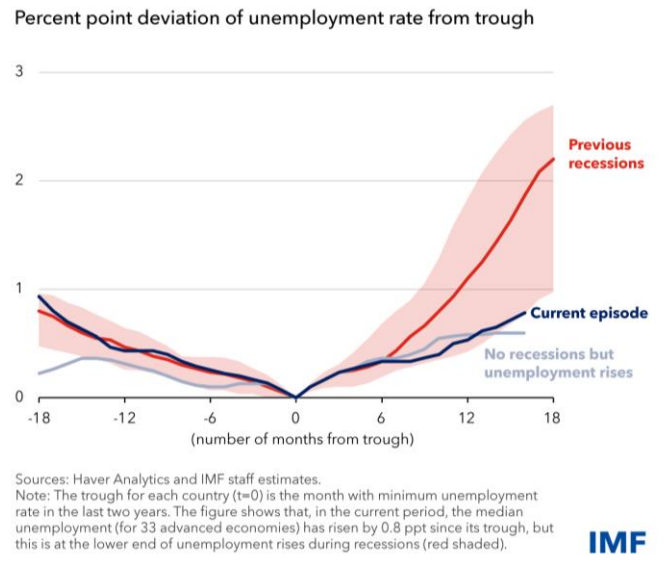


CHART 5: GLOBAL ECONOMIC ACTIVITY HAS DIVERGED ACROSS SECTORS, WITH ROBUST SERVICE SECTOR ACTIVITY OCCURRING ALONGSIDE A WEAKER MANUFACTURING SECTOR

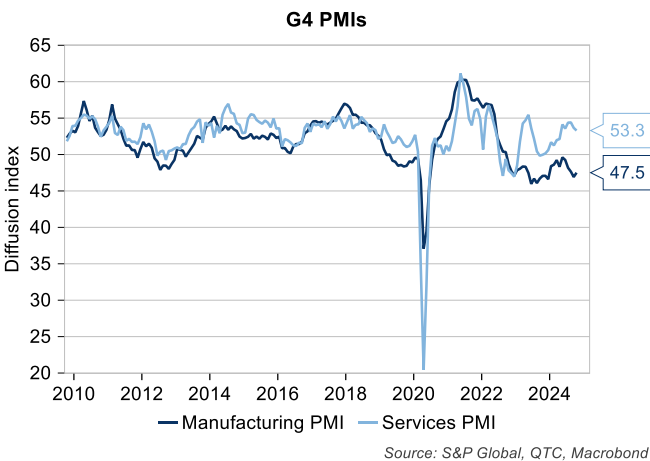
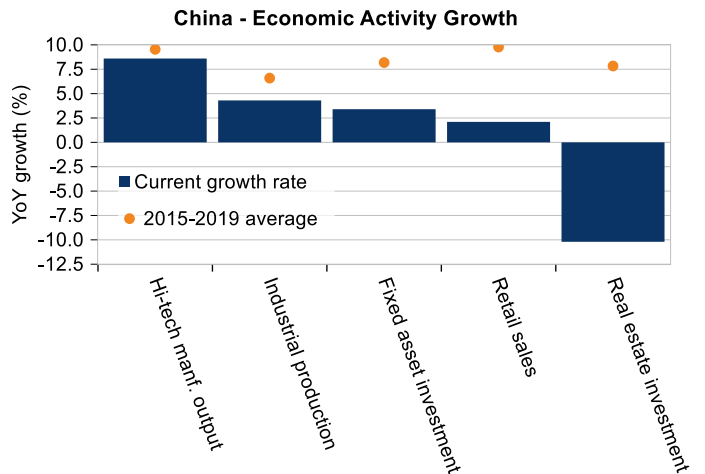


CHART 6: THERE ALSO CONTINUES TO BE A LARGE DIVERGENCE IN ACTIVITY ACROSS DIFFERENT SECTORS IN CHINA



## 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	4.20	9	49	-22	AUD/USD	0.66	-1.03	-3.46	4.92
	NSWTC	4.20	9	49	-25	AUD/EUR	0.61	-0.74	-0.30	2.43
	TCV	4.23	9	48	-24	AUD/GBP	0.51	-0.71	-0.23	-1.81
	WATC	4.14	9	47	-25	AUD/JPY	100.66	0.21	2.00	5.98
	Australian Government	3.94	13	51	-21	AUD/CAD	0.92	-0.58	-0.77	5.16
	US Government	4.02	13	58	-86	AUD/NZD	1.10	-0.13	1.59	1.64
5 Year	QTC	4.43	11	51	-15	AUD/SGD	0.88	-0.55	-0.88	1.10
	NSWTC	4.43	11	50	-20	AUD/HKD	5.15	-1.08	-3.64	4.24
	TCV	4.48	11	50	-19	AUD/KRW	915.84	-0.25	0.27	6.80
	WATC	4.39	11	51	-18	AUD/CNY	4.72	-1.06	-2.25	2.11
	Australian Government	4.03	14	53	-25	AUD/INR	55.74	-1.01	-2.92	5.96
	US Government	4.03	13	57	-77	<b>MAJOR CURRENCIES</b>				
7 Year	QTC	4.75	13	52	-10	EUR/USD	1.08	-0.29	-3.17	2.43
	NSWTC	4.74	13	50	-18	GBP/USD	1.30	-0.32	-3.24	6.85
	TCV	4.81	14	51	-13	USD/JPY	151.85	-1.25	-5.66	-1.01
	WATC	4.67	13	53	-14	USD/CHF	1.15	-0.12	-2.44	3.62
	Australian Government	4.23	17	53	-24	USD/CNY	7.12	0.04	-1.25	2.68
	US Government	4.12	13	53	-75	<b>MAJOR COMMODITIES</b>				
10 Year	QTC	5.15	15	50	-7	Brent Crude Oil	74.38	-0.09	-1.05	-15.41
	NSWTC	5.14	14	48	-16	Gold	2,736	1.61	2.98	37.86
	TCV	5.22	15	49	-15	Copper	9,507	-0.09	-2.95	19.05
	WATC	4.99	15	51	-14	Iron Ore	99.30	-0.32	4.71	1.15
	Australian Government	4.43	20	54	-23					
	US Government	4.21	12	48	-63					

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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