

## Highlights this week

- In Australia, the RBA cut its cash rate target by 25bps to 4.10% as expected, but its message was hawkish with no guidance about future decisions. Employment saw another solid gain in January, but the unemployment rate ticked up to 4.1%. Wages growth slowed further in Q4 2024. The Judo Bank flash PMIs pointed to further modest expansion in the private sector.
- Abroad, the minutes from the last FOMC meeting confirmed that the Fed was in no rush to cut rates further at this stage. However, they also showed a discussion on a slowdown, or even a pause in its balance sheet reduction.

## Highlights next week

- The key domestic event next week will be the January monthly CPI indicator, scheduled for release on Wednesday. Other events include the Q4 construction work done on Wednesday, the Q4 private sector capex on Thursday, and the January private sector credit report on Friday.
- The highlights offshore will be the US housing data, the second estimate of US Q4 GDP, and the US personal income and outlays report for January, which will include the PCE price inflation targeted by the Fed. The German Bundestag elections tomorrow will also attract market participants' attention.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change				
Australia	4.10	(125 pt)	O/N Interbank Cash	4.09	(125 pt)	USD 3-month	4.85	(0 pt)	ASX200	8307	(1264 pt)
US (IOR)	4.40	(0 pt)	90-day Bills	4.14	(14 pt)	2-yr T-Notes	4.26	(14 pt)	S&P500	6118	(12 pt)
Eurozone (Deposit)	2.75	(0 pt)	3-yr T-Bond	3.93	(19 pt)	10-yr T-Notes	4.50	(14 pt)	DJIA	44177	(1535 pt)
UK	4.50	(0 pt)	10-yr T-Bond	4.52	(19 pt)	Jap 10-yr	1.42	(16 pt)	Nikkei	38678	(1609 pt)
Japan (Target)	0.50	(0 pt)	3-yr WATC Bond	4.06	(17 pt)	UK 10-yr	4.61	(12 pt)	CSI300	3934	(122 pt)
China (1Y LPR)	3.10	(0 pt)	10-yr WATC Bond	5.03	(15 pt)	Ger 10-yr	2.53	(12 pt)	Stoxx600	551	(13 pt)

Changes are since the issue of 20 December Market Watch.

## Financial Markets

### Interest Rates

As expected, the [RBA Board](#) cut its policy interest rates by 25bps at its February meeting, taking the cash rate target down to 4.10%. The decision was a 'hawkish' cut, with the RBA Board saying that they will remain cautious about further monetary policy easing, and that further decisions will remain data-dependent.

Near-term inflation forecasts were revised down in the Statement on Monetary Policy, but there were upward revisions for 2026. Trimmed mean inflation is now expected to trough at 2.7% in 2026 and remain at that level until mid-2027.

Cash rate cut expectations eased slightly after the decision, with around 44bps cuts priced in for the remainder of 2025 at the time of writing. Commonwealth bond yields picked up this week.

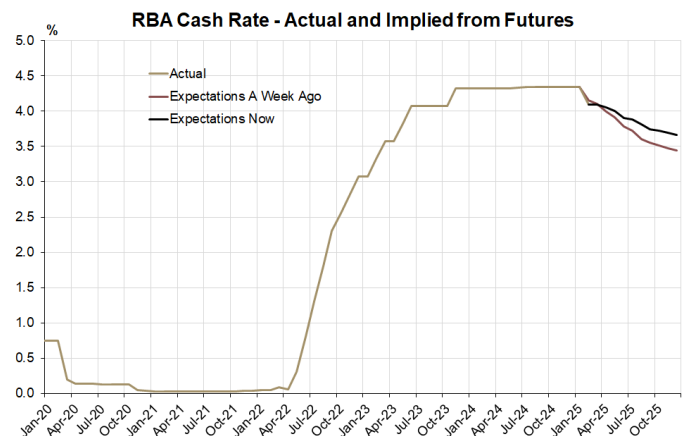
The minutes from the latest FOMC meeting confirmed that the Fed would like to see 'further progress on inflation' before adjusting the fed funds rate further. Various participants considered if it might be appropriate to slow down or even pause the Fed balance sheet wind-down due to 'debt ceiling dynamics'. US Treasury yields are slightly down for the week.

