

## Highlights this week

- In Australia, GDP growth accelerated in Q4 in line with expectations, supported by stronger consumer spending. Retail sales and household spending indicator suggested that improvement in private consumption continued into 2025. The current account deficit narrowed in Q4, followed by a rise in goods trade balance in January. The CoreLogic home value index saw the first national increase in three months in February, while the Melbourne Institute inflation gauge suggested slower consumer price growth in February. The RBA minutes came out hawkish.
- Abroad, the ISM PMI reports pointed to near-stagnant conditions in US manufacturing and somewhat faster expansion in services, with price pressures intensifying in both sectors. The Chinese PMIs were mixed, but suggested further sluggish expansion, while the Chinese authorities maintained their 'around 5%' growth target for 2025.

## Highlights next week

- The domestic highlights next week are the NAB business survey for February, Westpac consumer sentiment for March on Tuesday, followed by Melbourne Institute inflation expectations for March on Thursday.
- The highlights offshore include the US CPI and PPI figures for February and University of Michigan consumer sentiment survey, which will include inflation expectations tracked by the Fed. The Bank of Canada will announce its monetary policy decision on Wednesday, with a 25bps cut expected. The Chinese inflation figures will be released on Sunday.

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	7979 (↓221 pt)
US (IOR)	4.40 (0 pt)	90-day Bills	4.11 (0 pt)	2-yr T-Notes	3.94 (↓8 pt)	S&P500	5739 (↓123 pt)
Eurozone (Deposit)	2.50 (↓25 pt)	3-yr T-Bond	3.79 (↑4 pt)	10-yr T-Notes	4.26 (↑4 pt)	DJIA	42579 (↓660 pt)
UK	4.50 (0 pt)	10-yr T-Bond	4.41 (↑11 pt)	Jap 10-yr	1.53 (↑15 pt)	Nikkei	36888 (↓294 pt)
Japan (Target)	0.50 (0 pt)	3-yr WATC Bond	3.90 (↑3 pt)	UK 10-yr	4.66 (↑15 pt)	CSI300	3956 (↑9 pt)
China (1Y LPR)	3.10 (0 pt)	10-yr WATC Bond	4.96 (↑13 pt)	Ger 10-yr	2.83 (↑42 pt)	Stoxx600	556 (↓1 pt)

Changes are since the previous issue of Market Watch Weekly.

## Financial Markets

### Interest Rates

Government bond yields are generally sharply up this week, with particularly strong increases in German bund yields.

Bund yields rose the most since 1990 on Wednesday, after German Chancellor-in-waiting Friedrich Merz announced a plan to exempt defence spending over 1% of GDP from the constitutional debt brake rules. This comes in addition to European Commission President Ursula von der Leyen's proposal to loosen the European Union's fiscal rules to fund €650b in defence spending.

Meanwhile, the ECB cut its policy rates by another 25bps, but revised its 2025 inflation forecasts up and warned about upside risks to inflation, among others from higher defence spending.

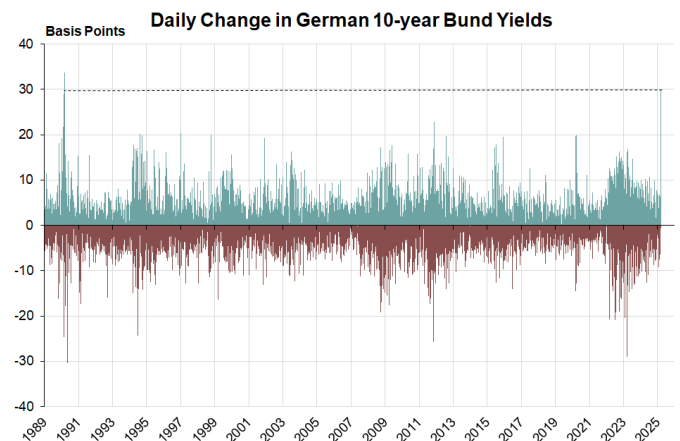
The minutes of the RBA Board's February meeting were relatively hawkish, confirming that further moves in the cash rate will be data dependent. The RBA Board stressed that, while inflation and wages growth have eased faster than anticipated, the labour market remains tight and may have strengthened of late.

