

Weekly Economics and Markets Review

- The RBA's November Board Minutes suggests the central bank remains cautious in its outlook for inflation, with the Board having 'minimal tolerance' for a more prolonged period of high inflation.
- The latest ANZ-CoreLogic Housing Affordability Report suggests that housing affordability deteriorated further over 2024, with house prices and rents continuing to outpace income growth.
- China's economic activity data for October was mixed, with no clear sign of a stimulus-driven improvement in economic conditions.

Week in review

Domestic

- The [RBA's November Board Minutes](#) highlighted that the central bank remains cautious in its outlook for inflation. The Minutes noted that *'given the already lengthy period in which inflation had been above target, the Board has minimal tolerance to accommodate a more prolonged period of high inflation'*.
- The RBA Board acknowledged that cash rate cuts could be warranted if inflation declined materially faster than expected. However, even in this scenario, the Board *'would need to observe more than one good quarterly inflation outcome to be confident that such a decline in inflation was sustainable'*. It's worth noting that there will not be two quarterly inflation prints available until the RBA's May 2025 meeting.
- The latest [ANZ-CoreLogic Housing Affordability Report](#) suggests that housing affordability has continued to deteriorate over 2024. The report notes that the median household income has increased by 2.8 per cent over the past year, which 'is well below' the 8.5 per cent rise in median dwelling values and the 9.6 per cent increase in rents over the same period.

Offshore

- **Bank of England (BOE)** Governor Bailey reinforced his view that a gradual approach to easing interest rates is appropriate. BOE Monetary Policy Committee members Lombardelli and Mann also supported the case for a gradual reduction in interest rates.
- **UK** inflation was stronger than expected in October, while GDP growth was solid. These outcomes are expected to reinforce the BOE's cautious approach to interest rate cuts.
 - Headline CPI inflation was 2.3 per cent in October, up from 1.7 per cent in September. Higher energy and airfare prices were the main contributors, though services inflation was also stronger than expected at 5.0 per cent year-on-year.
 - GDP rose 0.1 per cent in Q3, to be 1.0 per cent higher over the year. Growth was supported by solid outcomes for household consumption, government consumption and gross fixed capital formation.

- **US** retail sales remain robust, while industrial production softened due to industrial action at Boeing.
 - Retail sales remain robust leading into the holiday period, with a rebound in car sales supporting an increase in headline retail spending in October. Core retail sales were weaker than expected, falling 0.1 per cent, though this weakness was offset by a large upward revision to the September outcome.
 - Industrial production was weaker than expected in October, declining 0.3 per cent. However, this weakness was largely ignored by financial markets given much of the decline in manufacturing output reflected the strike at Boeing. Hurricane Helene and Milton also had a minor effect on output in the month. With the Boeing dispute being resolved in early November, production should improve in upcoming data releases.
 - Housing data were mixed over the past week. Housing starts declined 3.1 per cent in October, while permits were down 0.6 per cent. However, existing home sales rose 3.4 per cent, while the NAHB housing market index rose to a seven-month high of 46.
- **China's** economic activity data for October were mixed, with no clear sign of a stimulus-driven improvement in economic conditions.
 - Retail sales increased 4.8 per cent over the year to October, from 3.2 per cent in September.
 - Industrial production moderated slightly to 5.3 per cent year-on-year (from 5.4 per cent). Growth was driven by manufacturing and mining.
 - Fixed Asset Investment growth was unchanged from September at 3.4 per cent year-on-year. Manufacturing sector investment recorded its second highest reading of the year while infrastructure investment softened.
 - Conditions in the property sector remain very weak, with property investment falling by 10.3 per cent and residential property sales falling by 22 per cent over the year to October. Average prices of new and existing homes (in 70 cities) also fell further in the month.

Markets

US Treasury yields were little changed over the past week, with both 3- and 10-year Treasury yields down one basis point. Domestically, financial markets have the first 25 basis point cash rate cut priced in for the RBA by its July 2025 meeting, with recent commentary from the RBA suggesting it remains focused on upside risks to inflation. The AUD/USD exchange rate rose by half a per cent this week, partly reversing the previous week's three per cent decline. Crude oil prices also increased over the week in response to a further escalation of geopolitical tensions.

Economic and Market Calendar

DATE	DETAILS
Domestic	Wednesday: Monthly CPI indicator (Oct), Construction work done (Q3) Thursday: Private capital expenditure (Q3)
Offshore	US: PCE inflation (Oct), FOMC meeting minutes (Nov), Conference Board Consumer Sentiment (Nov) Euro area: PMI (Nov); Japan: PMI (Nov); UK: Retail sales (Oct); China: Industrial profits (Oct)

Economic and Financial Market Charts

CHART 1: US RETAIL SALES REMAIN ROBUST IN THE LEAD UP TO THE HOLIDAY PERIOD...

