

Interest Rates (%)			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.6353	0.0%	WTI Crude Oil	71.75	\$0.51
90-day Bill	4.15	-2	AUD/JPY	96.54	0.3%	Brent Crude Oil	75.84	\$0.62
3-year Bond	3.95	9	AUD/EUR	0.6080	0.3%	Mogas95*	87.24	-\$0.31
10-year Bond	4.54	10	AUD/GBP	0.5033	-0.1%	CRB Index	315.53	3.45
			AUD/NZD	1.1129	0.4%	Gold	2932.68	\$33.43
			AUD/CNY	4.6181	0.0%	Silver	32.93	\$0.54
US			EUR/USD	1.0448	-0.4%	Iron Ore (62% Fe)**	106.95	\$1.40
2-year	4.30	5	USD/JPY	151.96	0.3%	Iron Ore (24-25 Average)	101.90	\$0.04
10-year	4.55	5	USD/CNY	7.2754	0.2%	Copper	9472.00	\$76.50
			RBA Policy		Equities			
			O/N Cash Rate Target	4.10		ASX200	8430	-81
			Interbank O/N Cash Rate	4.09		Dow Jones	44556	10
Other 10-year			Probability of a 25bps Cut in Apr	16.6%		S&P500	6130	15
Japan	1.44	4	RBA Bond Holdings (31 Jan)	A\$297.6b		Stoxx600	557	2
Germany	2.49	0				CSI300	3913	-35
UK	4.56	3						

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

**Iron ore is the second SGX futures contract.

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% and the interest rate on Exchange Settlement balances to 4.00%. However, the decision was a 'hawkish' cut, with the RBA Board saying explicitly that they will remain cautious about further monetary policy easing and that further decisions will remain data-dependent.

In the post-meeting statement, the RBA acknowledged that underlying inflation is moderating faster than expected, but that upside risks to inflation remain, particularly from the surprisingly strong labour market, with outlook being clouded by both domestic and external risks.

The updated projections in the Statement on Monetary Policy showed that, while near-term inflation forecasts were revised down due to a lower starting point, there were upward revisions for 2026. Trimmed mean inflation is to remain within the target band but remain slightly above the mid-point of the target at 2.7% in mid-2027. The unemployment rate path has been revised downwards, with the peak now at 4.2% rather than 4.5%. The forecasts were prepared under assumption of three rate cuts in 2025, which was in line with market expectations before the cash rate decision.

The markets reacted to the clear RBA's scepticism about the market pricing of further rate cuts by scaling back their expectations slightly. The probability of another 25bps cut in April is now priced at around 15%, with 44bps cuts priced in for the rest of the year. Commonwealth bond yields rose across the yield curve. The AUD was quite volatile around the RBA decision announcement and press conference yesterday, but overall, it is unchanged against the stronger greenback and up versus the Japanese yen and euro. The ASX 200 fell yesterday, and opened lower this morning.

US investors came back from their long weekend in a mixed mood, but the S&P 500 nudged 0.2% higher to a fresh record high following a choppy session. This followed gains in continental Europe, a flat result in London, and mixed outcomes in the Asia-Pacific region.

In commodity markets, the gold price rose to yet another record high on geopolitical and trade uncertainties. Oil prices also picked up, albeit marginally, as US-Russia talks on the war in Ukraine have not brought a breakthrough. In addition, there is some speculation that the unwinding of OPEC+ supply cuts, currently planned for April, might be postponed. Iron ore futures picked up by 1.5% yesterday.

Financial markets look set for some volatility today, after US President Donald Trump announced that he will likely impose tariffs of around 25% on cars, semiconductors, and pharmaceutical products on 2 April. While universal, such tariffs could disproportionately hit the European Union, which is a large exporter of cars and pharmaceuticals.

Speaking overnight, Fed Governor Christopher Waller and San Francisco Fed President Mary Daly both supported extending the pause in fed funds rate cuts until US inflation resumes to decline towards the FOMC's goal of 2%.

Economic Data Review

- **AU:** RBA Interest Rate Decision (Cash Rate Target) – Actual 4.10%, Expected 4.10%, Previous 4.35%.

Economic Data Preview

- **AU:** Wage Price Index (QoQ, Q4) – Expected 0.8%, Previous 0.8%.
- **US:** FOMC Minutes.