

## Highlights this week

- In Australia, the monthly CPI indicator suggested that the annual rate of headline consumer price inflation remained at 2.5% in January, while annual trimmed mean inflation ticked up to 2.8%. Private sector credit growth steadied in January. Private sector capex unexpectedly declined in Q4, while growth in construction work done slowed.
- Abroad, the US Conference Board consumer confidence index dropped in February, with a rise in inflation expectations and worse perception of labour market conditions. US initial jobless claims rose to a two-month high last week. US durable goods orders bounced in January, as volatile aircraft orders jumped.

## Highlights next week

- A very busy week ahead domestically, with Q4 GDP on Wednesday being the key release. Monday will see the Melbourne Institute inflation gauge, CoreLogic home value index and ANZ job ads; all these reports are for February. This will be followed by the RBA minutes, Q4 current account and January retail sales on Tuesday. January dwelling approvals and goods trade balance are on Thursday, and the week will conclude with the January household spending indicator on Friday.
- The calendar will also be full offshore, with the highlights being the US labour market data, US and Chinese PMIs as well as US and Chinese trade data. The ECB is to announce its monetary policy decision on Thursday night, with another rate cut expected.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	4.10 (0 pt)	O/N Interbank Cash	4.09 (0 pt)	USD 3-month	4.85 (0 pt)	ASX200	8199 (↓107 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	4.12 (↓3 pt)	2-yr T-Notes	4.02 (↓24 pt)	S&P500	5862 (↓256 pt)
Eurozone (Deposit)	2.75 (0 pt)	3-yr T-Bond	3.75 (↓19 pt)	10-yr T-Notes	4.22 (↓27 pt)	DJIA	43240 (↓937 pt)
UK	4.50 (0 pt)	10-yr T-Bond	4.30 (↓22 pt)	Jap 10-yr	1.38 (↓4 pt)	Nikkei	37182 (↓1496 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.87 (↓18 pt)	UK 10-yr	4.51 (↓9 pt)	CSI300	3947 (↑14 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	4.83 (↓20 pt)	Ger 10-yr	2.41 (↓12 pt)	Stoxx600	557 (↑6 pt)

Changes are since the previous issue of Market WATCH Weekly.

## Financial Markets

### Interest Rates

US government bond yields are sharply down this week, reflecting concerns over the US economic outlook, with more survey data suggesting a possible weakening of business conditions ahead.

Market pricing for the next fed funds rate cut has moved from September to July, after the US S&P Global services PMI suggested a contraction in activity in February, with 65bps cuts priced in for 2025 at the time of writing.

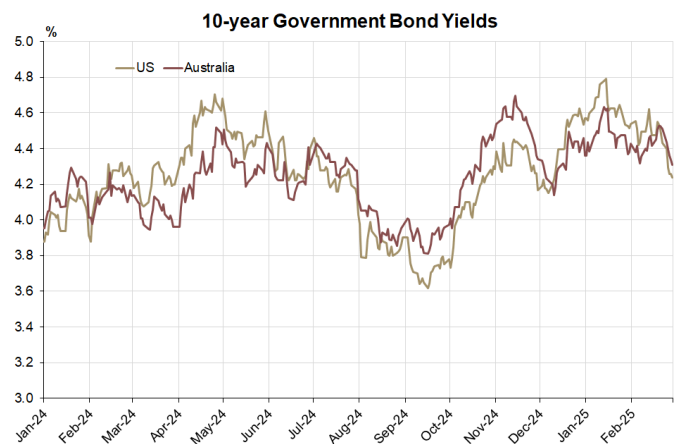
US government bond yields are back to their levels from Q4 2024, with 2-year yields the lowest since October and 10-year yields the lowest since December.

Aussie Commonwealth bond yields also saw considerable declines, with the 3-year yield falling to the lowest level in three weeks and the 10-year yield at the lowest level since December last year. Market pricing for the next RBA cash rate cut has moved to July from August this time last week, with nearly 60bps cuts priced in for 2025, instead of 45bps a week ago.