### Equities

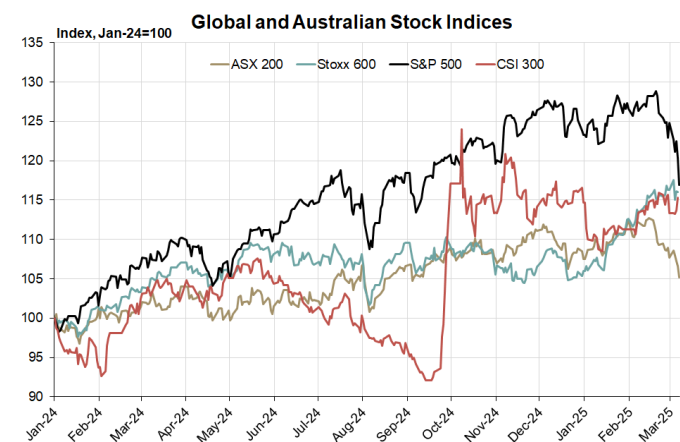
It has been another dismal week on US and domestic stock markets. The S&P 500 has now wiped out since US President Trump's re-election in early November last year, while the Aussie ASX 200 is back at levels from mid-September 2024. The losses in the ASX were broad-based, with a gain only in materials.

The story was a little different in Europe and China. The European Stoxx 600 is little changed for the week, with gains in the German DAX and French CAC 40 due to a surge in industrial stocks, as it appears that European countries are approaching a strategic decision to prop up spending on defence.

The Chinese CSI 300 is 0.2% up for the week at the time of writing, as the Chinese authorities have kept the 'around 5%' growth target for 2025 and pledged to roll out measures to stabilise domestic activity growth.



Source: Bloomberg



Source: Bloomberg

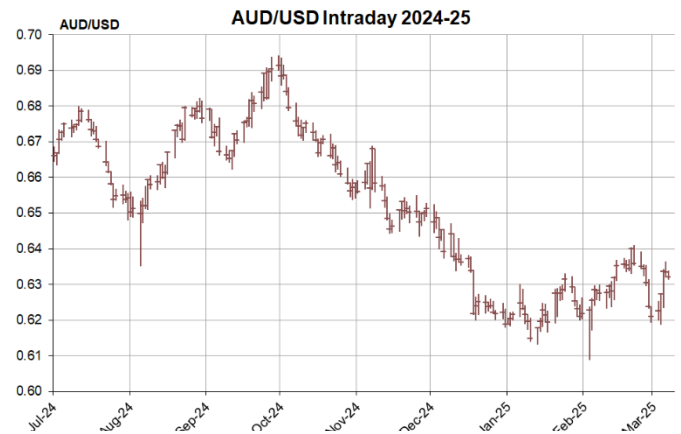
## Currencies

The Aussie dollar started the week on the back foot, sliding to its lowest level against the greenback in a month on Tuesday, as US tariff increases on Canada, Mexico and China came into effect, and market volatility spiked.

However, a fall in the greenback over the second half of the week has pushed the AUD/USD exchange rate higher again, with the US dollar index, which values the big dollar against a basket of major currencies, falling to four-month lows.

The Aussie's performance hasn't been as strong against the broader currency universe and it is one of the weaker members of the G10 currency basket, ahead of only the greenback, Canadian dollar, and Japanese yen.

The euro has been the strongest member of the G10 currencies behind the Swedish krona, rising to its highest level against the big dollar since November.



Source Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6318	0.6364	0.6187	↑1.7	0.6942	0.6088
AUD/EUR		0.5854	0.5982	0.5846	↓2.2	0.6261	0.4875
AUD/GBP		0.4904	0.4945	0.4875	↓0.7	0.5289	0.4875
AUD/JPY		93.46	94.72	91.86	↑0.6	109.37	90.15
AUD/CNY		4.5809	4.6065	4.5024	↑1.1	4.9340	4.4109
EUR/USD		1.0791	1.0853	1.0371	↑3.9	1.1214	1.0141
GBP/USD		1.2883	0.4945	0.4875	↑2.4	0.5289	0.4875
USD/JPY		147.94	151.30	147.32	↓1	161.95	139.58
USD/CNY		7.2512	7.2935	7.2296	↓0.5	7.3328	7.0063