The RBNZ cut its official cash rate by another 50bps to 3.75% this week, with a reduction to 3.10% expected by end-2025.

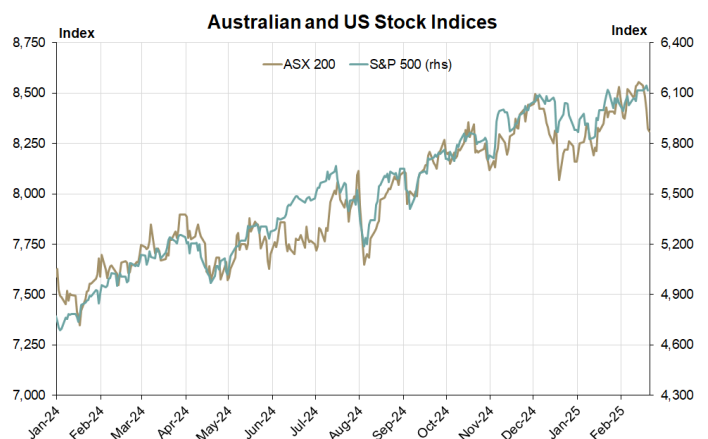
### Equities

It was a mixed week for equities. Sentiment was affected by uncertainty regarding US trade policies and geopolitics, a clouded Fed outlook, and signs of weaker private consumption. However, the S&P managed to nudge to a new record high on Wednesday before retreating last night. It is largely unchanged since this time last week.

Aussie equities underperformed massively compared to their US counterparts, as a 'hawkish' cut from the RBA, underpinned by another bumper labour force report, dented the sentiment even further. At the time of writing, the ASX 200 is down by 3% for the week, after closing at a record high last Friday.



Source: Bloomberg



Source: Bloomberg

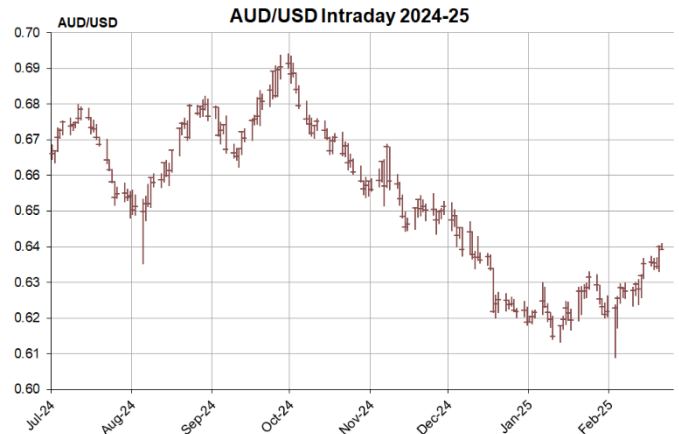
## Currencies

The AUD/USD traded in a narrow range through most of the week, shaking off the RBA Board's cash rate cut and hawkish tone of its post-meeting communication which were widely expected.

The Aussie dollar broke to the upside on Thursday following the release of yet another strong labour force report, and this morning topped US\$0.64 for the first time since December.

The US dollar has continued to slide and remains in the broad downtrend it has occupied since mid-January, when the USD index hit a more than two-year high a week before Donald Trump's inauguration and tariff fears were at a peak. However, these threats seem to be having less impact over time, with this week's announcement that he intends to impose 25% tariffs on cars, semiconductor, and pharmaceutical imports doing little to stem the big dollar's decline.