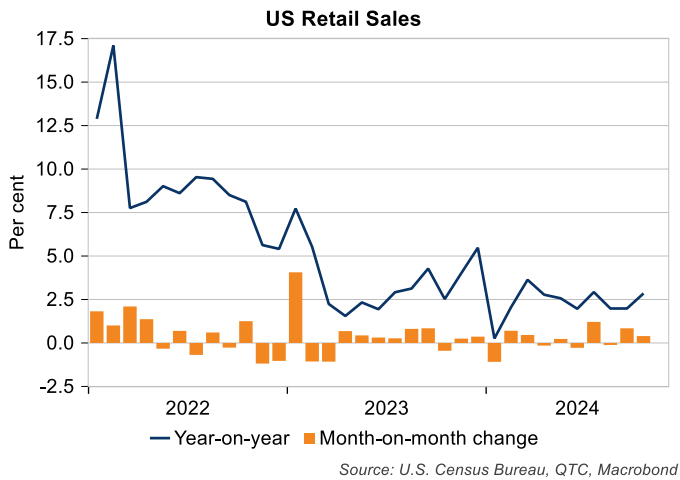


CHART 2: ... WHILE MEASURES OF US CONSUMER SENTIMENT HAVE ALSO CONTINUED TO IMPROVE

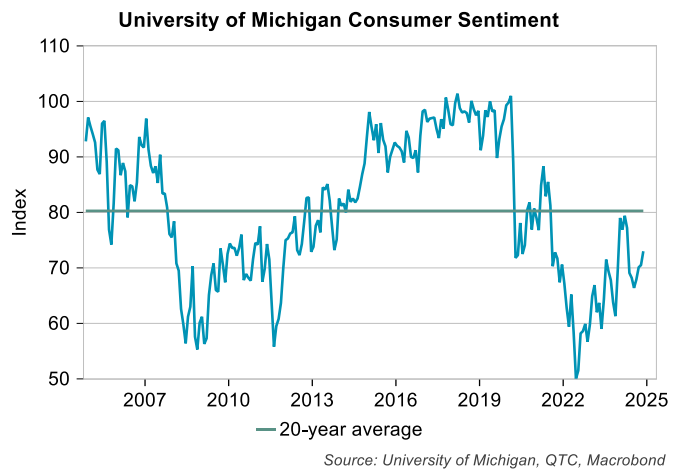


CHART 3: SOLID ECONOMIC DATA AND THE POTENTIAL INFLATIONARY EFFECTS OF A TRUMP PRESIDENCY HAVE SEEN FINANCIAL MARKETS PULL BACK ON RATE CUT EXPECTATIONS FROM THE FED

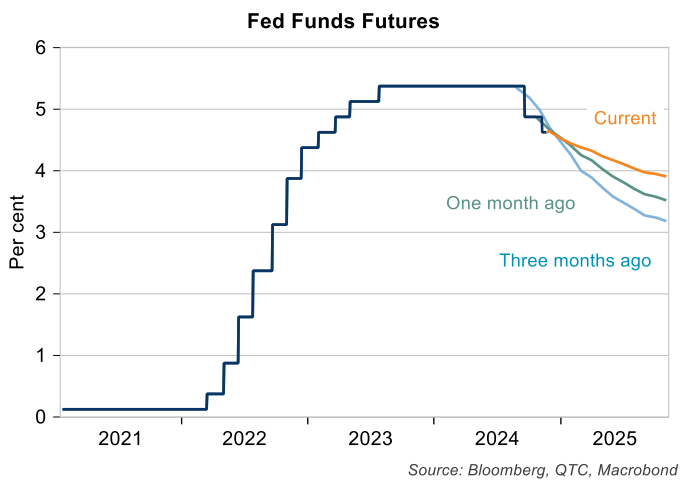


CHART 4: BOE OFFICIALS HAVE ALSO EXPRESSED SUPPORT FOR A GRADUAL APPROACH TO RATE CUTS DUE TO CONCERNS ABOUT STICKY SERVICES INFLATION