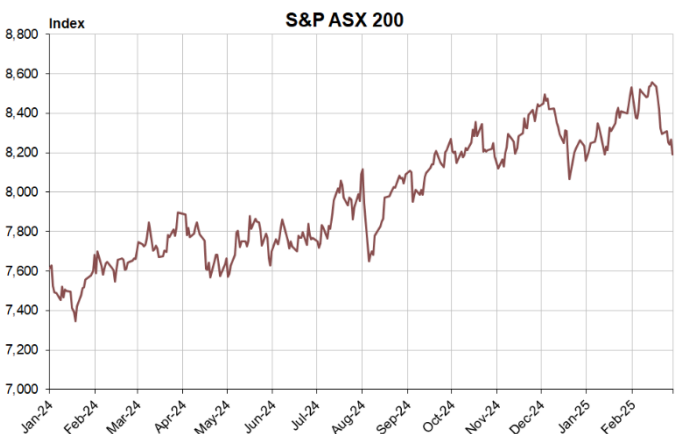
### Equities

US equities closed last week, with the biggest fall since December last year, as economic data suggested a sharp slowdown in business activity growth and weaker consumer confidence in February. The market has continued to decline this week, with the S&P 500 currently sitting at its lowest level since mid-January.

Aussie shares have also dropped to the lowest levels since the middle of January. The ASX 200 has lost over 1% from last Friday's close, led by an 11.5% drop in info tech shares. Real estate, materials and consumer discretionary shares also saw big falls, while utilities, energy and financials are currently the only sectors in positive territory.



Source: Bloomberg



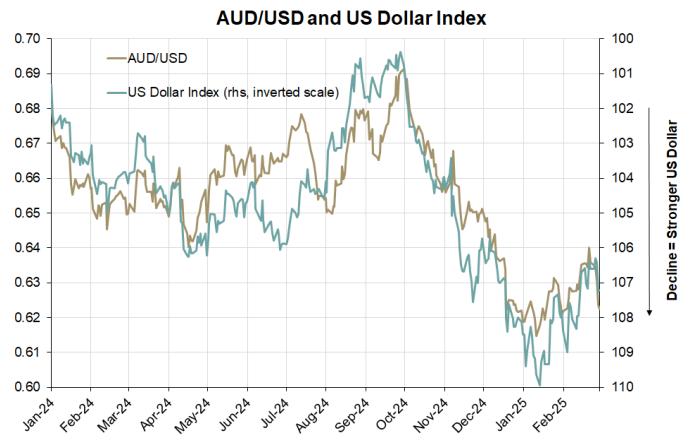
Source: Bloomberg

## Currencies

After regaining some ground over the past month, the Aussie dollar resumed depreciating this week, to be the weakest of all the G10 currencies.

The AUD was sliding slightly down for most of the week, but depreciation accelerated last night, after US President Donald Trump made some new tariff announcements. Out of the most relevant measures for Australia, the US will impose an extra 10% tariff rate on China effective 4 March. It will come on top of the already existing measures, including the 10% tariff announced earlier this month.

The strongest G10 currency this week was the Japanese yen, which appreciated by another 0.8% amid rate hike expectations. The US dollar strengthened by 0.9% this week, while the Chinese yuan weakened by 0.5%.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6214	0.6392	0.6214	↓2.9	0.6942	0.6088
AUD/EUR		0.5985	0.6087	0.5985	↓1.9	0.6261	0.4926
AUD/GBP		0.4938	0.5042	0.4938	↓2.3	0.5289	0.4926
AUD/JPY		92.87	95.46	92.73	↓3.7	109.37	90.15
AUD/CNY		4.5291	4.6270	4.5282	↓2.4	4.9340	4.4109
EUR/USD		1.0383	1.0529	1.0381	↓1.1	1.1214	1.0141
GBP/USD		1.2584	0.5042	0.4938	↓0.6	0.5289	0.4926
USD/JPY		149.45	150.30	148.57	↓0.8	161.95	139.58
USD/CNY		7.2878	7.2910	7.2288	↑0.5	7.3328	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6214	0.6218	0.6222	0.6228
AUD/EUR		0.5985	0.5960	0.5932	0.5878
AUD/GBP		0.4938	0.4942	0.4946	0.4953
AUD/JPY		92.87	91.97	91.15	89.68
AUD/NZD		1.1084	1.1071	1.1053	1.1023
AUD/SGD		0.8382	0.8351	0.8321	0.8263

