Economics and Markets Research

What to Watch

Week of 20 October

Contents

Past Week (jump to section)

- A surprise jump in unemployment makes the RBA's November decision a bit more complicated. We still expect a hold.
- NAB FX Strategy has updated its FX forecasts, taking a less bearish view of the big dollar.

Week ahead (jump to section)

- Quiet **locally** ahead of Q3 CPI the following week. RBA Governor Bullock speaks Friday and Albanese meets Trump Monday.
- BNZ expects **NZ** Q3 CPI (Monday) at 0.9% qoq. Trade data is Tuesday
- **China** is in focus, with Q3 GDP and September monthly activity data on Monday and the Fourth plenum running through Thursday
- **In the US**, the government shutdown rolls into another week, though the delayed CPI report is published Friday. Earnings include Amazon, Netflix and Tesla.
- **Global** preliminary PMIs are published Friday and are the data focus in Europe. ECB's speakers include 2 appearances from Lagarde.
- **UK** CPI (Wednesday) is the last key data ahead of the BoE's 6 November meeting. Also note Japan CPI (Friday) and Canada CPI (Tuesday)

Selected Events Preview (jump to section)

Key Markets

		% change	
	Latest	week	YTD
Cash rates			
RBA Cash Rate	3.60		
US Fed Funds	4.25		
RBNZ Cash Rate	2.50		
Rates		*bps*	*bps*
AU BBSY 3m	3.55	-8.9	-91.9
AU 3y swap	3.31	-18.5	-47.3
AU 3yr yield	3.31	-26.7	-51.1
AU 10yr yield	4.11	-25.5	-25.3
US 10yr yield	3.95	-8.1	-61.7
AU-US 10yr spread	15.7	-17.4	36.4
Commodities		%	%
Iron ore	105	-1.7	8.0
Coal (thermal)	104.6	0.1	-16.5
Brent oil	60.9	-3.0	-15.2
Gold	4339.4	8.0	65.3
FX			
AUD/USD	0.6467	-0.1	4.5
USD (DXY)	98.20	-0.8	-9.5
AUD/NZD	1.1304	-0.1	2.2
AUD crosses			
AUD/JPY	97.14	-0.8	-0.2
AUD/CNY	4.6075	-0.4	2.1
AUD/EUR	0.5526	-0.8	-7.5
AUD/GBP	0.4811	-0.7	-2.7
Equities			
ASX 200	8998.6	0.4	10.3
ASX Resources	6278.3	3.0	21.8
ASX Financials	9663.6	-0.5	12.2
US S&P 500	6629.1	-1.6	12.7

Source: Bloomberg

Taylor Nugent, Senior Markets Economist | **Gavin Friend, Senior Markets Strategist**

Week in Review

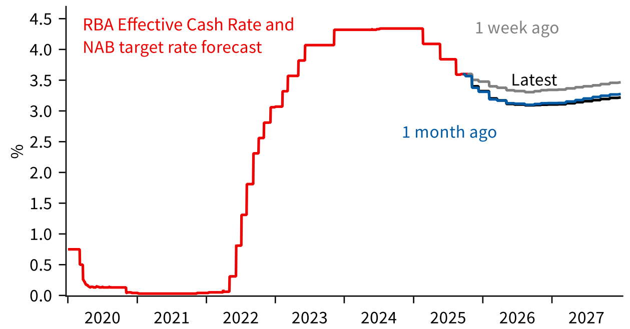
A surprise jump in the unemployment rate this week means the Monetary Policy Board looks set to be meeting in early November, facing an upside surprise on both inflation and unemployment. The process of rebuilding confidence on the inflation outlook would be protracted with a broadly stable labour market, but the bar to looking through some short-term bad news on inflation is lower if the RBA's residual concern that the labour market remains 'a little tight' fades.

Higher unemployment makes a November cut a higher probably than would have been the case had unemployment this week been near our and consensus expectations. Even so, we continue to expect a hold as the RBA awaits more clarity on the outlook given the inherent month-to-month volatility in labour data and ongoing uncertainties around capacity utilisation across product and labour markets.

Communication from the RBA ahead of Thursday's data made clear they had noticed and were uncomfortable about housing and services inflation dynamics in the third quarter. Notably, the Minutes said that "*the combination of potentially higher-than-expected inflation and broadly stable labour market conditions, if sustained, could imply that the staff's assumption regarding the balance between aggregate demand and potential supply was incorrect.*"

Assistant Governor Kent outlined their assessment of policy restrictiveness and noted "*several indicators of financial conditions…show early signs of responding to the easing in financial conditions this year.*" Governor Bullock this week continued to call policy 'marginally' restrictive. RBA pricing is back where it was a month ago.

