



Middle Market Update



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Economic Update

Australia

Australian interest rates fell over the past week, 3 and 10 year bond yields decreased by 7 and 4 basis points respectively indicating lower inflationary expectations. It is difficult to explain the cause of the falls given there was limited economic data published. Job vacancies rose +0.6% q/q and Private Credit Growth increased +0.5% m/m. The market is currently pricing a zero chance of a rate hike in 2018 and a 40% chance in October 2019 up from 32% last week. The focus this week will be the RBA cash rate decision this afternoon and later in the week manufacturing, International trade, building approvals and retail sales data.

Offshore

As expected the US Fed raised the federal funds rate by 25bps, the accompanying statement and forecasts were largely as expected. Forward interest rate forecasts from the Fed were relatively unchanged; the market is now forecasting a fourth rate hike in 2018 and three rate hikes in 2019. The word "accommodative" was removed from the statement, but Fed Chair Powell later stated that "Dropping accommodation does not change anything with regards to the path of policy". As we can see below in the Market Snapshot US interest rates were relatively unchanged over the week.

More details on China's tariff cut plans have been released. It is expected that China will reduce import tariffs on 1,585 different products on 1 November. The combination of these and other tariff cuts this year is said to save consumers and companies about USD8.7bn. There was no indication of whether imports from the US would be included.

[Read more on our macroeconomics page here.](#)

Market snapshot

Rates			
Australia	2/10/2018	25/09/2018	Change

RBA Cash Rate	1.50%	1.50%	0.00%
1 Month BBSW	1.87%	1.85%	0.02%
3 Month BBSW	1.93%	1.94%	-0.01%
6 Month BBSW	2.13%	2.13%	0.00%
1 Year Swap	1.93%	1.99%	-0.06%
3 Year Bond Futures	2.09%	2.16%	-0.07%
10 Year Bond Futures	2.71%	2.75%	-0.04%
U.S.	2/10/2018	25/09/2018	Change
2 Year Bond Futures	2.82%	2.82%	0.00%
10 Year Bond Futures	3.08%	3.09%	-0.01%
Equities			
ASX 200	6,172	6,185	-13
S&P 500	2,925	2,889	36
FX			
AUD/USD	0.7224	0.7177	0.0047
AUD/NZD	1.0922	1.091	0.0012
AUD/EUR	0.624	0.6142	0.0098
AUD/GBP	0.554	0.5454	0.0086
Commodities			
Gold	\$1,188.70	\$1,200.96	-\$12.26
Oil	\$75.67	\$68.74	\$6.93
Iron ore	\$68.52	\$68.87	-\$0.35

Did you know?

The ING International Survey - Homes and Mortgages 2018 - Home Costs and Prices 2018 surveyed approximately 15,000 people in Australia, Europe and the USA about the affordability of homes. It revealed that 44% of Australians believed that they will never be able to buy a property. When the sample was asked for the reasons for this 49% believe that their

income is insufficient and 28% believe prices will stay too high.

[Click here to read more of the survey.](#)

Need more information?

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