

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6230	0.7%	WTI Crude Oil	80.36	\$2.40
90-day Bill	4.34	-2	AUD/JPY	97.40	-0.3%	Brent Crude Oil	82.03	\$2.11
3-year Bond	3.94	-11	AUD/EUR	0.6054	0.8%	Mogas95*	89.74	\$1.36
10-year Bond	4.51	-12	AUD/GBP	0.5090	0.4%	CRB Index	312.17	4.85
			AUD/NZD	1.1077	0.3%	Gold	2694.03	\$19.88
			AUD/CNY	4.5637	0.6%	Silver	30.65	\$0.83
US			EUR/USD	1.0293	-0.1%	Iron Ore (62% Fe)**	101.60	\$1.05
2-year	4.27	-9	USD/JPY	156.33	-1.0%	Iron Ore (24-25 Average)	101.31	\$0.01
10-year	4.66	-13	USD/CNY	7.3319	0.0%	Copper	9167.50	\$13.50
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	8338	75
			Interbank O/N Cash Rate	4.34		Dow Jones	43222	703
Other 10-year			Probability of a 25bps Cut in Feb	72.8%		S&P500	5950	107
Japan	1.24	0	RBA Bond Holdings (31 Dec)	A\$297.6b		Stoxx600	515	7
Germany	2.56	-9				CSI300	3796	-25
UK	4.73	-16						

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

**Iron ore is the second SGX futures contract.

The US equity market had its best day since November and US treasury yields slumped, dragging global bond yields lower, after the US core CPI came in better than expected.

Headline US CPI inflation rose 0.4% in December as expected, with 40% of the increase due to higher energy prices, to be up 2.9% YoY. Core (ex. food and energy) CPI inflation eased to 0.2% in the month (mkt exp. 0.3%) and eased 0.1ppts to 3.2% YoY. The news relieved some of the fear over a possible reignition of inflation that had been building since the release of the US employment report early this month.

The European market also closed sharply higher, with the Stoxx 600 initially boosted by better-than-expected UK inflation numbers before jumping after the US CPI. Trading in the Asia-Pacific region was again a mixed bag with the Japanese Nikkei 225 closing near flat while the mainland Chinese market slipped after a strong rebound on Tuesday.

At home, the ASX 200 jumped at the open yesterday before giving up most of its early gains. The market has opened higher again this morning.

The return of a risk-on mood on markets helped lift the Aussie dollar against all the majors except the Japanese yen, which climbed after comments from Bank of Japan governor Kazuo Ueda boosted expectations for a Japanese interest rate hike next week.

US treasury yields fell sharply after news of slower US core inflation in December saw traders increase their pricing for Fed interest rate cuts this year. Although there are still less than 50bps of cuts priced into the futures curve for 2025. Aussie bond yields have followed US yields lower this morning but are vulnerable to further sharp moves today if the Aussie employment numbers either undershoot or beat expectations. News of an unexpected easing in UK inflation relieved some of the upward pressure on UK gilt yields.

Oil prices climbed to the highest levels since July 2024 as concerns over the impact of further sanctions on the trade in Russian oil, a drawdown in US oil inventories and threats cut from the Alberta Premier to cut oil exports to the US if tariffs are imposed, more than offset news of a ceasefire agreement between Israel and Hamas.

The Jobs and Skills Australia internet job vacancy report saw a 2.5% decline in online job ads in December, in contrast to the 0.3% rise in the ANZ-Indeed job ads report earlier this week. This was the third monthly fall in a row of over 2%, with vacancies down 17.4% from a year earlier, though they remain well above pre-pandemic levels. The declines were broad-based across all occupations, states and territories in December, including a 1.8% fall in Western Australia.

Economic Data Review

- **AU:** Internet Job Vacancies (MoM, Dec) – Actual -2.4%, Previous -2.0%.
- **US:** CPI (MoM, Dec) – Actual 0.4%, Expected 0.4%, Previous 0.3%.

Economic Data Preview

- **AU:** Employment (Monthly Change, Dec) – Expected 15.0k, Previous 35.6k.
- **AU:** Unemployment Rate (Dec) – Expected 4.0%, Previous 3.9%.
- **US:** Retail Sales (MoM, Dec) – Expected 0.6%, Previous 0.7%.