RBA Market Expectations



Source: National Australia Bank, Bloomberg

NAB's FX Strategy team on Friday updated its FX forecasts, taking a less bearish view of the big dollar and anticipating it finding a base no later than Q3 next year. This is after the 'sell America' narrative and related FX flows that punished the US dollar earlier this year have been notable by their absence since early July and the economy has, through Q3 at least, evidently lost none of its economic exceptionalism. Fed policy easing, driven by Fed focus on the employment side of its dual mandate and with another 100bps of rate cuts in NAB's current forecast track, drives the still-negative USD outlook. AUD/USD is still seen capable of getting back above 0.70 on the revised forecasts, but not as quickly and not getting as high as 0.75 by end-2026 as previously forecast.

Week Ahead

It is a near blank domestic calendar next week as we await the Q3 CPI on 29 October ahead of the RBA's 4 November decision. Governor Bullock is scheduled to speak at the Bradfield Oration in Sydney on Friday and Assistant Governor Brad Jones speaks on a panel at the ISDA/AFMA Derivatives Trading Forum in Sydney. US President Trump hosts PM Albanese at the White House Monday.

In **NZ**, Q3 CPI due Monday is the key release, with BNZ looking for +0.9% qoq and 3.0% yoy. Also during the week is merchandise trade on Tuesday.

China is in focus. GDP data on Monday should confirm slower growth in Q3. September month activity indicators are also released. China holds its Fourth Plenum from Monday through Thursday. A brief report outlining the general scope of the 15th five-year development plan is likely to be released on Thursday when the plenum ends.

In the **US**, the September CPI, delayed from last week, is set for publication Friday. Other data releases remain suspended due to the government shutdown, which began 1 October and is set to continue into next week after a tenth failed vote in the Senate overnight. Consensus is for core CPI is 0.3% mom, leaving the yoy rate at 3.1%. Too high, but not enough to shift the balance of risks calculus for a forward looking FOMC. The Fed's pre-meeting quiet period begins Sunday.

US Earnings season continues, including reports from Netflix and Tesla and Amazon.

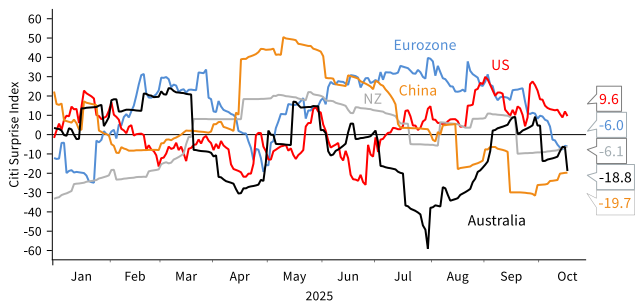
S&P Global preliminary PMIs are out Friday and are the focus in an otherwise quiet European data calendar.

The IMF-WB annual conference wraps up tomorrow, with ECB President Lagarde and BOE Governor Bailey to speak at a Group of 30 seminar. Lagarde speaks again on Thursday, with appearances by Lane, Schnabel and others also scheduled.

In the **UK**, CPI (Wednesday) is the last important data point before the BoE 6 November rate meeting, where markets only price around 4bp.

Japan gets CPI Friday and **Canada** sees CPI Tuesday which could tilt the BoC more clearly toward either a hold or a cut at their 29 October meeting after stronger than expected employment data.

Citi Economic Surprise Indexes*



* The surprise indicies measure data surprises relative to market expectations. A positive reading means that data releases have been stronger than expected and a negative reading means that data releases has been worse than expected
Source: National Australia Bank, Macrobond

Key Event Previews

Full calendar below

Monday 20

NZ CPI

BNZ's Q3 CPI forecast is +0.9% q/q and 3.0% y/y. This is the same as the RBNZ's August MPS forecast, but the Bank noted in the October MPR that there is a material possibility Q3 CPI prints above 3.0%. The RBNZ appears to be comfortable looking through near-term price pressures, as they expect annual CPI inflation to return to around the 2% mid-point over the first half of 2026. This is a view we share.

