



# Middle Market Update



Our office will be closed from close of business Monday 24th December and reopening Tuesday 2nd January. This is the final weekly market update for the year. It will resume in late January. Visit our [Wholesale Term Deposit page](#) for more information.

## Economic Update

### Australia

Australian consumer sentiment rose +0.1% m/m and +1.1% y/y in December, holding up despite concerns about a spill over from the softening housing market. Housing finance data also improved last month, with the number of approvals for owner-occupiers up +2.2% m/m, better than the market expectation of a -0.4% decline. The increase was driven by broad-based gains across established dwellings, refinancing and new construction.

NAB's Business Survey revealed that business conditions and confidence both eased -2pts in November to +11 and +3 respectively. The falls were driven by weaker performance in the equity market and weakening business conditions largely attributable to rising capacity constraints, wages and margin compression.

RBA Assistant Governor Dr Kent delivered a speech titled "US Monetary Policy and Australian Financial Conditions", Dr Kent discussed the transmission mechanism of US policy rates to financial conditions in Australia, primarily through the channel of Australian banks' offshore funding costs. Markets reacted negatively with 3 and 10 year bond yields falling by 4 and 3 basis points respectively over the week. The market is now pricing a 12% chance of a 25bp rate cut in November 2019.

The RBA minutes released this morning confirmed the RBA's watch and wait approach to consumption growth against a backdrop of low growth in household incomes, high household debt and declining house prices. November employment data is due out on Thursday.

### Offshore

The risk-off tone continued offshore with US Equities falling over the week following softer US manufacturing data, weaker than expected Chinese data and the downgrade of Eurozone inflation. US-China trade tensions continue to be a source of volatility for global markets despite the current 90 day truce. UK's PM May said that the parliamentary vote on her Brexit plan which was postponed last week will now be held in mid-January, with Sterling rallying 0.3% to 1.2625 as a result. The US Fed funds rate futures are still pricing a rate hike this

week at 70% but have pulled back on 2019 tightening to about 19 basis points total for the year.

For more ING economic analysis, go to <https://think.ing.com/>.

## Market snapshot

Rates			
Australia	18/12/2018	11/12/2018	Change
RBA Cash Rate	1.50%	1.50%	0.00%
1 Month BBSW	1.93%	1.90%	0.03%
3 Month BBSW	2.02%	1.99%	0.03%
6 Month BBSW	2.18%	2.14%	0.04%
1 Year Swap	1.93%	1.93%	0.00%
3 Year Bond Futures	1.91%	1.95%	-0.04%
10 Year Bond Futures	2.43%	2.46%	-0.03%
U.S.	18/12/2018	11/12/2018	Change
2 Year Bond Futures	2.70%	2.73%	-0.03%
10 Year Bond Futures	2.86%	2.86%	0.00%
Equities			
ASX 200	5,658	5,552	106
S&P 500	2,559	2,635	-76
FX			
AUD/USD	0.7176	0.7189	-0.0013
AUD/NZD	1.0545	1.0458	0.0087
AUD/EUR	0.6323	0.6332	-0.0009
AUD/GBP	0.5684	0.5725	-0.0041
Commodities			
Gold	\$1,245.77	\$1,242.37	\$3.40

Oil	\$49.23	\$50.94	-\$1.71
Iron ore	\$68.96	\$66.50	\$2.46

## Need more information?

Contact ING Middle Market on 1800 209 744 or email [middlemarket@ing.com.au](mailto:middlemarket@ing.com.au)

To learn more



Visit [ing.com.au](http://ing.com.au)



Call 1300 656 226




---

### Important Information: Disclaimer

The information contained in this update is current as at the date of this email and is subject to change. You received this email as you provided ING with your email address. However, if you do not wish to receive further email communications from ING please send an email to [middlemarket@ing.com.au](mailto:middlemarket@ing.com.au) with "Unsubscribe" in the subject line or call 1800 209 744.

Any advice in this Middle Markets Update does not take into account your organisation's objectives, financial, tax or accounting circumstances or needs and you should consider whether it is appropriate for the organisation you represent. You should consider the relevant Terms and Conditions and the product's appropriateness when deciding whether to acquire a product.

ING is a business name of ING Bank (Australia) Limited ABN 24 000 893 292 AFSL and Australian Credit Licence 229823  
60 Margaret Street, Sydney, NSW, 2000, AU