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6318	0.6322	0.6326	0.6330
AUD/EUR		0.5854	0.5830	0.5805	0.5759
AUD/GBP		0.4904	0.4908	0.4913	0.4923
AUD/JPY		93.46	92.57	91.76	90.31
AUD/NZD		1.1026	1.1012	1.0995	1.0967
AUD/SGD		0.8421	0.8386	0.8354	0.8291

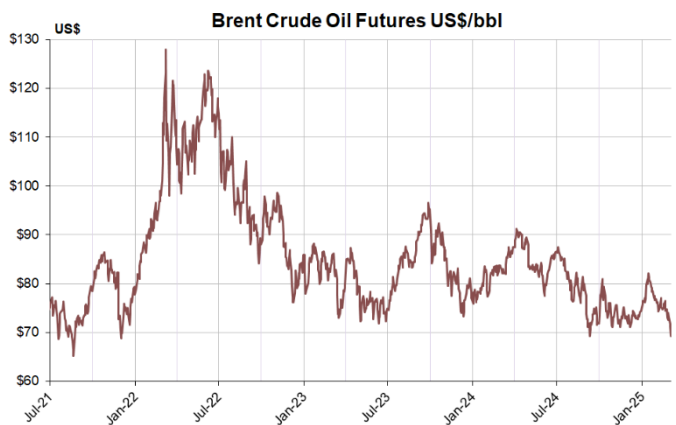
## Commodities

Commodity prices have mainly weakened over the past week, with gold being the major exception.

Aussie trade data this week showed a sharp jump in Australian exports of non-monetary gold to the US in January, following a big rise in December. The data highlights the increase in demand that drove golds prices to record highs.

Oil prices have slipped again this week, with Brent crude touching its lowest level since December 2021, before stabilising. Prices continue to be weighed down by uncertainty over the demand outlook amid the US tariff increases, while OPEC+ confirmed that it would start unwinding its production caps in April.

Iron ore futures fell amid the US tariff increase on goods imports from China, dropping to a seven-week low on Thursday, before edging back above US\$101 / tonne, but prices have come under renewed downward pressure this morning.



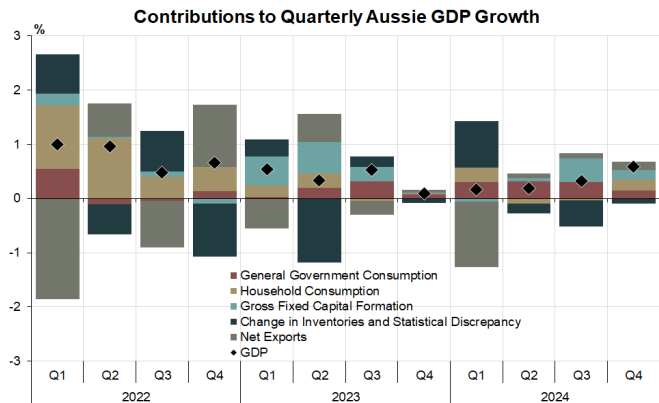
Source Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$2,902.46	\$2,929.95	\$2,856.39	(↑\$26.94)	\$2,956.19	\$2,144.29
Brent Crude Oil (US\$)	\$69.52	\$73.67	\$68.33	(↓\$4.3)	\$92.18	\$68.33
Mogas95* (US\$)	\$78.41	\$84.48	\$77.80	(↓\$6.37)	\$109.19	\$76.37
WTI Oil (US\$)	\$66.35	\$70.60	\$65.22	(↓\$3.75)	\$87.67	\$65.22
CRB Index	301.07	301.83	300.28	(↓4.96)	316.63	265.48
Iron Ore Price 62% Fe (US\$) **	\$99.65	\$102.85	\$98.95	(↓\$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.