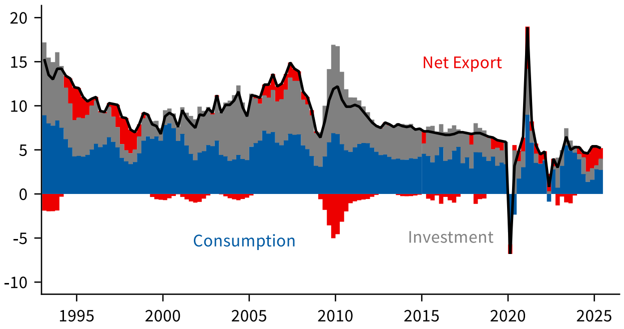
As for the September quarter itself, food, household energy, and local authority rates are expected to contribute around 80% to the overall expected 0.9% quarterly price gain. The forecast lift in annual inflation is expected to be driven by tradeables with its annual inflation lifting to 2.1% from 1.2%, while RBNZ expects non-tradeables annual inflation to ease marginally from 3.7% to 3.6%.

CH Q3 GDP and September activity

China Q3 GDP is expected to slow from its H1 2025 pace. Subsidy supports for consumption have waned and a pick-up in exports is unlikely to be enough to offset softness in investment and the property market. The early analyst consensus is 0.8% qoq and 4.7% yoy.

Monthly activity indicators including retail sales and industrial production for September are released at the same time.

GDP Growth



Source: National Australia Bank, China National Bureau of Statistics (NBS), Macrobond

Tuesday 21

NZ Trade Balance

The merchandise annual trade deficit is expected to be around $2.5b in September. This is slightly smaller than the $3.0b annual deficit recorded in August and would extend the recent narrowing trend.

CA CPI

Stronger than expected September employment data leaves market pricing for the Bank of Canada's 29 October meeting close to a coin toss at 14bp. Core inflation remains around 3% on trimmed mean and weighted median measures, though BoC analysis has argued a truer underlying inflation signal is nearer 2.5% (Underlying inflation: Separating the signal from the noise - Bank of Canada).

UK Public Finances (Sep)

EZ Current Account (Aug), ECB Lagarde Speech

Wednesday 22

UK CPI

This report is the last important data point before the BoE 6 November rate meeting. While markets only attached 3 or 4bps to a hike, we believe it is a much closer call. The latest average earnings and labour report was benign enough for a rate cut we think, but for Governor Bailey to propose such a move, September inflation needs not to surprise on the upside relative to consensus estimates. The BoE has forecast a cyclical peak in the headline of 4% for this month. Motor fuel and airfares will help push it higher. Core CPI is expected to rise to 3.8% from 3.6%, while services prices rise from 4.7% to 4.9%.

NZ GDT Auction

The latest GDT dairy auction takes place early on Wednesday morning. A record start to New Zealand's production season has seen a lift in forecast GDT volumes, providing an extra headwind to near term pricing. The balance of indicators suggests another moderate price decline.

Thursday 23

US Jobless claims

EZ Consumer Confidence (Oct)

Friday 24

JN CPI

Japan's CPI is expected to rise a tenth to 2.8% on the headline measure, fall to 3.1% from 3.3% on the ex fresh food and energy measure, comfortably above the BoJ's 2% target. The downside surprise in the September Tokyo CPI was due to childcare and water fee cuts in the city which will have a smaller impact on the national figures. The political, not the data backdrop, remains the hurdle to further normalisation.

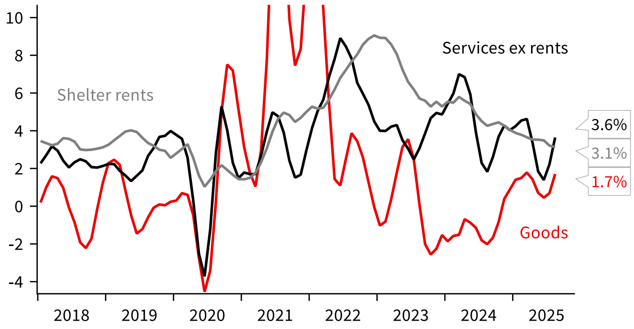
AU RBA's Bullock

RBA Governor Bullock speaks at the Bradfield oration in Sydney. The event has a Q&A, so there may be some opportunity to gauge Bullocks thinking on the tension between CPI and labour market developments. If not, a fireside chat at an Australian Business Economists event the following Monday (27th) provides another opportunity, with nothing scheduled between Q3 CPI on 29 October and the 4 November decision.

