

Highlights this week

- In Australia, the household spending indicator saw an unexpected decline in December, but Q4 spending volume growth was solid. Westpac consumer sentiment took a hit from the RBA rate hike last week. NAB business conditions deteriorated slightly in January, while business confidence remained weak. Consumer inflation expectations picked up in February.
- Abroad, the US jobs report for January came out surprisingly strong, but US retail sales unexpectedly stalled in December. Chinese consumer price inflation fell in January, while the pace of producer price inflation slowed.

Highlights next week

- The key domestic events next week will be the RBA minutes on Tuesday, the Q4 wage price index on Wednesday, the January labour force survey results on Thursday, and the February S&P Global flash PMIs on Friday.
- Abroad, the major releases will be the FOMC minutes and US industrial production for January on Wednesday, as well as the S&P Global flash PMIs for February on Friday. The RBNZ is expected to announce its monetary policy decision on Wednesday, with no changes expected.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	3.85 (0 pt)	O/N Interbank Cash	3.85 (0 pt)	USD 3-month	4.85 (0 pt)	ASX200	8922 (↑178 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	3.96 (↑3 pt)	2-yr T-Notes	3.47 (↑1 pt)	S&P500	6833 (↑34 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	4.26 (↓5 pt)	10-yr T-Notes	4.12 (↓6 pt)	DJIA	49452 (↑543 pt)
UK	3.75 (0 pt)	10-yr T-Bond	4.75 (↓8 pt)	Jap 10-yr	2.22 (0 pt)	Nikkei	57079 (↑3563 pt)
Japan (Target)	0.75 (0 pt)	3-yr WATC Bond	4.39 (↓3 pt)	UK 10-yr	4.45 (↓11 pt)	CSI300	4720 (↑109 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.11 (↓10 pt)	Ger 10-yr	2.78 (↓6 pt)	Stoxx600	619 (↑7 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

Government bond yields were mostly in decline this week. The catalyst for this decline in the US was the downside surprise to retail sales figures on Tuesday, and even the solid jobs report the next day did not lead to a lasting reversal of the downward trajectory.

The landslide victory of Japanese Prime Minister Sanae Takaichi's party, which implies expansionary fiscal policy effects, led only to a slight increase in Japanese bond yields, which was fully reversed later in the week.

Aussie yields also declined this week, despite consistently hawkish comments from RBA officials this week. Governor Michele Bullock, her Deputy Andrew Hauser and Assistant Governor Sarah Hunter all spoke publicly this week. All of them repeated that inflation is too high for the RBA not to have hiked the cash rate last week. They also repeated that the key reasons for the recent rise in inflation were the resilient global economy, expansionary monetary conditions and excess capacity in the Australian economy.

Equities

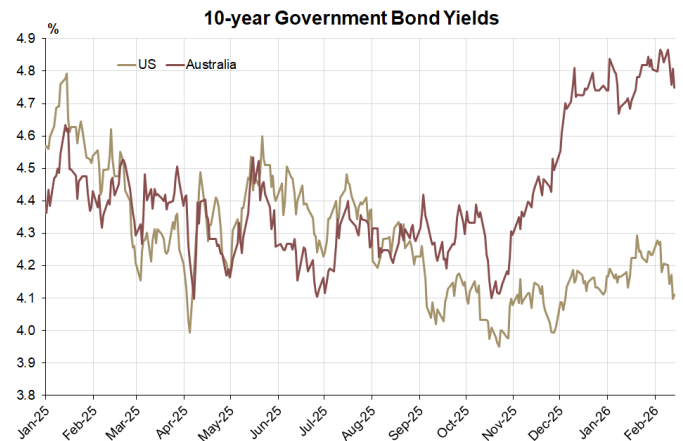
US equities closed last week on a high, with the S&P 500 having its best day since May last year and the Dow Jones closing above 50,000 for the first time.

Another positive day on Monday was followed by a succession of negative days, culminating in a sharp loss overnight. The decline was driven by some of the biggest names in tech amid ongoing concerns of an emerging bubble in the AI space.

