Brent Crude w/w	Gold (US$/oz) w/w	ASX 200 w/w	MSCI World w/w	AUD/USD
+4.6%	−4.1%	−0.1%	−1.8%	70.36 +1.3%

Piers Bolger
Chief Investment Officer, Infinity

Markets and central banks

Share markets came under pressure again this week as investors focused on inflation, central bank decisions and ongoing geopolitical tensions. The ASX 200 edged down 0.1%, while global shares fell 1.8%. Within the Australian market, Resources fell 7.1% while Banks gained 5.0%. In the US, the Federal Reserve held interest rates steady, although the decision was not unanimous, and US inflation remains above the top of its target band. In Australia, the news on inflation was unwelcome. The September trimmed mean figure, the RBA's preferred measure of underlying inflation, came in higher than expected, rising 1.0% over the quarter and 3.7% over the year.

The RBA and inflation

The RBA has continued to signal that it is prepared to keep raising rates, and tomorrow's Cup Day meeting is likely to deliver a further 0.25% increase, taking the cash rate to 4.85%. Higher energy prices explain much of the rise in inflation, with Brent crude oil now above US$100 a barrel. Brent has risen 4.6% over the past week and 18.7% over the past month. The RBA also points to elevated government spending as adding to price pressures. Headline inflation stayed firm over the September quarter, driven by sharply higher fuel prices and continued strength in domestically generated inflation. Market services inflation rose to 1.3% for the quarter, and housing inflation remained high, even though new home prices are rising more slowly.

Interest rates, bonds and jobs

Inflation is becoming more entrenched across the economy. As a result, we now expect the cash rate to peak between 5.10% and 5.35%, higher than last week's forecast of 4.85% to 5.10%. Australian 10-year bond yields are around 5.15% and could move higher from here. Weaker productivity has also worsened the outlook for jobs. We expect the unemployment rate to peak at around 4.8% to 5.0% during the first half of 2027.

Offshore: the US and UK

Offshore, the US midterm elections will dominate attention this week, alongside US jobs data and ISM business surveys. We expect the Democrats to win control of the House of Representatives and possibly the Senate, although what this means for the White House policy agenda remains to be seen. In the UK, the Bank of England also meets this week and is expected to raise rates by 0.25% to 4.0%, with the Iran war and elevated energy prices a key consideration. Euro zone inflation data is also due for release.

Asset class returns

	1 wk	1 mth	3 mths	6 mths	1 yr p.a.
Aust Eq (lge) S&P/ASX 200 (Accum)	−0.1%	+1.5%	+1.5%	+1.9%	+0.8%
Aust Eq (sml) S&P/ASX Sml Ords (Accum)	−3.8%	−8.4%	−5.3%	−11.1%	−16.6%
Aust Industrials S&P/ASX 200 Industrials (Accum)	+2.7%	+6.5%	+3.4%	+5.5%	−3.6%
Aust Resources S&P/ASX 200 Resources (Accum)	−7.1%	−9.9%	−3.5%	−7.1%	+16.0%
Global Eq (unh) MSCI AC World (unh) Accum	−1.8%	−2.6%	+0.6%	+6.0%	+3.3%
Global Eq (hdg) MSCI AC World (hdg) Accum	−0.9%	−2.4%	+1.3%	+5.9%	+13.7%
Global Eq (sml unh) MSCI World SMID Cap Index	−0.4%	−1.6%	−1.0%	+0.8%	+9.9%
Global Eq (EM unh) MSCI Emerging Markets (unh) Accum	−3.5%	−8.8%	−3.1%	+0.7%	+7.1%
AREITs S&P/ASX 200 AREIT (Accum)	+0.2%	+2.0%	−7.2%	−5.8%	−19.5%
GREITs EPRA NAREIT (ex-Aust) hdg (Accum)	+1.1%	+0.5%	−8.5%	−2.6%	+4.2%
Global Infra (A$ hdg) S&P Gbl Infrastructure A$ (Hdg) TR	+1.1%	+4.4%	−3.6%	−1.0%	+8.6%
Global Infra (A$ unhdg) S&P Gbl Infrastructure A$ TR	+0.3%	+4.0%	−4.7%	−1.6%	−0.5%
Aust Fixed Income BBerg AusBond Composite (0+yrs)	+0.2%	+1.1%	+0.7%	+1.6%	−0.6%
Global Fixed Income Bar Cap Global Agg Index (AUD hdg)	+0.3%	+1.0%	−0.1%	−0.3%	−0.2%
Aust Cash BBerg Aust Bond Bank Bill Index	+0.1%	+0.4%	+1.1%	+2.2%	+4.1%

Source: Bloomberg, Infinity.

S&P/ASX sectors

	1 wk	1 mth	3 mths	6 mths	1 yr
Energy	−1.5%	+0.8%	+2.6%	+0.5%	+28.2%
Materials	−7.7%	−11.1%	−6.1%	−9.0%	+8.8%
Industrials	+2.7%	+3.8%	−0.3%	+2.7%	−5.9%
Consumer Disc	+1.7%	+9.2%	−2.4%	+9.0%	−14.7%
Consumer Staples	+1.8%	+7.4%	+6.2%	+7.9%	+19.7%
Healthcare	+1.8%	+8.2%	+37.1%	+32.2%	−11.0%
Financials	+4.0%	+7.2%	−0.2%	+1.7%	+0.1%
AREITs	+0.2%	+1.9%	−7.8%	−7.4%	−22.2%
IT	−5.1%	−1.4%	−1.9%	−10.7%	−43.6%
Comm Services	+4.0%	+6.2%	+1.6%	−8.6%	−13.9%
Utilities	+1.9%	+11.1%	+13.0%	+1.4%	+6.6%
Banks	+5.0%	+7.4%	−0.6%	−1.5%	−2.3%

Currencies

Pair	Rate	1 wk	1 mth	3 mths
AUD/USD	70.36	+1.3%	+0.2%	+0.8%
AUD/GBP	52.60	+0.9%	−0.8%	+0.4%
AUD/EUR	62.81	+1.6%	+1.9%	+2.3%
AUD/JPY	110.3600	+0.5%	−0.1%	−3.5%
GBP/USD	1.3374	+0.4%	+1.0%	+0.4%
EUR/USD	112.02	−0.3%	−1.7%	−1.5%
USD/JPY	156.8700	−0.7%	−0.3%	−4.2%
Aust TWI	64.9000	+0.8%	−0.5%	−0.8%

Bond markets — yields & weekly change

	2yr %	3yr %	5yr %	10yr %
Australia	4.86 +1bp	4.84 −1bp	4.88 −2bp	5.16 −7bp
United States	4.68 −3bp	4.75 −5bp	4.81 −6bp	4.99 −8bp
United Kingdom	4.91 +4bp	4.95 +4bp	4.99 +2bp	5.36 −2bp
Japan	1.88 −3bp	2.01 −8bp	2.23 −11bp	2.81 −12bp
Europe	3.06 −5bp	3.10 −4bp	3.17 −5bp	3.35 −8bp

Commodities

	1 wk	1 mth	3 mths
Barclays Cmdty (TR US$)	−0.4%	−0.1%	+7.5%
Gold (US$/oz)	−4.1%	−6.7%	−1.4%
Crude Oil (Brent)	+4.6%	+18.7%	+33.4%
Copper	−0.2%	−1.7%	+6.0%
Iron Ore (Qingdao 62%)	−0.8%	−5.2%	−7.8%

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