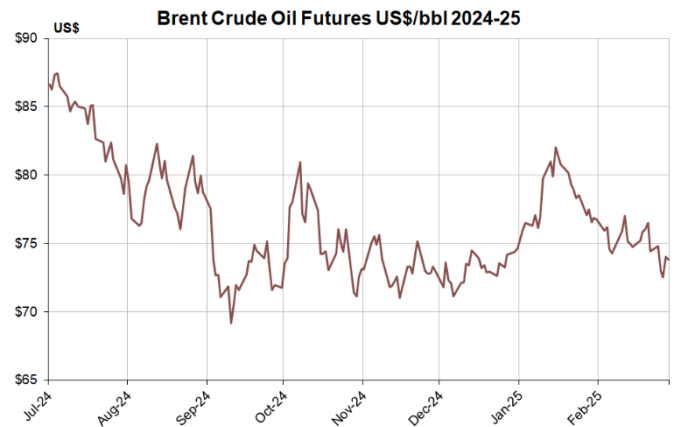
## Commodities

Gold is on track for its first weekly loss of 2025, as traders took profits after the yellow metal climbed to within US\$50.00 of the US\$3,000 an ounce mark. However, with so much risk around gold, it appears likely to have another run higher at some point.

Oil prices slipped to the lowest levels since December last year amid concerns over the demand outlook.

However, oil prices rebounded overnight, to have their best day in six weeks, after US President Donald Trump said 25% tariffs on Canadian and Mexican imports into the US, including 10% duties on energy, will take effect on 4 March (along with an extra 10% tax on Chinese imports to go along with the 10% tariff increase he announced on 4 February).

Iron ore futures prices have slipped through the week and have come under additional downward pressure today, following US President Donald Trump's tariff announcement overnight.



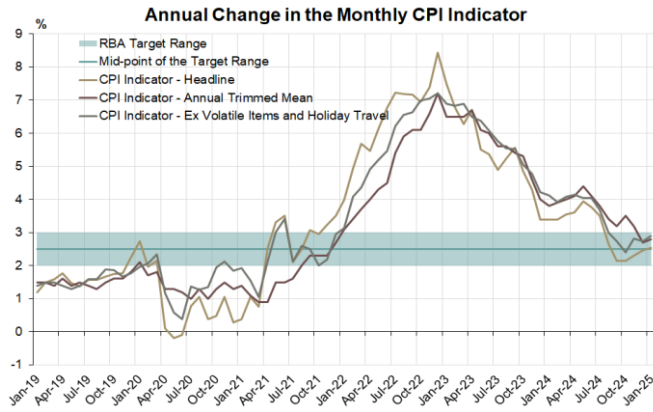
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,875.52	\$2,956.19	\$2,867.93	(↓\$64.12)	\$2,956.19	\$2,028.17
Brent Crude Oil (US\$)	\$73.82	\$75.26	\$72.39	(↓\$2.64)	\$92.18	\$68.68
Mogas95* (US\$)	\$84.78	\$86.80	\$82.76	(↓\$2.97)	\$109.19	\$76.37
WTI Oil (US\$)	\$70.10	\$71.26	\$68.36	(↓\$2.36)	\$87.67	\$65.27
CRB Index	306.03	311.22	305.18	(↓10.55)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$104.30	\$108.60	\$104.05	(↓\$4.65)	\$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.