US CPI

Analyst expectations are for a 0.3% mom for core, which would leave the year ended rate at 3.1%. Hotel and airfare prices should moderate in the month and may make services inflation trends look marginally less threatening. It would take a notable surprise and uncomfortable breadth in price pressures for the inflation data to stand in the way of further near-term adjustment from the FOMC.

Core CPI inflation (3mth/3mth annualised %)

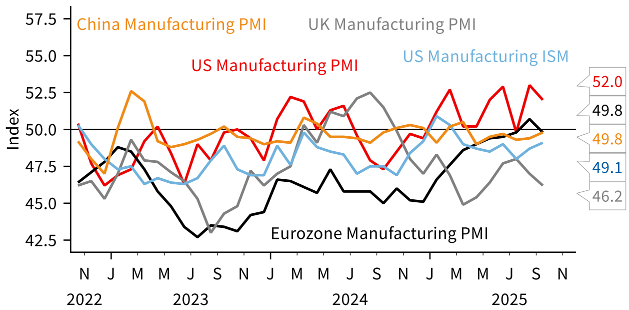


Source: National Australia Bank, U.S. Bureau of Labor Statistics (BLS), Macrobond

EZ, UK, US Manf/Services PMIs (preliminary Oct)

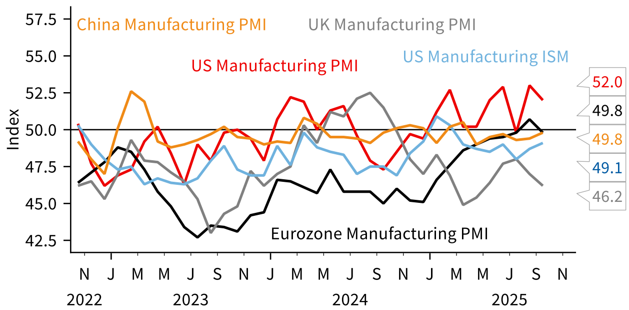
As far as the S&P PMI surveys go, the US stands above its peers in both manufacturing and services activity. That said the EZ has seen an impressive rebound in both, that belies its actual growth data. The UK lags seriously on manufacturing and has seen its services activity revised lower recently.

Global Manufacturing PMIs



Source: National Australia Bank, S&P Global, Institute for Supply Management (ISM), China Federation of Logistics & Purchasing, Macrobond

Global Manufacturing PMIs



Source: National Australia Bank, S&P Global, Institute for Supply Management (ISM), China Federation of Logistics & Purchasing, Macrobond

Weekly Ahead Calendar

Date	Time	Country	Event	Period	Consensus	Previous
Sunday, 19 October	12:00 AM	UK	BOE's Bailey Speaks	--	--	--
	12:00 AM	EC	ECB's Lagarde Speaks at Group of Thirty Event in DC	--	--	--
	--	US	(19 Oct - 31 Oct) Fed's External Communications Blackout	--	--	--
Monday, 20 October	8:45 AM	NZ	CPI QoQ	3Q	0.9%	0.5%
	8:45 AM	NZ	CPI YoY	3Q	3.0%	2.7%
	8:45 AM	NZ	CPI Tradeable QoQ	3Q	0.8%	0.3%
	8:45 AM	NZ	CPI Non Tradeable QoQ	3Q	1.2%	0.7%
	12:00 PM	CH	1-Year Loan Prime Rate	Oct 20	3.00	3.0
	1:00 PM	CH	GDP YoY	3Q	4.7%	5.2%
	1:00 PM	CH	GDP SA QoQ	3Q	0.8%	1.1%
	1:00 PM	CH	Retail Sales YoY	Sep	3.0%	3.4%
	1:00 PM	CH	Industrial Production YoY	Sep	5.0%	5.2%
	2:50 PM	JN	BOJ Board Takata Speech	--	--	--
	7:00 PM	EC	ECB's Schnabel Speaks in Frankfurt	--	--	--
	1:00 AM	US	Leading Index	Oct	-0.3%	-0.5%
	1:00 AM	EC	ECB's Schnabel, BIS's Maechler Speak in Frankfurt	--	--	--
Tuesday, 21 October	8:45 AM	NZ	Trade Balance NZD	Sep	--	-1184.9
	10:45 AM	AU	RBA's Jones-Panel	--	--	--
	11:30 PM	CA	CPI NSA MoM	Sep	-0.2%	-0.1%
	11:30 PM	CA	CPI YoY	Sep	2.1%	1.9%
Wednesday, 22 October	5:00 PM	UK	CPI MoM	Sep	--	0.3%
	5:00 PM	UK	CPI YoY	Sep	--	3.8%
	5:00 PM	UK	CPI Core YoY	Sep	--	3.6%
	10:00 PM	US	MBA Mortgage Applications	Oct 17	--	-1.8%
Thursday, 23 October	11:30 PM	CA	Retail Sales MoM	Aug	1.0%	-0.8%
	11:30 PM	US	Initial Jobless Claims	Oct 18	230.00	218.0
	1:00 AM	US	Existing Home Sales	Sep	4.06	4.0
Friday, 24 October	10:30 AM	JN	Natl CPI YoY	Sep	2.8%	2.7%
	11:05 AM	AU	RBA's Bullock-Remarks	--	--	--
	11:30 AM	JN	S&P Global Japan PMI Mfg	Oct P	--	48.5
	5:00 PM	UK	Retail Sales Inc Auto Fuel MoM	Sep	--	0.5%
	6:15 PM	FR	HCOB France Manufacturing PMI	Oct P	--	48.20
	6:30 PM	GE	HCOB Germany Manufacturing PMI	Oct P	49.00	49.5
	7:00 PM	EC	HCOB Eurozone Manufacturing PMI	Oct P	50.00	49.8
	7:30 PM	UK	S&P Global UK Manufacturing PMI	Oct P	--	46.2
	11:30 PM	US	CPI MoM	Sep	0.4%	0.4%
	11:30 PM	US	CPI YoY	Sep	3.1%	2.9%
	12:45 AM	US	S&P Global US Manufacturing PMI	Oct P	51.80	52.0
	12:45 AM	US	S&P Global US Composite PMI	Oct P	--	53.9
	1:00 AM	US	New Home Sales	Sep	710.00	800.0
	1:00 AM	US	U. of Mich. Sentiment	Oct F	55.00	55.0

