

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6209	-0.3%	WTI Crude Oil	78.91	-\$1.45
90-day Bill	4.33	-1	AUD/JPY	96.45	-1.0%	Brent Crude Oil	81.29	-\$0.74
3-year Bond	3.95	0	AUD/EUR	0.6029	-0.4%	Mogas95*	87.89	-\$1.85
10-year Bond	4.48	-3	AUD/GBP	0.5075	-0.3%	CRB Index	311.35	-0.82
			AUD/NZD	1.1072	0.0%	Gold	2714.67	\$20.64
			AUD/CNY	4.5555	-0.2%	Silver	30.77	\$0.12
US			EUR/USD	1.0300	0.1%	Iron Ore (62% Fe)**	102.35	\$0.75
2-year	4.24	-4	USD/JPY	155.33	-0.6%	Iron Ore (24-25 Average)	101.33	\$0.02
10-year	4.62	-4	USD/CNY	7.3316	0.0%	Copper	9230.50	\$63.00
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	8316	-22
			Interbank O/N Cash Rate	4.34		Dow Jones	43153	-68
Other 10-year			Probability of a 25bps Cut in Feb	67.2%		S&P500	5937	-13
Japan	1.18	-5	RBA Bond Holdings (31 Dec)	A\$297.6b		Stoxx600	520	5
Germany	2.55	-1				CSI300	3800	4
UK	4.68	-5						

*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 was directionless overnight, sliding in an out of positive territory before a late fall drove the major indices into the red. The fall came after strong sessions in Europe and the Asia-Pacific, including a 1.4% increase in the ASX 200. The Aussie market jumped at the open and maintained most of its early gains over the rest of the day, with all industry sectors closing higher led by financials and real estate. However, the market has opened lower this morning.

US treasury yields fell overnight following comments from Federal Reserve Governor Christopher Waller that the Fed could cut interest rates three or four times this year if future inflation data is as positive as the December report released this week. Aussie bond yields were initially buffeted by news of another solid increase in Aussie employment in December, but settled back to be little changed; however, the 10-year yield has followed US yields lower this morning. Market pricing for a February RBA cash rate cut in February has slipped to 67% from 73% this time yesterday. Traders are still betting that a decline in Q4 inflation will be enough for the RBA to ease rates. The quarterly CPI is due for release on 29 January.

The AUD climbed to a high of US\$0.6246 following the Aussie labour force report before falling back. The Aussie has also slipped against the other majors. The Japanese has again been the strongest of the big four as expectations continue to build for a Bank of Japan interest hike next week.

Oil prices fell from near six-month highs as traders speculate that Donald Trump will reverse the recent tightening in sanctions on the trade in Russian oil when he takes office next week. There is also an expectation that the ceasefire deal in Gaza will bring an end to Houthi attacks on Red Sea shipping. The benchmark Singapore iron ore futures price completed its sixth daily rise in a row yesterday to hit its highest level in a month. Copper was boosted by news China is planning to ramp up investment in its energy grid, while gold hit fresh one-month highs.

The US retail sales report overnight signalled further solid growth in US consumer spending in December, however, it had little impact on the market.

Aussie **employment** rose a strong 56.3k in December, although this was driven by part-time jobs. The unemployment rate edged up 0.1ppts to 4.0%, still below the rate of around 4.5% that the RBA estimates is consistent with full employment and below the RBA's Statement on Monetary Policy forecast of 4.3%. The Western Australian labour market was the strongest of the states with the unemployment rate of 3.3% remaining well below the national average.

Economic Data Review

- **AU:** Employment (Monthly Change, Dec) – Actual 56.3k, Expected 15.0k, Previous 28.2k (revised).
- **AU:** Unemployment Rate (Dec) – Actual 4.0%, Expected 4.0%, Previous 3.9%.
- **US:** Retail Sales (MoM, Dec) – Actual 0.4%, Expected 0.6%, Previous 0.8% (revised).

Economic Data Preview

- **CH:** GDP (YoY, Q4) – Expected 5.0%, Previous 4.6%.
- **CH:** Industrial Production (YoY, Dec) – Expected 5.4%, Previous 5.4%.
- **CH:** Retail Sales (YoY, Dec) – Expected 3.6%, Previous 3.0%.
- **CH:** Urban Fixed Asset Investment (YTD YoY, Dec) – Expected 3.3%, Previous 3.3%.
- **US:** Industrial Production (MoM, Dec) – Expected 0.3%, Previous -0.1%