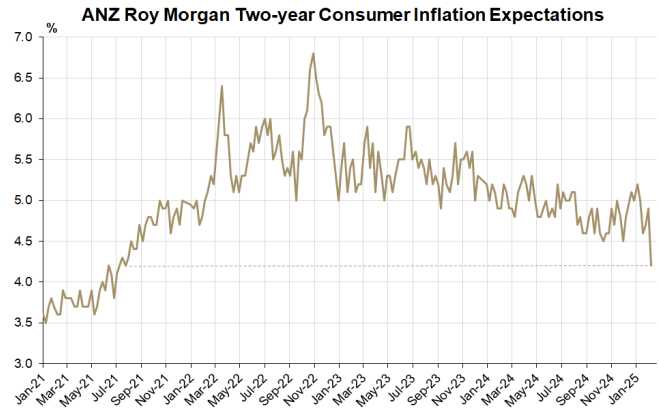
## Domestic Economy

The **monthly CPI indicator** suggested headline inflation was 2.5%, while trimmed mean inflation rose.



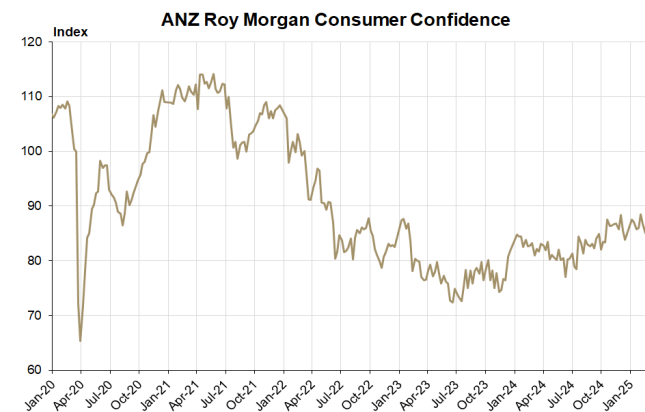
Source: ABS

**Consumer inflation expectations** have dropped to the lowest level since mid-2021...



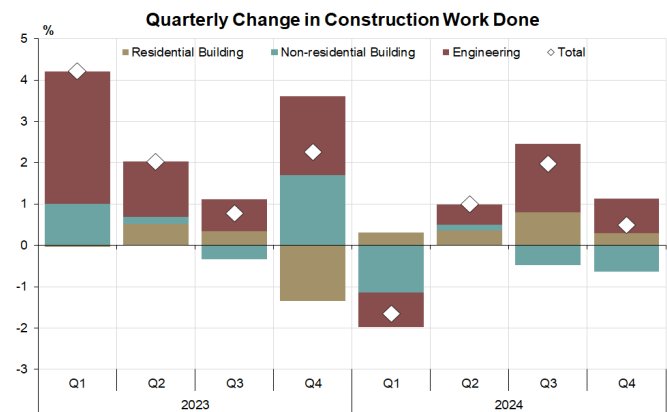
Source: ANZ

... helping **consumer confidence** higher, along with the RBA cash rate cut and another solid employment report.



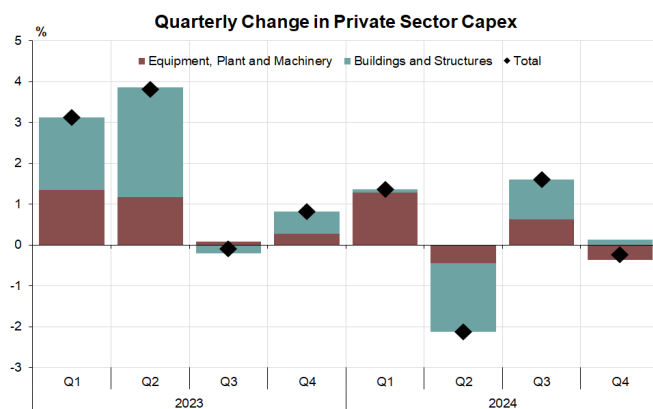
Source: ANZ

Meanwhile, growth in **residential building done** slowed in Q4, implying housing supply remains constrained.