Upcoming Central Bank Interest Rate Announcements		**Current**
Nov 4	Australia, RBA	3.60
Nov 6	UK, BOE	4.00
Oct 29	US, Federal Reserve (Upper Bound)	4.25
Nov 26	New Zealand, RBNZ	2.50
Oct 29	Canada, BoC	2.50
Oct 30	Europe, ECB	2.00
Oct 30	Japan, BoJ	0.50

Sydney Time. Dates reflect 24 hours from 7am

Forecasts Tables

Australian Economic Forecasts

		2024				2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP													
Household Consumption		0.5	-0.3	0.0	0.7	0.4	0.9	0.5	0.5	0.6	0.6	0.6	0.5
Dwelling Investment		0.7	0.5	1.6	0.7	2.1	0.4	0.5	0.5	0.8	0.8	0.8	0.7
Underlying Bus. Investment		-1.7	0.2	-0.8	0.3	0.1	-1.0	0.4	0.9	0.5	0.9	0.8	0.5
Public Final Demand		1.0	1.1	2.8	0.4	-0.2	0.0	0.4	0.4	0.4	0.4	0.4	0.4
Domestic Final Demand		0.5	0.3	0.8	0.6	0.3	0.5	0.5	0.6	0.6	0.6	0.6	0.6
	(% y/y)	2.3	1.6	1.8	2.3	2.0	2.2	1.9	1.9	2.2	2.3	2.4	2.4
Inventories	(contr)	0.5	-0.1	-0.3	0.1	0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net Exports	(contr)	-1.0	-0.1	0.1	0.0	-0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Gross Domestic Product		0.2	0.1	0.3	0.6	0.3	0.6	0.5	0.6	0.5	0.6	0.6	0.6
	(% y/y)	1.2	0.9	0.8	1.3	1.4	1.8	2.0	2.0	2.3	2.2	2.3	2.3
Labour Market													
Employment		0.3	0.6	0.9	0.5	0.3	0.6	0.2	0.3	0.5	0.4	0.4	0.4
Unemployment Rate	(%)	3.9	4.0	4.1	4.0	4.1	4.2	4.3	4.4	4.3	4.3	4.3	4.3
WPI Wages		0.7	0.9	0.8	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
	(% y/y)	4.0	4.1	3.5	3.2	3.4	3.4	3.4	3.5	3.4	3.3	3.3	3.2
Inflation													
CPI Trimmed Mean		1.0	0.8	0.8	0.5	0.7	0.7	0.9	0.8	0.7	0.6	0.6	0.6
	(% y/y)	4.0	4.0	3.6	3.2	2.9	2.7	2.9	3.1	3.0	3.0	2.7	2.6
CPI Headline		1.0	1.0	0.2	0.2	0.9	0.8	1.1	0.5	1.0	0.6	0.6	0.6
	(% y/y)	3.6	3.8	2.8	2.4	2.4	2.2	3.1	3.4	3.5	3.4	2.8	2.9