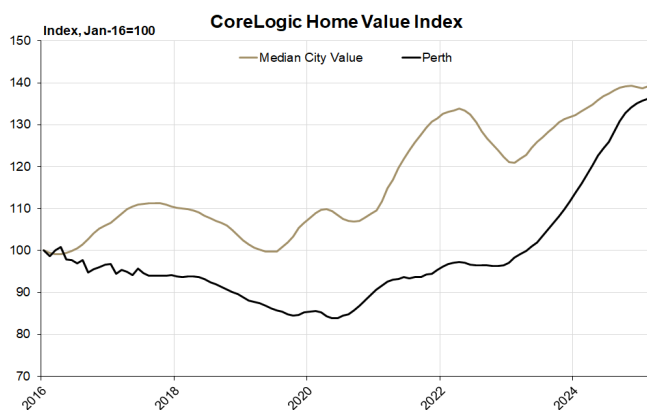
## Domestic Economy

**Real GDP growth** accelerated again in Q4, as household consumption showed signs of life.



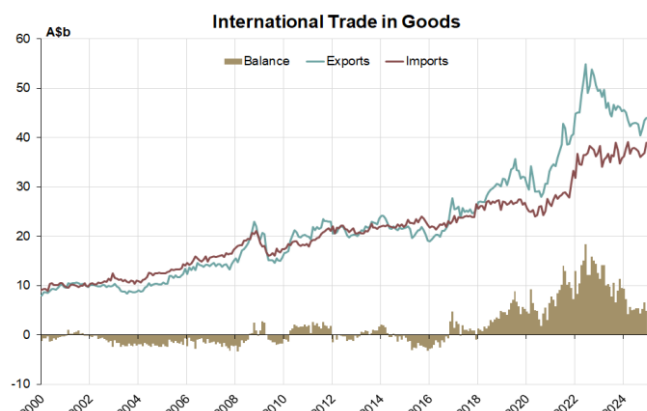
Source: ABS

The CoreLogic national **home price index** resumed climbing after the recent RBA cash rate cut.



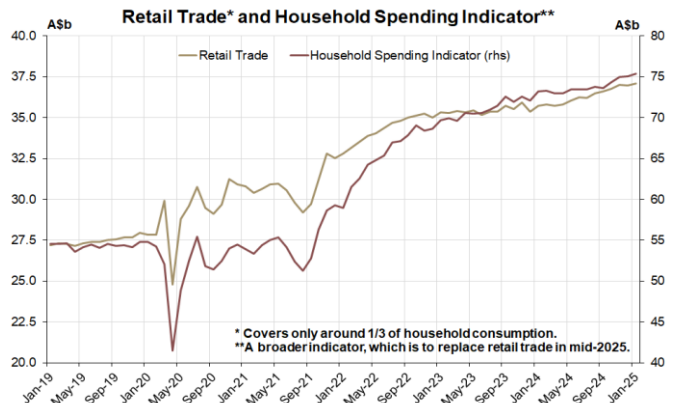
Source: CoreLogic

Higher exports of non-monetary gold pushed goods credits and the **trade surplus** higher in January...



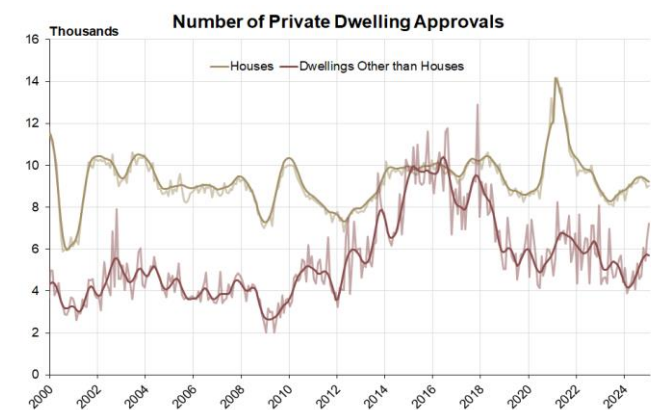
Source: ABS

January **retail sales** and household spending indicator suggested that this recovery continued into 2025.