The Aussie is also stronger against most of the other members of the G10 currency basket, behind only the Japanese yen and the New Zealand dollar.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6399	0.6409	0.6328	↑1.2	0.6942	0.6088
AUD/EUR		0.6098	0.6113	0.6051	↑0.8	0.6261	0.4926
AUD/GBP		0.5053	0.5064	0.5025	↑0.3	0.5289	0.4926
AUD/JPY		96.41	96.91	95.33	↓0.3	109.37	90.15
AUD/CNY		4.6396	4.6440	4.6052	↑0.7	4.9340	4.4109
EUR/USD		1.0495	1.0506	1.0401	↑0.4	1.1214	1.0141
GBP/USD		1.2665	0.5064	0.5025	↑0.9	0.5289	0.4926
USD/JPY		150.65	152.39	149.29	↓1.5	161.95	139.58
USD/CNY		7.2498	7.2866	7.2428	↓0.5	7.3328	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6399	0.6403	0.6408	0.6417
AUD/EUR		0.6098	0.6073	0.6046	0.5990
AUD/GBP		0.5053	0.5057	0.5060	0.5065
AUD/JPY		96.41	95.50	94.64	93.04
AUD/NZD		1.1101	1.1088	1.1069	1.1033
AUD/SGD		0.8541	0.8511	0.8482	0.8422

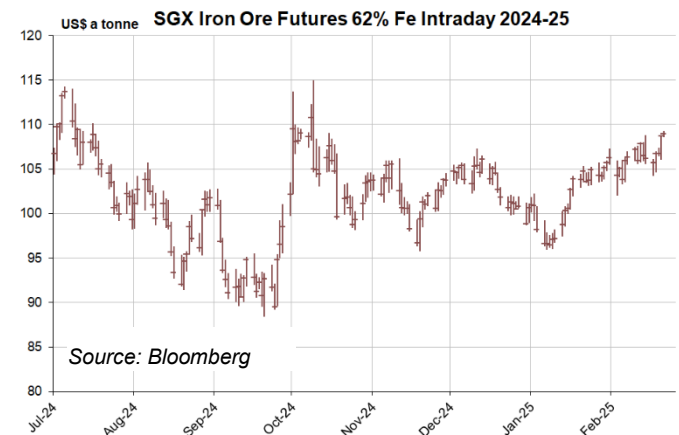
## Commodities

Gold hit fresh record highs, supported by ongoing geopolitical risk amid escalating fears of a US pullback from involvement in European affairs.

Oil prices have also lifted, supported by news that a drone attack had caused the shutdown of a Kazakh oil pipeline and mounting speculation that OPEC+ may again delay its scheduled return of supply to the market.

The benchmark Singapore iron ore futures price hit four-month highs this morning, looking through disappointing earnings results from the major iron ore miners this week, which highlighted soft Chinese demand.

Aluminium has been a star performer gaining along with other base metals, and climbing to a nine-month high after the EU flagged imposing a gradual ban on imports of Russian metals.



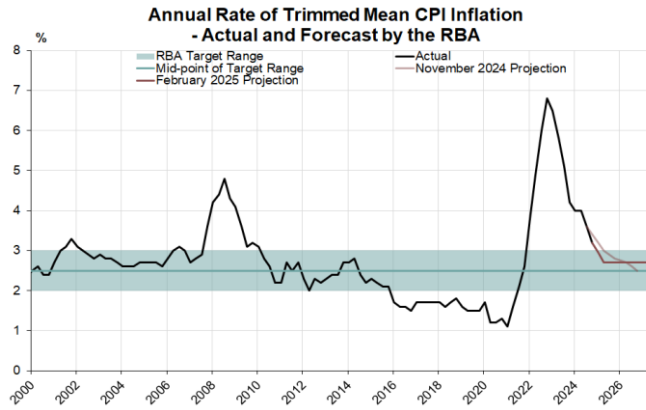
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,939.64	\$2,954.84	\$2,878.56	(↑\$11.94)	\$2,954.84	\$2,016.12
Brent Crude Oil (US\$)	\$76.46	\$77.15	\$74.19	(↑\$1.22)	\$92.18	\$68.68
Mogas95* (US\$)	\$87.75	\$88.64	\$86.44	(↑\$0.9)	\$109.19	\$76.37
WTI Oil (US\$)	\$72.46	\$73.25	\$70.12	(↑\$1.01)	\$87.67	\$65.27
CRB Index	316.58	316.63	312.08	(↑3.39)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$108.95	\$109.30	\$104.20	(↑\$0.65)	\$126.80	\$88.40

