

Interest Rates (%)			FX			Commodities US\$		
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.6358	0.7%	WTI Crude Oil	70.32	-\$1.03
90-day Bill	4.17	-1	AUD/JPY	96.67	0.2%	Brent Crude Oil	74.39	-\$0.63
3-year Bond	3.85	2	AUD/EUR	0.6062	0.5%	Mogas95*	86.60	-\$0.35
10-year Bond	4.43	1	AUD/GBP	0.5052	0.5%	CRB Index	312.08	-1.11
			AUD/NZD	1.1091	-0.2%	Gold	2887.16	-\$41.01
			AUD/CNY	4.6131	0.7%	Silver	32.12	-\$0.20
<b>US</b>			EUR/USD	1.0488	0.2%	Iron Ore (62% Fe)**	104.75	-\$1.95
2-year	4.26	-5	USD/JPY	152.06	-0.5%	Iron Ore (24-25 Average)	101.83	\$0.01
10-year	4.48	-6	USD/CNY	7.2572	-0.4%	Copper	9477.00	-\$8.00
			<b>RBA Policy</b>			<b>Equities</b>		
			O/N Cash Rate Target	4.35		ASX200	8495	-89
			Interbank O/N Cash Rate	4.34		Dow Jones	44546	-165
<b>Other 10-year</b>			Probability of a 25bps Cut in Feb	89.6%		S&P500	6115	0
Japan	1.37	2	RBA Bond Holdings (31 Jan)	A\$297.6b		Stoxx600	552	-1
Germany	2.43	1				CSI300	3939	34
UK	4.50	1						

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

\*\*Iron ore is the second SGX futures contract.

The S&P 500 dipped in and out of negative territory on Friday before closing the day flat, while US Treasury yields declined as the bigger-than-expected drop in US retail sales in January saw traders drag forward their pricing for the next fed funds rate cut from October to September.

The ASX 200 rose by 0.2% to close at a new record high on Friday with most sectors making gains, led by consumer and info tech shares. Energy was the weakest sector. Disappointing earnings results from Westpac and Bendigo Bank has seen the Aussie market open sharply lower this morning. Commonwealth bond yields have climbed this morning, after initially opening lower. The Australian dollar appreciated against all the major currencies and has lifted to two-month highs against the weaker US dollar.

US retail sales dropped by 0.9% in January, the biggest drop since March 2023. The decline followed an upwardly revised increase of 0.7% in December (originally 0.4%) and was significantly more than the 0.2% fall expected. The retail control group, which is used in preparing the monthly and quarterly personal consumption figures used in GDP calculations, plunged by 0.8%. The decline in retail sales came after several solid months of growth and may have been distorted by the impact of the California fires and cold weather across many states in the US.

US industrial production rose by 0.5% in January, following a 1.0% increase in December. The rise was led by a 7.2% increase in utilities output, possibly due to the demand for heating amid cold weather. Manufacturing activity dipped by 0.1% and mining activity fell by 1.2%.

In commodity markets, the gold and oil prices declined further, as the Munich security conference brought more hopes for Russia-Ukraine ceasefire talks, while Hamas released its Israeli hostages helping to maintain the fragile ceasefire. Iron ore futures fell, as Port Hedland Port resumed shipping after being spared major damage from Cyclone Zelia.

The key domestic event this week will be the RBA Board's interest rate decision tomorrow. A 25bps cash rate cut is currently around 90% priced in by the market, however, in our opinion, the result is not quite so cut and dried. The RBA will also publish its quarterly Statement on Monetary Policy with updated macroeconomic projections, and RBA Governor Michele Bullock will hold a press conference following the Board meeting. Other important events will be the Q4 wage price index on Wednesday, and the January labour force report on Thursday. The Judo Bank flash PMI for February is due on Friday.

Flash PMIs will be also published for all major advanced economies. Other key events include FOMC minutes, Japanese GDP, and inflation data. The RBNZ is expected to cut its cash rate target by 50bps on Wednesday.

### Economic Data Review

- **US:** Retail Sales (MoM, Jan) – Actual -0.9%, Expected -0.2%, Previous 0.7% (revised).
- **US:** Industrial Production (MoM, Jan) – Actual 0.5%, Expected 0.3%, Previous 1.0% (revised).

### Economic Data Preview

- **JP:** GDP (QoQ, Q4) – Expected 0.3%, Previous 0.3%.