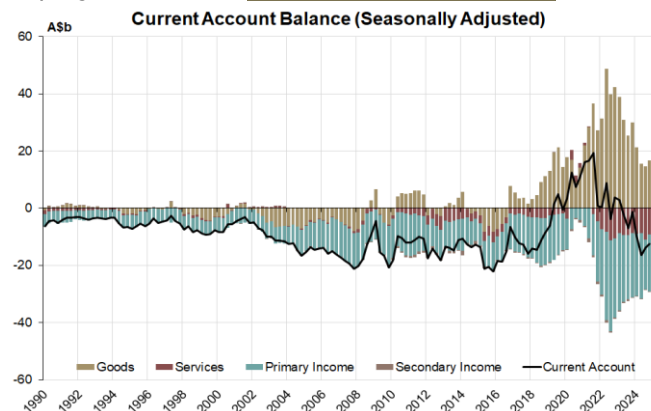
Source: ABS

Seasonally adjusted **dwelling approvals** ticked up in January, but trend growth was negative.



Source: ABS

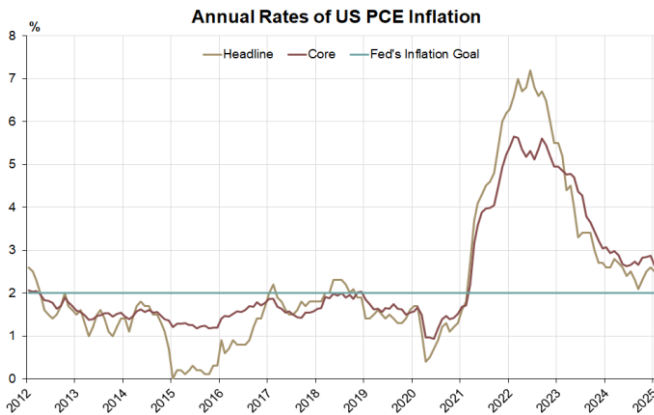
... which followed a rise in the trade surplus in Q4, helping stabilise the **current account balance**.



Source: ABS

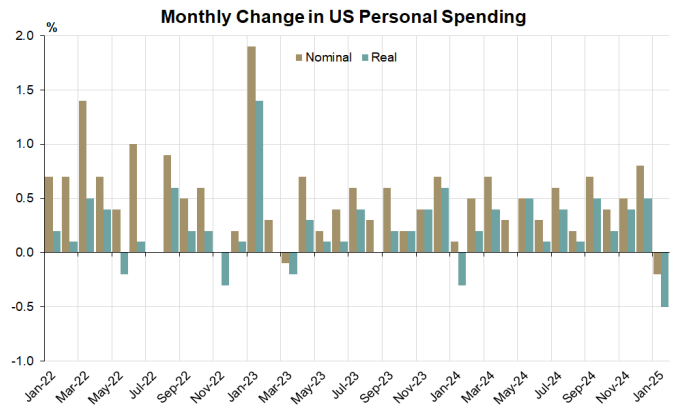
## Global Economy

The annual rates of US PCE inflation declined a little in January, but remain above the Fed's goal of 2%...



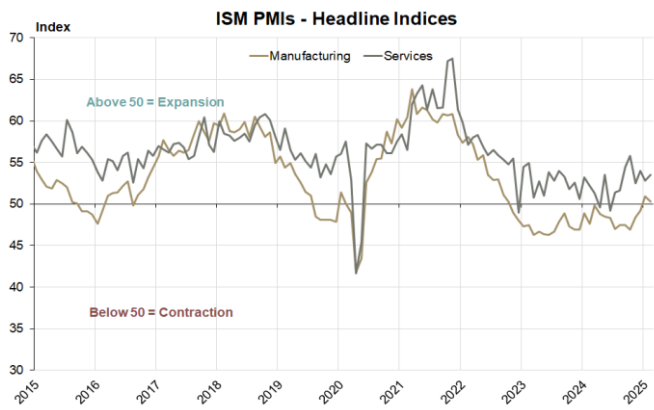
Source: Bloomberg

...while US personal consumption spending softened in January, following very strong final months of 2024.