\*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.  
 \*\* The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

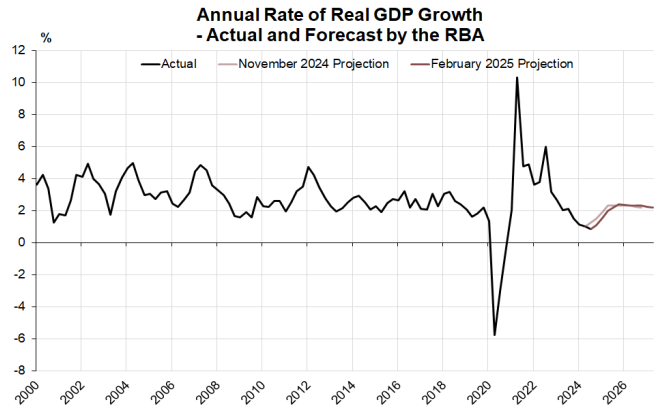
## Domestic Economy

The RBA now forecasts **trimmed mean inflation** will stabilise just above the mid-point of the target range...



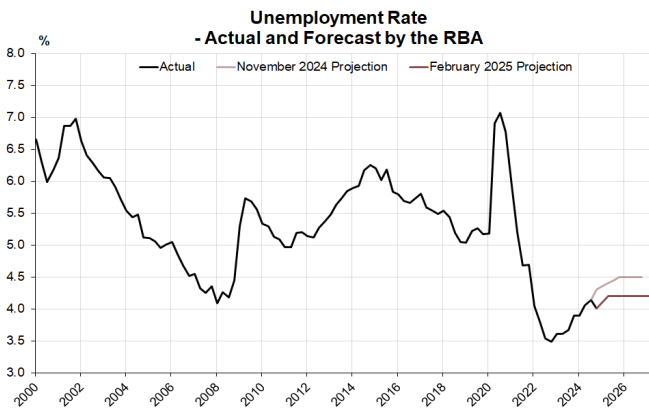
Source: ABS / RBA

... while **GDP growth** is expected to recover somewhat later than envisaged in the November 2024 projection.



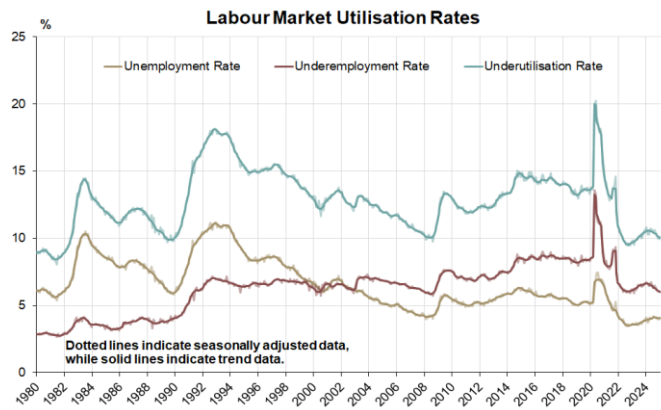
Source: ABS / RBA

The **unemployment rate** is now expected to peak at just 4.2%, instead of the 4.5% forecast in November.



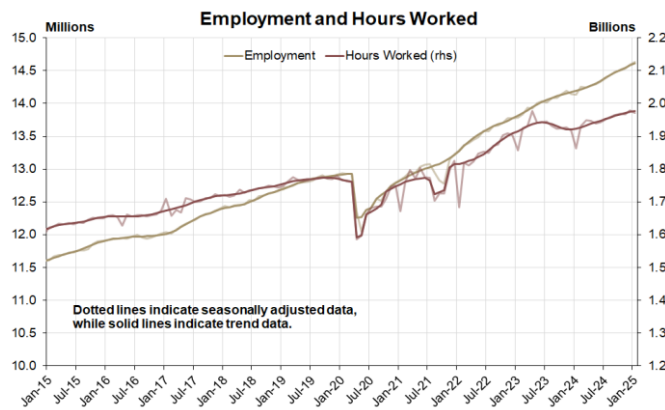
Source: ABS

The seasonally adjusted **unemployment rate** ticked up to 4.1% in January, but the trend was steady at 4.0%.



