

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6313	0.5%	WTI Crude Oil	71.35	\$0.15
90-day Bill	4.18	-2	AUD/JPY	96.44	-0.5%	Brent Crude Oil	75.02	-\$0.16
3-year Bond	3.83	-9	AUD/EUR	0.6033	-0.2%	Mogas95*	86.95	\$1.16
10-year Bond	4.41	-10	AUD/GBP	0.5026	-0.4%	CRB Index	313.19	1.61
			AUD/NZD	1.1116	-0.2%	Gold	2928.17	\$21.00
			AUD/CNY	4.5830	-0.2%	Silver	32.32	\$0.03
US			EUR/USD	1.0462	0.6%	Iron Ore (62% Fe)**	106.70	-\$1.00
2-year	4.31	-4	USD/JPY	152.78	-1.0%	Iron Ore (24-25 Average)	101.82	\$0.03
10-year	4.53	-8	USD/CNY	7.2879	-0.3%	Copper	9485.00	\$30.50
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	8584	22
			Interbank O/N Cash Rate	4.34		Dow Jones	44711	343
Other 10-year			Probability of a 25bps Cut in Feb	89.6%		S&P500	6115	63
Japan	1.35	-2	RBA Bond Holdings (31 Jan)	A\$297.6b		Stoxx600	554	6
Germany	2.42	-6				CSI300	3905	-15
UK	4.49	-5						

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

**Iron ore is the second SGX futures contract.

US equities bounced back last night, while US Treasury yields dropped and the greenback depreciated sharply, as US President Donald Trump announced plans to introduce 'reciprocal' tariffs on trading partners, albeit not immediately. The market pricing for the next fed funds rate cut has been brought forward to October from December before the announcement.

The gains on Wall Street followed mixed results in Europe and the Asia-Pacific region. The ASX 200 ticked up 0.1% to a fresh record high yesterday, as solid increases in materials and consumer discretionary sectors more than offset losses in most other sectors, and opened even higher this morning. Commonwealth bond yields dropped more than their US equivalents, while market pricing of the probability of a cash rate cut next week has again approached 90%. The Australian dollar depreciated against all the major currencies, except for the weaker greenback.

US President Trump has announced a plan to introduce 'reciprocal' tariffs on all countries that impose tariffs on the US. The tariffs will also consider foreign subsidies, and even value added taxes and exchange rates. This measure would come on top of any other tariffs imposed so far. It will not come into effect immediately, but most likely after the Trump administration finalises its review of trade relationships on 1 April.

In commodity markets, the new tariff announcement brought the gold price to a new record high. Brent crude oil futures declined slightly, as Hamas agreed to release some of the Israeli hostages over the weekend, which will prevent the end of the ceasefire in Gaza for now. Iron ore futures have wound back yesterday's gains, despite Cyclone Zelia drawing closer to the coast near Port Hedland.

Data-wise, the US PPI rose by 0.4% in January, somewhat more than the expected 0.3% and slightly less than the upwardly revised 0.5% in the previous month. The annual rate of producer price inflation was steady at 3.5%. The annual pace of core PPI inflation, which excludes food, energy, and trade, slowed by 0.1ppts to 3.4% in January.

US initial jobless claims fell to 213k last week. Continued claims declined to 1,850k in the week ending 1 February, but remained near the highest level since late 2021.

Across the Atlantic, UK GDP unexpectedly rose by 0.1% in Q4 2024, as stronger-than-expected growth in government spending more than offset a fall in investment, while consumer spending was flat.

In Australia, Melbourne Institute consumer inflation expectations rose by 0.6ppts to 4.6% in February. This is the highest level since April 2024, but still well below the 2022 peak of 6.7%.

Economic Data Review

- **AU:** Consumer Inflation Expectations (Feb) – Actual 4.6%, Previous 4.0%.
- **UK:** GDP (QoQ, Q4) – Actual 0.1%, Expected -0.1%, Previous 0.0%.
- **US:** PPI (MoM, Jan) – Actual 0.4%, Expected 0.3%, Previous 0.5% (revised).
- **US:** Initial Jobless Claims (w/e 8 Feb) – Actual 213k, Expected 216k, Previous 220k (revised).

Economic Data Preview

- **AU:** Overseas Arrivals and Departures.
- **US:** Retail Sales (MoM, Jan) – Expected -0.2%, Previous 0.4%.
- **US:** Industrial Production (MoM, Jan) – Expected 0.3%, Previous 0.9%.