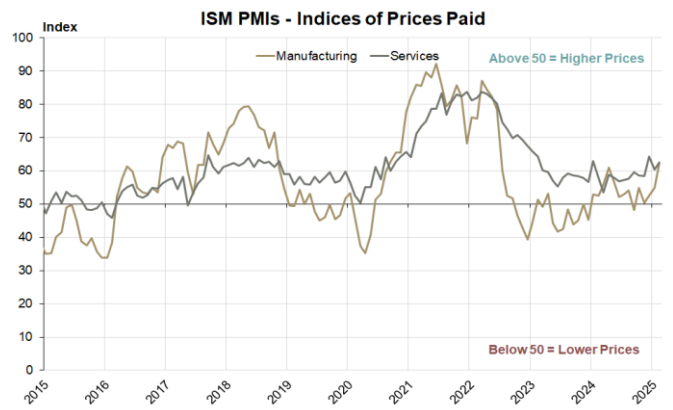
Source: Bloomberg

According to the ISM, US manufacturing is again near-stagnant, while expansion in services continue...



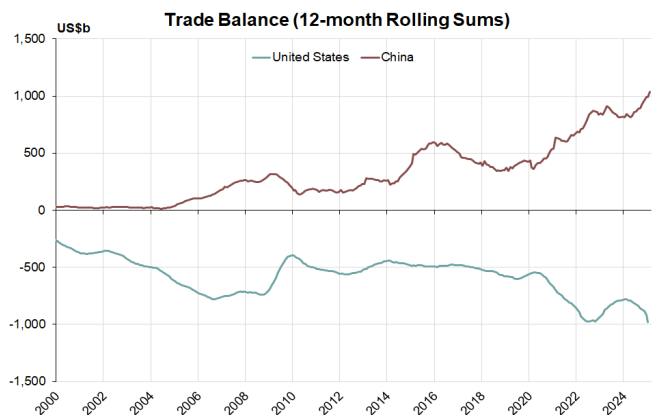
Source: Bloomberg

... though price pressures in both sectors are somewhat stronger than last year, as tariff fears are settling in.



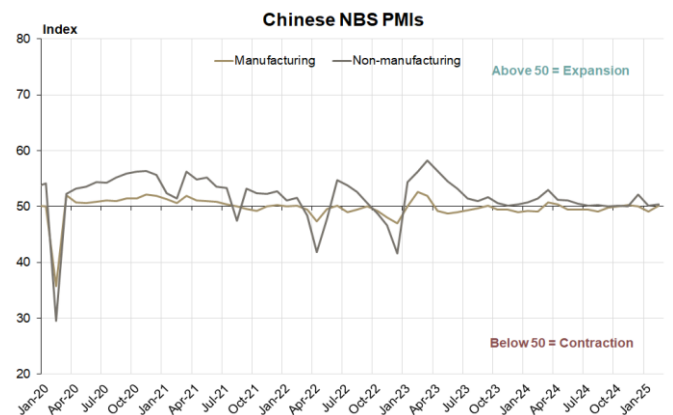
Source: Bloomberg

Trade imbalances between the US and China rose further ahead of the recent tariff announcements.



Source: Bloomberg

The NBS PMI survey pointed to stagnant conditions in both Chinese manufacturing and other sectors.