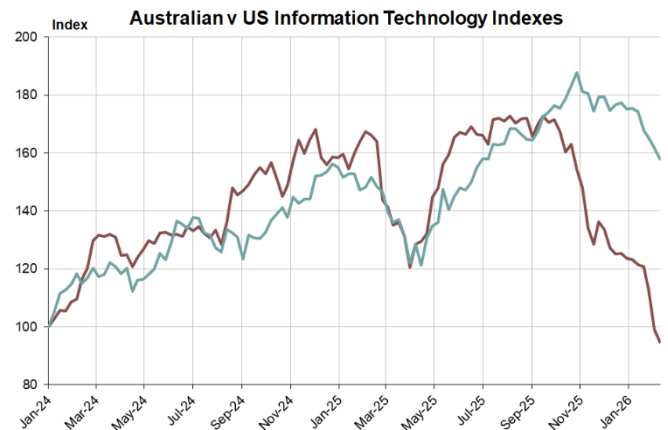
Aussie shares have mainly had a strong week after slumping last Friday, but have given back some of those gains today.

As in the US, the slide in the ASX this morning has been led by a sharp drop in tech shares, with the info tech index down over 4% today.

The slide in Aussie tech shares has well and truly exceeded the drop in the US tech sector since prices peaked late last year.



Source: Bloomberg



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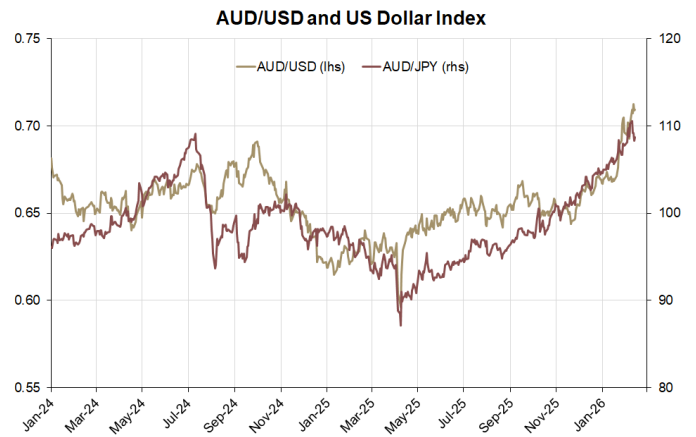
Currencies

It was a positive week for the Australian dollar, which appreciated against all the major currencies with the notable exception of the Japanese yen.

The AUD received some tailwinds from the optimism in global markets for most of the week, before reversing some of the gains after losses on Wall Street last night. The hawkish tone from top RBA officials was also supportive of the Australian dollar.

The Aussie dollar was the third strongest G10 currency this week, surpassed only by the Norwegian krone and Japanese yen.

The JPY reached its weakest level against the USD since 1990 on Monday, after Japan's Prime Minister Sanae Takaichi secured a landslide victory, allowing her to proceed with expansionary fiscal policy measures. However, the Japanese currency bounced back later in the week amid speculation of foreign exchange intervention.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7090	0.7147	0.7007	↑2.1	0.7147	0.5915
AUD/EUR		0.5976	0.6015	0.5915	↑1.5	0.6113	0.4620
AUD/GBP		0.5208	0.5241	0.5153	↑1.6	0.5241	0.4620
AUD/JPY		108.69	110.79	107.98	↓0.1	110.79	86.05
AUD/CNY		4.8936	4.9373	4.7983	↑1.6	4.9373	4.3523
EUR/USD		1.1864	1.1929	1.1810	↑0.6	1.2081	1.0360
GBP/USD		1.3614	1.3712	1.3587	↑0.5	1.3868	1.2440
USD/JPY		153.29	157.76	152.27	↓2.2	159.45	139.89
USD/CNY		6.9017	6.9415	6.8997	↓0.6	7.3511	6.8997

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.7090	0.7086	0.7076	0.7039
AUD/EUR		0.5976	0.5948	0.5915	0.5845
AUD/GBP		0.5208	0.5205	0.5196	0.5172
AUD/JPY		108.69	107.81	106.92	105.15
AUD/NZD		1.1753	1.1708	1.1658	1.1563
AUD/SGD		0.8959	0.8899	0.8832	0.8694

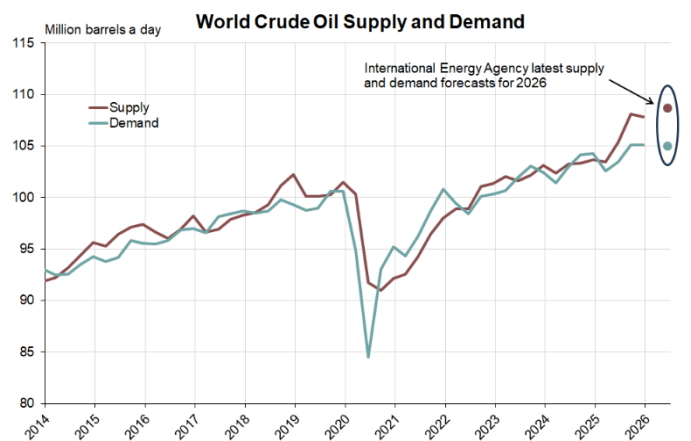
Commodities

Oil prices continued to be supported by Middle East tensions through most of the week, before falling back. Brent crude rose to a near two-week high on Thursday amid reports that the US is considering sending a second aircraft carrier group to the region. The upward pressure was reinforced by news of a drop in Russian oil production in January.