Source: ABS, NAB Economics. Quarterly percent change unless specified

See: Global FX Strategist

Exchange Rate Forecasts

	16-Oct	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Majors						
AUD/USD	0.647	0.67	0.69	0.71	0.72	0.71
NZD/USD	0.57	0.59	0.60	0.62	0.63	0.63
USD/JPY	150.2	146	144	140	135	135
EUR/USD	1.17	1.19	1.20	1.21	1.23	1.22
GBP/USD	1.34	1.35	1.35	1.36	1.38	1.37
USD/CNY	7.12	7.08	7.05	6.95	6.90	6.85
USD/CAD	1.40	1.37	1.36	1.32	1.28	1.30
USD/CHF	0.79	0.78	0.77	0.76	0.75	0.76
Australian Cross Rates						
AUD/NZD	1.13	1.14	1.15	1.15	1.14	1.13
AUD/JPY	97.1	98	99	99	97	96
AUD/EUR	0.55	0.56	0.58	0.59	0.59	0.58
AUD/GBP	0.48	0.50	0.51	0.52	0.52	0.52
AUD/CNY	4.61	4.74	4.86	4.93	4.97	4.86
AUD/CAD	0.91	0.92	0.94	0.94	0.92	0.92
AUD/CHF	0.51	0.52	0.53	0.54	0.54	0.54

Interest Rate Forecasts

	16-Oct	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Australian Rates						
RBA cash rate	3.60	3.60	3.60	3.35	3.35	3.35
3 month bill rate	3.50	3.71	3.56	3.46	3.46	3.46
3 Year Swap Rate	3.31	3.35	3.25	3.25	3.25	3.35
10 Year Swap Rate	4.11	4.15	4.00	3.95	3.95	3.95
Offshore Policy Rates						
US Fed funds	4.25	3.75	3.75	3.50	3.25	3.25
RBNZ OCR	2.50	2.25	2.25	2.25	2.25	2.25
10-year Bond Yields						
Australia	4.11	4.25	4.10	4.05	4.05	4.05
United States	3.95	4.25	4.10	4.00	4.00	4.00
New Zealand	3.96	4.20	4.20	4.20	4.30	4.35

See: Global Forward View

Global GDP

	2024	2025	2026	2027
US	2.8	1.8	1.7	1.9
Euro-zone	0.8	1.3	1.1	1.3
Japan	0.1	1.4	0.7	0.7
UK	1.1	1.3	1.0	1.3
Canada	1.6	1.1	0.9	2.1
China	5.0	4.8	4.0	3.9
India	6.7	7.1	6.2	6.4
Latin America	2.4	2.2	1.8	2.0
Other East Asia	4.0	3.4	3.2	3.4
NZ	-0.6	0.6	2.8	2.5
Global	3.3	3.2	2.9	3.0
Major trading partners	3.5	3.5	3.1	3.1

Contacts

Economics

Sally Auld
Group Chief Economist
+61 422 224 752
sally.auld@nab.com.au

Gareth Spence
Head of Australian Economics
+61 436 606 175
gareth.spence@nab.com.au

Tony Kelly
Head of International Economics
+61 477 746 237
antony.kelly@nab.com.au

Taylor Nugent
Senior Markets Economist
+61 452 671 752
taylor.nugent@nab.com.au

Markets Research

Skye Masters
Head of Research
+61 2 9295 1196
skye.masters@nab.com.au

Foreign Exchange

Ray Attrill
Head of FX Strategy
+61 2 9293 7170
ray.attrill@nab.com.au

Rodrigo Catril
Senior FX Strategist
+61 2 9293 7109
rodrigo.h.catril@nab.com.au

London/Europe

Gavin Friend
Senior Markets Strategist
+44 207 710 1588
gavin.friend@eu.nabgroup.com

Fixed Income

Kenneth Crompton
Senior Interest Rate Strategist
+61 2 9293 7132
Kenneth.crompton@nab.com.au

Gregorius Steven
Senior Associate, Interest Rate Strategy

Michael Bush
Head of Credit Research
+61 3 8641 0575
michael.d.bush@nab.com.au

Evy Noble
Analyst, Credit Research
+61 2 7226 7336
evy.noble@nab.com.au