Source: Bloomberg

## Last Week

Date	Event	Actual	Forecast	Previous	Comment
<b>Mon 03</b>					
AU	CL Home Value Index (MoM, Feb)	0.3%	-	-0.2%	Perth prices up by 0.3%, 0.1ppts less than in January.
AU	MI Inflation Gauge (MoM, Feb)	-0.2%	-	0.1%	Annual rate slowed by 0.1ppts to 2.2%.
AU	ANZ Job Ads (MoM, Feb)	-1.4%	-	1.3%	Significant upward revision of the January figures.
CH	Caixin Manufacturing PMI (Feb)	50.8	50.4	50.1	NBS composite PMI up by 1ppt to 51.1 in February.
EZ	HICP (YoY, Feb)	2.4%	2.3%	2.5%	Core inflation down 0.1ppts to 2.6%.
US	ISM Manufacturing PMI (Feb)	50.3	50.7	50.9	Prices paid climbed the most since mid-2022.
<b>Tue 04</b>					
AU	RBA Board Minutes	-	-	-	Despite a rate cut, the RBA maintains the hawkish tone.
AU	Retail Trade (MoM, Jan)	0.3%	0.3%	-0.1%	Trend growth at 0.3% MoM and 4.1% YoY.
AU	Current Account Balance (Q4)	-\$12.5b	-\$12.0b	-\$13.9b	Appears to be stabilising at pre-COVID levels.
AU	ANZ Cons. Conf. (w/e 1 Feb)	-2.3%	-	5.5%	Inflation expectations up 0.3ppts to 4.7%.
<b>Wed 05</b>					
AU	GDP (QoQ, Q4)	0.6%	0.6%	0.3%	The first increase in GDP per capita in seven quarters.
AU	RBA Assistant Governor Speaks	-	-	-	Tariffs and spare capacity the main sources of uncertainty
CH	Caixin Services PMI (Feb)	51.4	50.7	51.0	2025 growth target maintained at 'around 5%'.
US	ADP Employment (MoM, Feb)	77k	140k	186k	The smallest gain since July last year.
US	ISM Services PMI (Feb)	53.5	52.5	52.8	Its S&P Global equivalent is now pointing to expansion.
US	Beige Book	-	-	-	Adverse weather conditions affecting activity growth.
<b>Thu 06</b>					
AU	Dwelling Approvals (MoM, Jan)	6.3%	0.0%	1.7%	Trend growth in approvals remains negative.
AU	Goods Trade Balance (Jan)	A\$5.6b	A\$5.9b	A\$4.9b	1.3% rise in exports, a 0.3% decline in imports.
EZ	ECB Decision (Deposit Rate)	2.50%	2.75%	2.75%	Upside risks to inflation from higher defence spending.
US	Trade Balance (Jan)	-\$131b	-\$129b	-\$98b	The widest trade deficit on record.
US	Initial Jobless Claims (w/e 1 Feb)	221k	233k	242k	Claims filled by former federal employees rose a little.
<b>Fri 07</b>					
AU	Hsehold Spend. Ind. (MoM, Jan)	0.4%	0.5%	0.2%	Discretionary items down 0.2%, essential items up 1.4%.
CH	Trade Balance (Jan-Feb)	US\$171b	US\$148b	-	Exports up by 2.3%, imports dropped by 8.4%.
<b>Tonight</b>					
US	Non-farm Payrolls (MoM, Feb)	-	160k	143k	ISM reports pointed to ongoing growth in employment.
US	Unemployment Rate (Feb)	-	4.0%	4.0%	Reached an eight-month low in January.

## Next Week

Date	Event	Forecast	Previous	Comment
<b>Mon 10</b>				
US	NY Fed 1Y Consumer Infl. Exp. (Feb)	-	3.0%	Have been less reactive than their UoM equivalents, so far.
<b>Tue 11</b>				
AU	NAB Business Conditions (Feb)	-	3	Judo Bank PMI report suggested weaker conditions.
AU	NAB Business Confidence (Feb)	-	4	Saw significant improvement in January.
AU	Westpac Consumer Sent. (MoM, Mar)	-	0.1%	Could see another gain, driven by the RBA cash rate cut.
US	JOLTS Job Openings (Jan)	-	7.6m	Is now back at pre-COVID levels.
US	NFIB Small Business Optimism (Feb)	100.9	102.8	Has seen a solid gain since President Trump's re-election.
<b>Wed 12</b>				
CA	Bank of Canada Decision (Policy Rate)	2.75%	3.00%	BoC expects an up to 0.7ppts boost to inflation from tariffs.
US	CPI (MoM, Feb)	0.3%	0.5%	Annual rate expected to decline 0.1ppts to 2.9%.
<b>Thu 13</b>				
AU	MI Consumer Infl. Expectations (Mar)	-	4.6%	Hit a 10-month high in February.
US	PPI (MoM, Feb)	0.2%	0.4%	PMI reports suggest an upside risk to the market forecast.
<b>Fri 14</b>				
UK	Monthly GDP (MoM, Jan)	-	0.4%	UK economy is muddling through.
US	UMich Consumer Sentiment (Mar, prel.)	65.0	64.7	Longer-run consumer inflation expectations at near 30Y highs.