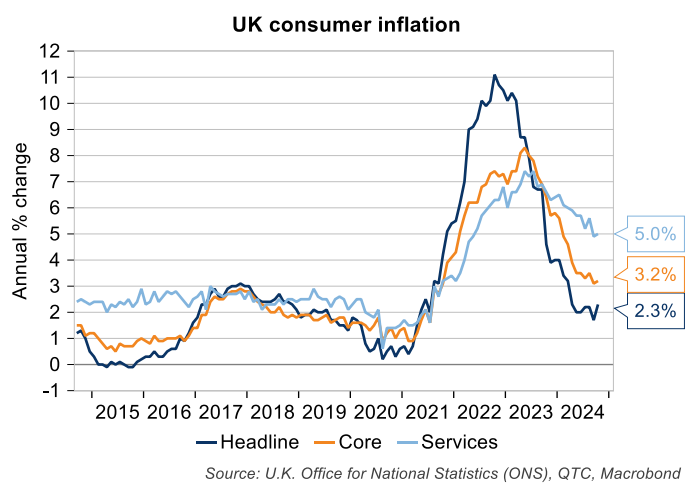


CHART 5: CHINA'S RETAIL SALES AND INVESTMENT GROWTH CONTINUE TO BE WELL BELOW AVERAGE...

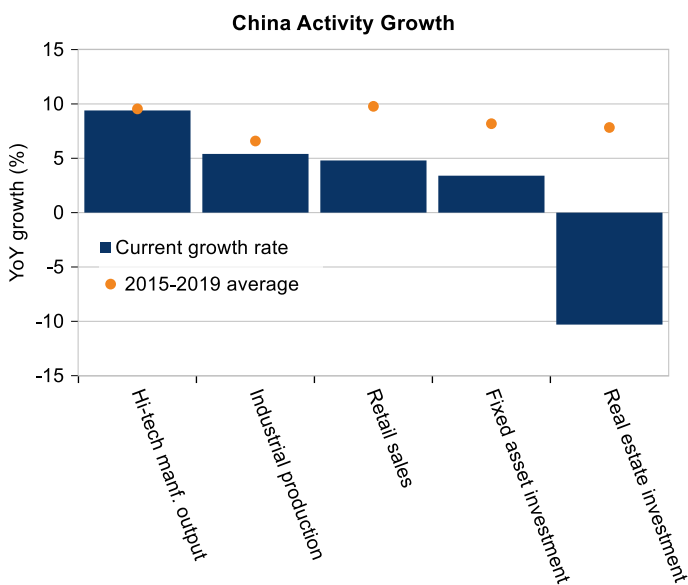


CHART 6: ... WITH REAL ESTATE INVESTMENT REMAINING PARTICULARLY WEAK



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	4.33	-9	23	-1	AUD/USD	0.65	0.55	-2.49	-0.71
	NSWTC	4.33	-9	23	-2	AUD/EUR	0.62	1.09	0.25	3.03
	TCV	4.36	-9	23	-3	AUD/GBP	0.52	1.21	0.28	-1.37
	WATC	4.27	-9	21	-3	AUD/JPY	100.59	-0.43	-0.26	2.53
	Australian Government	4.10	-10	29	1	AUD/CAD	0.91	0.07	-1.59	1.12
	US Government	4.30	-1	32	-32	AUD/NZD	1.11	0.76	0.54	2.36
5 Year	QTC	4.55	-11	23	12	AUD/SGD	0.88	0.67	-0.36	-0.44
	NSWTC	4.54	-10	23	7	AUD/HKD	5.07	0.58	-2.35	-0.90
	TCV	4.61	-11	24	8	AUD/KRW	911.50	0.36	-1.04	6.77
	WATC	4.50	-11	23	8	AUD/CNY	4.71	0.66	-0.91	1.25
	Australian Government	4.20	-11	30	6	AUD/INR	55.05	0.61	-2.00	0.71
	US Government	4.30	-2	30	-13	MAJOR CURRENCIES				
7 Year	QTC	4.85	-12	23	20	EUR/USD	1.05	-0.53	-2.73	-3.63
	NSWTC	4.84	-11	23	12	GBP/USD	1.26	-0.64	-2.76	0.67
	TCV	4.92	-12	24	16	USD/JPY	154.42	0.98	-2.28	-3.27
	WATC	4.77	-12	23	15	USD/CHF	1.13	0.28	-2.29	-0.16
	Australian Government	4.38	-12	31	10	USD/CNY	7.24	-0.10	-1.61	-1.97
	US Government	4.36	-3	25	-9	MAJOR COMMODITIES				
10 Year	QTC	5.25	-11	24	28	Brent Crude Oil	74.23	2.30	-2.38	-8.83
	NSWTC	5.25	-10	24	19	Gold	2,670	4.09	-2.88	34.01
	TCV	5.32	-11	25	20	Copper	9,090	1.11	-5.15	8.09
	WATC	5.09	-11	22	21	Iron Ore	102.01	3.81	1.31	-11.50
	Australian Government	4.56	-12	30	13					
	US Government	4.42	-1	21	2					

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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