

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6340	-0.2%	WTI Crude Oil	72.18	\$0.43
90-day Bill	4.15	0	AUD/JPY	95.85	-0.7%	Brent Crude Oil	76.04	\$0.20
3-year Bond	3.93	-1	AUD/EUR	0.6083	0.0%	Mogas95*	87.61	\$0.36
10-year Bond	4.52	-2	AUD/GBP	0.5039	0.1%	CRB Index	316.63	1.10
			AUD/NZD	1.1116	-0.1%	Gold	2939.54	\$6.86
			AUD/CNY	4.6177	0.0%	Silver	32.74	-\$0.20
US			EUR/USD	1.0422	-0.2%	Iron Ore (62% Fe)**	107.00	\$0.05
2-year	4.27	-4	USD/JPY	151.17	-0.5%	Iron Ore (24-25 Average)	101.92	\$0.02
10-year	4.53	-2	USD/CNY	7.2788	0.0%	Copper	9466.50	-\$5.50
			RBA Policy			Equities		
Other 10-year			O/N Cash Rate Target	4.10		ASX200	8333	-97
Japan	1.44	1	Interbank O/N Cash Rate	4.09		Dow Jones	44628	71
Germany	2.56	6	Probability of a 25bps Cut in Apr	18.6%		S&P500	6144	15
UK	4.61	5	RBA Bond Holdings (31 Jan)	A\$297.6b		Stox600	552	-5
						CSI300	3940	27

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.

**Iron ore is the second SGX futures contract.

US stocks saw further marginal gains overnight, taking the S&P 500 to a new record high. The increases were muted by new tariff threats from US President Donald Trump [yesterday morning](#). US Treasury yields declined slightly, as the FOMC minutes confirmed that the Committee participants were in no rush to cut rates further, but some of them saw a case for a slowdown in Fed balance sheet run-off.

In Australia, the ASX 200 dropped by 0.7% yesterday, with energy and financials seeing the biggest losses, before dropping by around 1% at the open this morning. Commonwealth bond yields declined, while the Australian dollar depreciated against the stronger US dollar and Japanese yen.

Minutes from the latest FOMC meeting confirmed that the Fed would like to see 'further progress on inflation' before adjusting the fed funds rate further, especially if the economy remains close to full employment. The meeting participants also cited a 'high degree of uncertainty', which justifies a cautious approach to future monetary policy decisions. Various participants considered that it might be appropriate to slow down or even pause the Fed balance sheet wind-down due to potential market volatility related to 'debt ceiling dynamics'.

Across the Atlantic, ECB Executive Board member (and hawk) Isabel Schnabel called for the start of discussion on a possible pause in rate cuts in the euro area. So far, the ECB has cut its policy rates by 125bps in this cycle, taking the deposit rate to 2.75%, with markets expecting nearly 200bps cuts over the remainder of this year. Schnabel's comments led to a rise in government bond yields across the euro area member states.

Closer to home, the RBNZ cut its official cash rate by 50bps to 3.75%, as expected, with updated forward guidance projecting a fall to around 3.10% by the end of this year, which is in line with the market pricing.

Data-wise, the UK CPI fell by 0.1% in January, but the annual rate of inflation spiked to 3.0%, higher than the 2.8% pencilled in by the market consensus. Core inflation rose to 3.7%, and services price inflation rose to 5.0%. Gilt yields picked up after the release, but the British pound depreciated.

In Australia, the [wage price index](#) rose by 0.7% in Q4 2024, which is less than the 0.9% expected by markets and the least since Q1 2022. The annual rate of wages growth decelerated to 3.2% from the upwardly revised 3.6% in the previous quarter. This was the weakest annual gain in over two years.

The Westpac Melbourne Institute leading index rose by 0.12% in January, while its six-month annualised growth rate accelerated to 0.58%, suggesting that economic activity growth will continue to outpace trend growth three to nine months into the future.

Economic Data Review

- **AU:** Wage Price Index (QoQ, Q4) – Actual 0.7%, Expected 0.8%, Previous 0.9% (previous).
- **AU:** Westpac Melbourne Institute Leading Index (Jan) – Actual 0.12%, Previous -0.02%.
- **UK:** CPI (MoM, Jan) – Actual -0.1%, Expected -0.3%, Previous 0.3%.

Economic Data Preview

- **AU:** Employment (monthly change, Jan) – Expected 20.0k, Previous 56.3k.
- **AU:** Unemployment Rate (Jan) – Expected 4.1%, Previous 4.0%.
- **US:** Initial Jobless Claims (w/e 15 Feb) – Expected 215k, Previous 213k.