

Interest Rates (%)			FX			Commodities US\$		
Australia			AUD/USD	0.6450	-1.2%	WTI Crude Oil	77.74	\$0.77
90-day Bill	4.35	0	AUD/JPY	97.21	-0.3%	Brent Crude Oil	82.77	\$0.77
3-year Bond	3.88	11	AUD/EUR	0.6023	-0.6%	Mogas95*	102.55	\$1.18
10-year Bond	4.28	11	AUD/GBP	0.5123	-0.9%	CRB Index	273.05	-0.26
			AUD/NZD	1.0655	0.0%	Gold	1991.32	-\$27.64
			AUD/CNY	4.6416	-1.3%	Silver	22.06	-\$0.63
US			EUR/USD	1.0707	-0.6%	Iron Ore (62% Fe)**	128.10	-\$0.50
2-year	4.66	19	USD/JPY	150.72	0.9%	Iron Ore (23-24 Average)	121.47	\$0.04
10-year	4.32	14	USD/CNY***	7.1936	0.0%	Copper	8260.00	\$25.00
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	7502	-107
			Interbank O/N Cash Rate	4.32		Dow Jones	38273	-525
			Probability of a 25bps Cut in Mar	6.9%		S&P500	4953	-69
			RBA Bond Holdings (31 Jan)	A\$336.1b		Stoxx600	483	-5
						CSI300***	3365	0
Other 10-year								
Japan	0.77	4						
Germany	2.39	3						
UK	4.15	9						

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

**Iron ore is the second SGX futures contract.

***No change due to the Chinese New Year Holiday.

US stocks retreated overnight, while Treasury yields surged, as the upside surprise to the US CPI put expectations for imminent fed funds rate cuts in question.

US Treasury yields saw strong increases, particularly at the front end of the curve, as fed funds rate cut expectations were scaled back somewhat. Market pricing for a May cut fell below 50% and a June cut is no longer fully priced in. Fed funds futures are now pricing in three rate cuts over the course of 2024, instead of four before the CPI release.

Aussie bond yields followed US yields higher, while the Australian dollar depreciated sharply against the stronger USD, dropping to as low as US\$0.6443, its lowest level since mid-November. The ASX 200 closed 0.2% lower yesterday, with healthcare again seeing the strongest decline, before opening even lower this morning.

From details of US CPI report, the headline CPI rose by 0.3% in January, rather than the 0.2% expected by the markets, while the core CPI picked up by 0.4% instead of the 0.3% consensus. The annual rate of headline inflation slowed to 3.1% (mkt exp. 2.9%), while annual core inflation was unchanged at 3.9% (mkt exp. 3.7%).

Around two-thirds of the monthly increase in the CPI came from shelter, which contributes less to the PCE price index, which is the inflation measure the Fed officially targets. However, annual core services price inflation excluding shelter, which is tracked by the Fed for guidance, accelerated to 4.3%, the highest since May 2023.

From domestic data, the NAB business conditions index declined 2pts to 6 points in January, from the upwardly revised level for December (initial estimate 7). The decline was driven by deterioration in each of the employment, profitability, and trading subindices. Business confidence rose 1pt to +1, still well below the long-term average but a big improvement on the November reading of -8. The NAB business survey report also pointed to steady, albeit still heightened growth in labour and purchase costs, while sales price growth accelerated markedly.

Head of RBA's Economic Analysis Department, Marion Kohler spoke yesterday summarising the updated economic projections from last week's Statement on Monetary Policy. She cautioned that, while the central scenario is for inflation to reach the target range in 2025 and the midpoint of target range in 2026, there are significant risks around this scenario.

ECONOMIC DATA REVIEW

- **AU:** NAB Business Conditions (Jan) – Actual 6, Previous 8 (revised).
- **AU:** NAB Business Confidence (Jan) – Actual 1, Previous 0 (revised).
- **UK:** Unemployment Rate (Dec) – Actual 3.8%, Expected 4.0%, Previous 3.9%.
- **US:** CPI (MoM, Jan) – Actual 0.3%, Expected 0.2%, Previous 0.2%.

ECONOMIC DATA PREVIEW

- **AU:** Melbourne Institute Consumer Inflation Expectations (Feb) – Previous 4.5%.
- **UK:** CPI (MoM, Jan) – Expected -0.3%, Previous 0.4%.

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