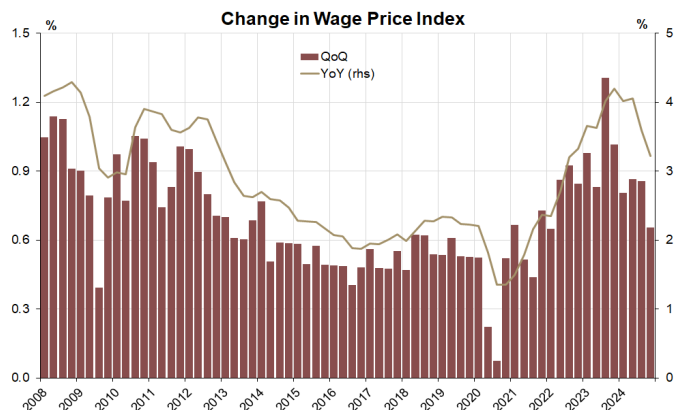
Source: ABS

**Employment and hours worked** both continued to climb in trend terms.



Source: ABS

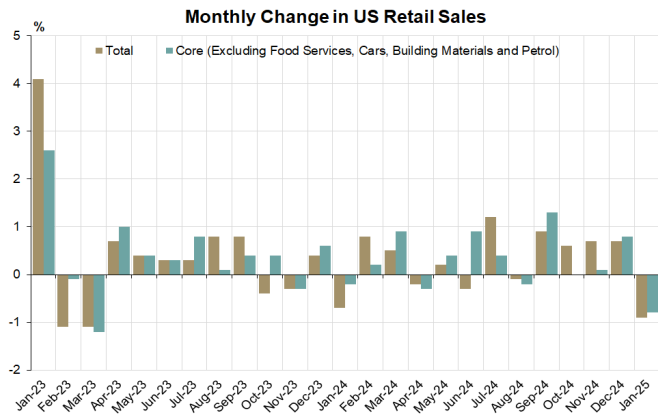
However, **wages growth** continued to slow in Q4 2024 and is not posing any additional inflationary pressures.