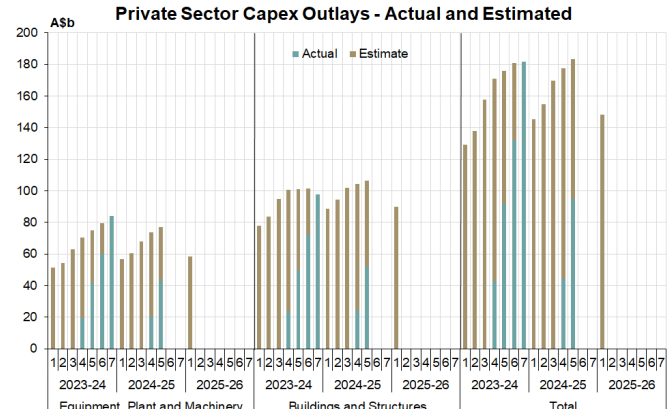
Source: Bloomberg

**Private sector capex** declined in Q4, amid lower investment in equipment, plant and machinery.



Source: ABS

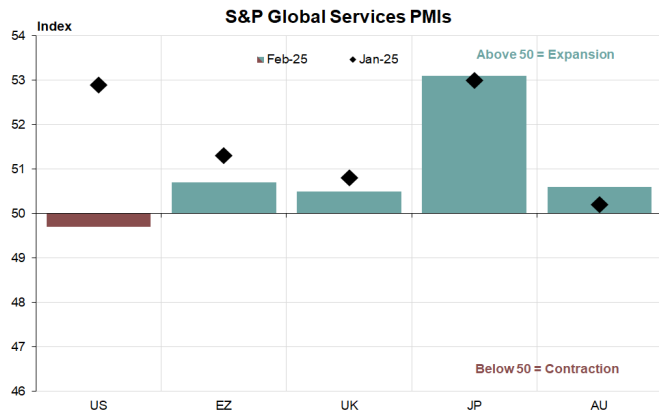
The first estimate of **business investment plans** for 2025-26 suggests that business remains cautious.



