

| Interest Rates (%) | | | FX | | | Commodities US\$ | | |
|----------------------|------|-------------|-----------------------------------|-----------|-------|--------------------------|---------|---------|
| Australia | | Δ bp | AUD/USD | 0.6187 | 0.0% | WTI Crude Oil | 77.96 | -\$0.79 |
| 90-day Bill | 4.36 | 2 | AUD/JPY | 97.74 | 0.4% | Brent Crude Oil | 79.92 | -\$1.09 |
| 3-year Bond | 4.05 | 0 | AUD/EUR | 0.6007 | -0.5% | Mogas95* | 88.38 | -\$0.34 |
| 10-year Bond | 4.63 | 1 | AUD/GBP | 0.5070 | 0.1% | CRB Index | 307.32 | -1.70 |
| | | | AUD/NZD | 1.1046 | 0.0% | Gold | 2674.15 | \$6.25 |
| | | | AUD/CNY | 4.5376 | 0.5% | Silver | 29.82 | \$0.15 |
| US | | | EUR/USD | 1.0301 | 0.5% | Iron Ore (62% Fe)** | 100.55 | \$1.35 |
| 2-year | 4.36 | -1 | USD/JPY | 157.98 | 0.3% | Iron Ore (24-25 Average) | 101.30 | \$0.00 |
| 10-year | 4.78 | 2 | USD/CNY | 7.3311 | 0.0% | Copper | 9154.00 | \$59.50 |
| | | | RBA Policy | | | Equities | | |
| | | | O/N Cash Rate Target | 4.35 | | ASX200 | 8264 | 35 |
| | | | Interbank O/N Cash Rate | 4.34 | | Dow Jones | 42518 | 221 |
| Other 10-year | | | Probability of a 25bps Cut in Feb | 72.8% | | S&P500 | 5843 | 7 |
| Japan | 1.24 | 0 | RBA Bond Holdings (31 Dec) | A\$297.6b | | Stoxx600 | 508 | 0 |
| Germany | 2.65 | 4 | | | | CSI300 | 3821 | 98 |
| UK | 4.89 | 0 | | | | | | |

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

**Iron ore is the second SGX futures contract.

Trade was choppy on Wall Street overnight, with the market drifting in an out of positive territory after initially climbing amid a tame US producer price index report, which raised hopes for a similarly benign CPI report tonight. The S&P 500 eventually closed marginally higher.

Markets steadied in Europe and were mixed in the Asia-Pacific. Chinese equities posted strong increases, boosted by a statement from China's Securities and Regulatory Commission that, along with the People's Bank of China, it will boost its support for share purchases by financial institutions. The Nikkei 225 in Japan fell for the fourth day in a row despite a weaker Japanese yen, with traders nervous over the prospect of a potential Bank of Japan interest rate hike next week. The Aussie market closed higher for the second day in a row, following Monday's big selloff, with materials leading the way, opening higher again this morning.

The Aussie dollar remained unchanged against the US dollar and slipped against the stronger euro– the euro bounced after closing at a 13-month low against the greenback on Monday.

The 2-year US Treasury yield edged down following the US PPI report, however, the longer-term yields continued to climb. Aussie bond yields have followed US Treasury yields higher this morning after trading in a narrow range yesterday.

Oil prices eased on optimism that a Gaza ceasefire appears to be drawing near.

The US headline PPI rose 0.2% in December (mkt exp. 0.4%), and although the annual rate drifted up 0.3ppts to 3.3% on base effects, this was less than the 3.5% expected. The core (ex. food, energy and trade) PPI gained 0.1% (mkt exp 0.3%) and the annual rate slipped 0.2ppts to 3.3%. This was good news for traders ahead of the much-anticipated US December CPI tonight.

The NFIB small business optimism index continued to rise in December, building on the huge jump in November following Donald Trump's win in the US election, and is now at its highest level since 2018. There can be little doubt that US small business owners are very pro-Trump. Expectations for an improving economy, higher sales and hiring plans have all seen big increases over the past two months.

The CBA Aussie household spending index fell a seasonally adjusted 1.8% in December following a 0.4% increase in November. The fall in December is further evidence that spending patterns in Australia have change with the increasing popularity of Black Friday sales, with purchases that would in the past have been made in December being brought forward to October and November to take advantage of sales promotions. Spending was up a solid 5.2% YoY.

Economic Data Review

- **AU:** CBA Household Spending Insights Index (MoM, Dec) – Actual -1.8%, Previous 0.4%.
- **US:** Final Demand PPI (MoM, Dec) – Actual 0.2%, Expected 0.4%, Previous 0.4%.
- **US:** NFIB Small Business Index (Dec) – Actual 105.1, Expected 102.1, Previous 101.7.

Economic Data Preview

- **US:** CPI (MoM, Dec) – Expected 0.4%, Previous 0.3%.