Source: ABS

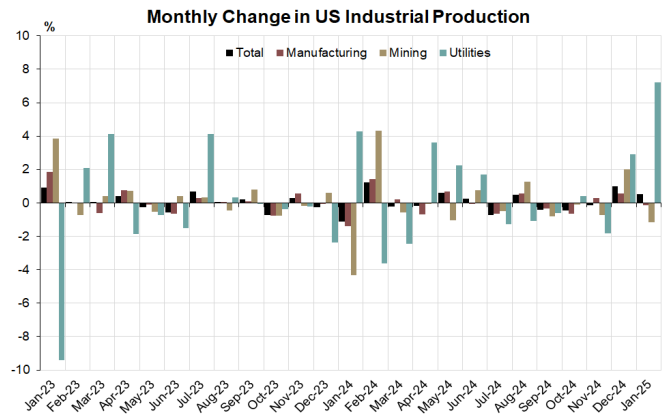
## Global Economy

**US retail sales** dropped in January following a solid end to 2024, partly due to impacts of California fires.



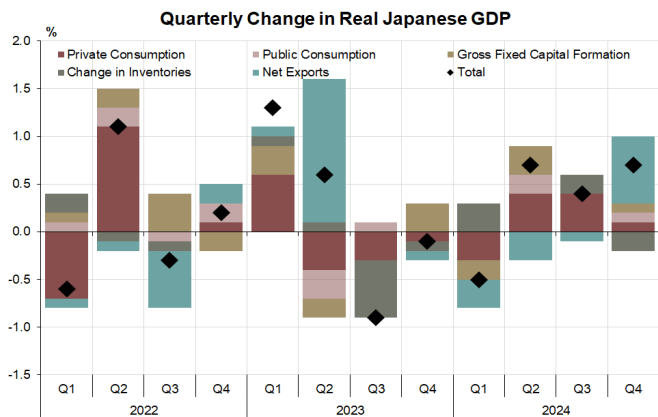
Source: Bloomberg

**US industrial production** saw a second consecutive rise in January, thanks to the demand for heating.



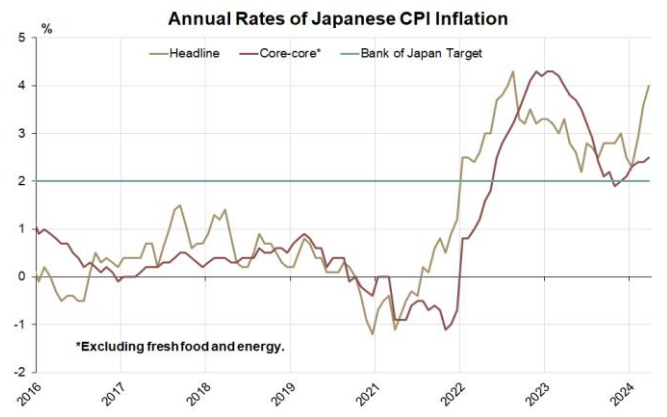
Source: Federal Reserve

**Japanese real GDP** growth accelerated in Q4 2024, thanks to a large positive contribution from net exports.



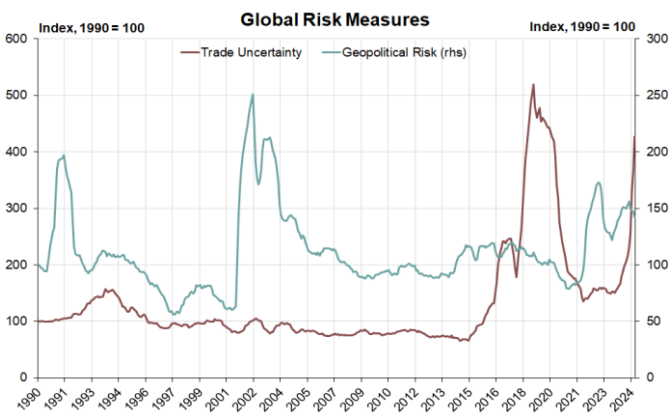
Source: Japanese Cabinet Office

**Japanese headline inflation** has reached the highest level in two years, strengthening the case for a rate hike.



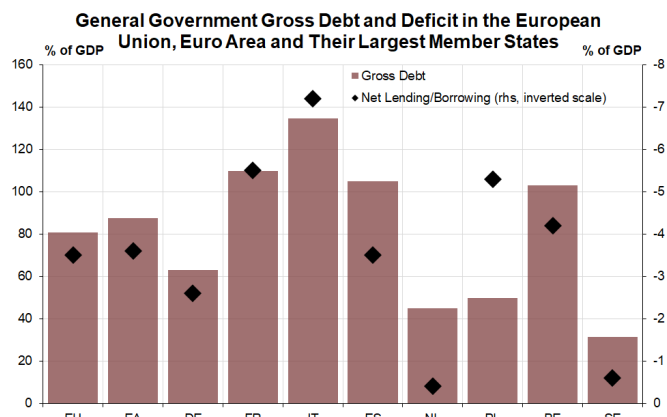
Source: Bloomberg

**Global trade uncertainty** is the highest since 2020, while geopolitical risks are also elevated.



Source: Global Policy Uncertainty

**European countries** are about to ramp up military spending with already stretched public finances.



Source: Eurostat

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 17</b>					
JP	GDP (QoQ, Q4)	0.7%	0.3%	0.4%	Upside surprise due to net exports contribution.
<b>Tue 18</b>					
AU	RBA Decision (Cash Rate Target)	4.10%	4.10%	4.35%	Only one more 25bps cut fully priced in for 2025.
AU	RBA SoMP (Q1)	-	-	-	Inflation still above the mid-point of the target in 2027.
AU	RBA Governor M. Bullock Speaks	-	-	-	Governor not ruling out that this may be the only cut.
AU	ANZ Consumer Conf. (w/e 15 Feb)	-1.8%	-	-2.0%	Inflation expectations up 0.2ppts to 4.9%.
UK	Unemployment Rate (Dec)	4.4%	4.4%	4.5%	Claimant count jobless rate up 0.1ppts to 4.6% in Jan.
<b>Wed 19</b>					
AU	Wage Price Index (QoQ, Q4)	0.7%	0.8%	0.9%	Annual wages growth at a two-year low of 3.2%.
AU	Westpac Leading Index (Jan)	0.12%	-	-0.02%	6-month annualised rate points to above-trend growth.
NZ	RBNZ Decision (Feb)	3.75%	3.75%	4.25%	RBNZ still sees the OCR reaching 3.10% this year.
UK	CPI (MoM, Jan)	-0.1%	-0.3%	0.3%	The annual rate increased to 3.0%, against 2.8% exp.
US	FOMC Minutes	-	-	-	Fed in no hurry to cut rates, considers a pause in QT.
<b>Thu 20</b>					