Source: ABS

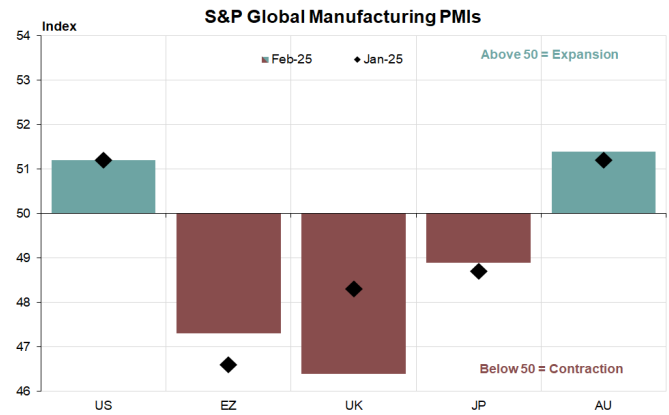
## Global Economy

**S&P Global services PMI** dropped into contraction in the US, but remains in expansion in other major economies.



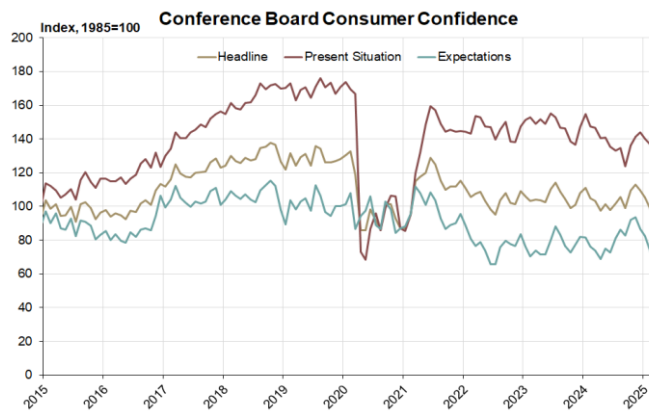
Source: Bloomberg

**S&P Global manufacturing PMI** remains in expansion in the US but is still in contraction in Europe and Japan.



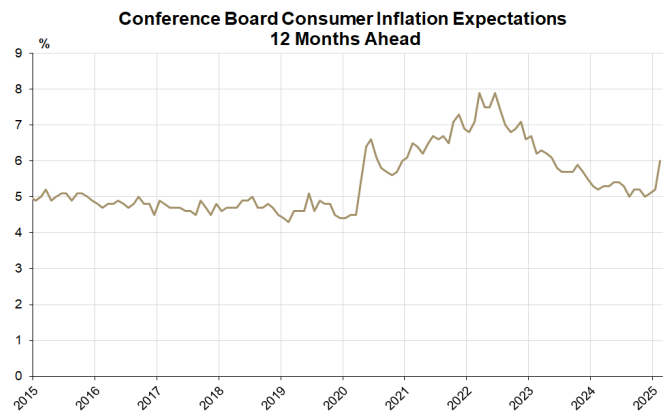
Source: Bloomberg

**US Conference Board consumer sentiment** fell in February, with strong deterioration in expectations.



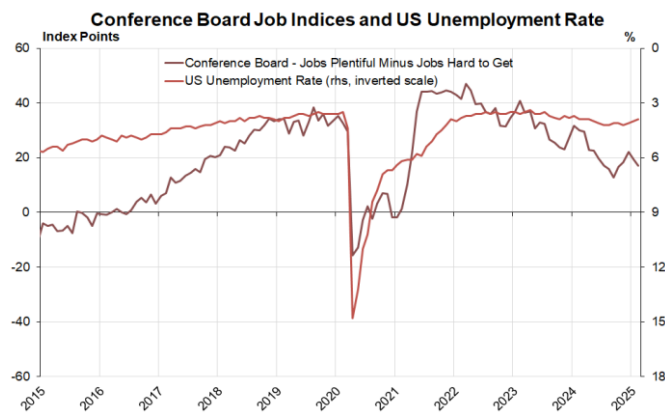
Source: Bloomberg

**One-year consumer inflation expectations** have spiked to the highest level since early 2023...



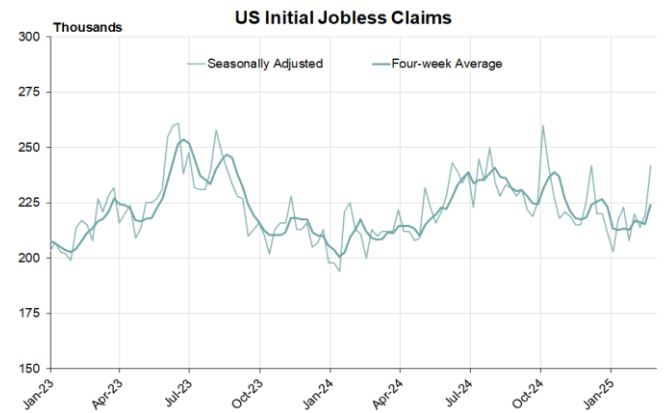
Source: Bloomberg

... while the assessment of **labour market conditions** resumed deteriorating.



Source: Bloomberg

**US initial jobless claims** bounced to a two-month high last week, reflecting adverse weather conditions.



Source: Bloomberg

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 24</b>					
US	CFNAI (Jan)	-0.03	-0.05	0.18	3M average positive, suggesting above-trend growth.
<b>Tue 25</b>					
AU	ANZ Cons. Conf (w/e 22 Feb)	5.5%	-	-1.8%	Bounce on the RBA cut and a solid employment report.
US	C-S Hse Price 20 Cities (MoM, Dec)	0.5%	0.4%	0.4%	Up 4.5% YoY.
US	Conference Board Cons. Conf. (Feb)	98.3	102.5	105.3	1Y inflation expectations the highest since May 2023.
<b>Wed 26</b>					
AU	Monthly CPI Indicator (YoY, Jan)	2.5%	2.6%	2.6%	Trimmed mean inflation up 0.1ppts to 2.8%.
AU	Construction Work Done (QoQ, Q4)	0.5%	1.0%	2.0%	Residential building work done growth slowed to 1.7%.
<b>Thu 27</b>					
AU	Private Sector Capex (QoQ, Q4)	-0.2%	0.5%	1.6%	Equipment, plant and machinery investment down 0.8%.
US	GDP (QoQ annualised, Q4, 2nd est.)	2.3%	2.3%	2.3%	Annualised quarterly PCE inflation up 0.2ppts to 2.7%.
US	Durable Goods Orders (MoM, Jan)	3.1%	2.0%	-1.8%	Core capital goods orders up 0.8% in January.
US	Initial Jobless Claims (w/e 22 Feb)	242k	221k	219k	No change in claims from federal employees, yet.
<b>Fri 28</b>					
AU	Private Sector Credit (MoM, Jan)	0.5%	0.5%	0.6%	Personal loans stagnated in January.
<b>Tonight</b>					
US	Personal Spending (MoM, Jan)	-	0.2%	0.7%	Retail sales report suggested a weak outcome.
US	PCE Price Index (MoM, Jan)	-	0.3%	0.3%	CPI figures pointed to slight acceleration in price growth.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 03</b>				
AU	CoreLogic Home Value Index (MoM, Feb)	-	-0.2%	January saw falls in the largest capital cities.
AU	MI Inflation Gauge (YoY, Feb)	-	2.3%	First insights into price formation in February.
AU	ANZ Job Ads (MoM, Feb)	-	0.2%	Off its 2022 highs, but still well above pre-COVID levels.
CH	Caixin Manufacturing PMI (Feb)	50.6	50.1	Official NBS PMIs to be released over the weekend.
EZ	HICP (YoY, Feb)	-	2.5%	Some ECB Board members not comfortable with that level.
US	ISM Manufacturing PMI (Feb)	50.5	50.9	S&P Global PMI signalled faster expansion in manufacturing.
<b>Tue 04</b>				
AU	RBA Board Minutes	-	-	More insights into discussion on the 'hawkish cut'.
AU	Retail Trade (MoM, Jan)	0.4%	-0.1%	Covers only 1/3 of household consumption.
AU	Current Account Balance (Q4)	-A\$13.4b	-A\$14.1b	Aussie current account back at pre-COVID levels.
<b>Wed 05</b>				
AU	GDP (QoQ, Q4)	0.5%	0.3%	Annual rate of growth expected to accelerate 0.4ppts to 1.2%.
CH	Caixin Services PMI (Feb)	-	51.0	Chinese business activity growth slowed in January.
US	ADP Employment (monthly change, Feb)	148k	183k	Pointed to a stronger gain than the official report in January.
US	ISM Services PMI (Feb)	53.0	52.8	S&P Global services PMI dropped into contraction in Feb.
US	Beige Book	-	-	Anecdotal evidence on economic activity in the Fed districts.
<b>Thu 06</b>				
AU	Dwelling Approvals (MoM, Jan)	-0.6%	0.7%	Private sector price approvals low and trending even lower.
AU	Goods Trade Balance (Jan)	\$5.5b	A\$5.1b	Iron ore exports increased in December.
EZ	ECB Decision (Deposit Rate)	2.50%	2.75%	A 25bps cut near fully priced in.
US	Trade Balance (Jan)	-A\$91b	-US\$98b	US trade deficit was the second highest on record in Dec.
<b>Fri 07</b>				
AU	Household Spending Indicator (MoM, Jan)	0.6%	0.4%	To replace retail sales report in mid-2025.
CH	Trade Balance (Jan-Feb)	-	-	May attract attention due to the pending US trade revision.
US	Non-farm Payrolls (monthly change, Feb)	130k	143k	Employment growth has slowed after solid gains in late 2024.
US	Unemployment Rate (Feb)	4.0%	4.0%	Expected to remain at the lowest level since May 2024.