AU	Employment (MoM, Jan)	44.0k	20.0k	60.0k	Growth driven by full-time jobs.
AU	Unemployment Rate (Jan)	4.1%	4.1%	4.0%	Trend unemployment rate steady at 4.0%.
AU	Deputy Director A. Hauser Speaks	-	-	-	Inflation would fall below the goal if rates steady in 2025.
CH	1Y Loan Prime Rate	3.10%	3.10%	3.10%	Five-year loan prime rate also unchanged at 3.60%.
US	Initial Jobless Claims (w/e 15 Feb)	219k	215k	214k	Continued claims rose to 1,869k in w/e 8 February.
<b>Fri 21</b>					
AU	Judo Bank Comp. PMI (Feb, flash)	51.2	-	51.1	Cost pressures the highest since September 2024.
AU	RBA Testimony at the Parliament	-	-	-	Impact of trade wars on inflation is uncertain.
JP	CPI (YoY, Jan)	4.0%	4.0%	3.6%	'Core-core' inflation ticked up to 2.5%, as expected.
JP	Jibun Bank Comp. PMI (Feb, flash)	51.6	-	51.1	Japanese manufacturing still in contraction.
<b>Tonight</b>					
EZ	HCOB Composite PMI (Feb, flash)	-	50.3	50.2	Growth stagnating in Germany, contraction in France.
UK	S&P Global Comp. PMI (Feb, flash)	-	50.6	50.6	In expansion for over a year.
US	S&P Global Comp. PMI (Feb, flash)	-	53.2	52.7	Manufacturing and services to stay in expansion.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 24</b>				
	<i>No market moving data.</i>			
<b>Tue 25</b>				
US	C-S Hse Price Index 20 Cities (MoM, Dec)	-	0.4%	Home price growth accelerated over the past two months.
US	Conference Board Consumer Conf. (Feb)	103.5	104.1	Its UoM equivalent dropped as inflation expectations rose.
<b>Wed 26</b>				
AU	Monthly CPI Indicator (YoY, Jan)	2.7%	2.5%	Covers only 2/3 of the CPI basket and biased towards goods.
AU	Construction Work Done (QoQ, Q4)	-	1.6%	Residential work done was flat in Q3.
<b>Thu 27</b>				
AU	Private Sector Capex (QoQ, Q4)	0.5%	1.1%	Investment plans were revised upwards in Q3.
US	GDP (QoQ annualised, Q4, 2nd est.)	2.3%	2.3%	The GDPNow model suggests no revisions.
<b>Fri 28</b>				
AU	Private Sector Credit (MoM, Jan)	0.6%	0.6%	Saw an unexpected acceleration in December.
US	Personal Spending (MoM, Jan)	0.3%	0.7%	Retail sales report suggested a weak outcome.
US	PCE Price Index (MoM, Jan)	0.3%	0.3%	CPI figures point to slight acceleration in price growth.