Prices slipped during the US session on Thursday, as concerns over an imminent US strike on Iran took a step back, and the International Energy Agency's oil market report highlighted a looming supply surplus in 2026.

Iron ore futures prices remained in a narrow trading range this week before falling sharply this morning, as traders adjusted positions ahead of China's New Year holiday, which starts on Sunday and ends 23 February.

Gold prices climbed early in the week amid rising geopolitical risk before sliding as the risk of a US attack on Iran appeared to ease.



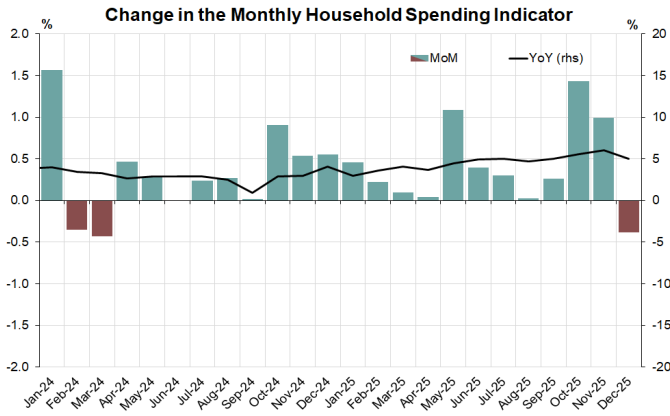
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,982.71	\$5,119.30	\$4,878.66	(↑\$168.95)	\$5,595.47	\$2,832.71
Brent Crude Oil (US\$)	\$67.47	\$70.72	\$67.02	(↓\$0.36)	\$81.40	\$58.40
Mogas95* (US\$)	\$76.08	\$80.38	\$75.90	(↓\$1.12)	\$89.08	\$67.57
WTI Oil (US\$)	\$62.77	\$65.83	\$62.39	(↓\$0.81)	\$78.40	\$54.98
CRB Index	306.23	311.08	306.23	(↓3.13)	323.71	279.79
Iron Ore Price 62% Fe (US\$) **	\$98.50	\$100.90	\$98.45	(↓\$1.3)	\$109.40	\$91.70

*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.

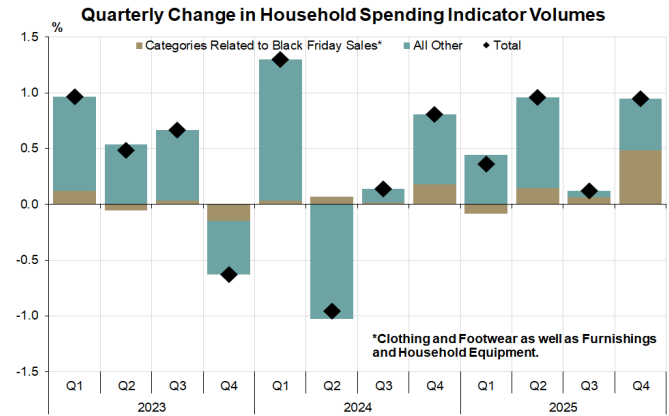
Domestic Economy

The **household spending indicator** retreated in December after solid gains in the previous two months.



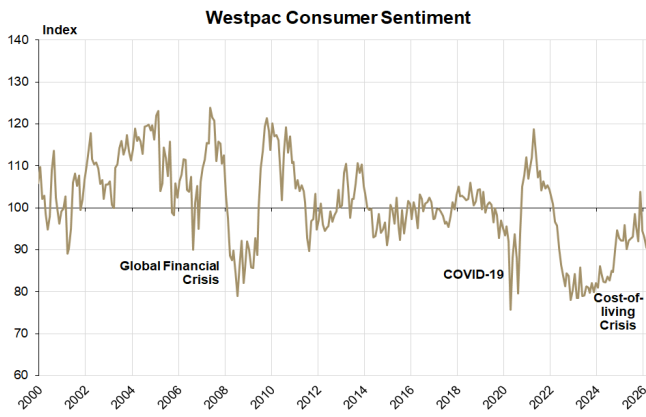
Source: ABS

In the entirety of Q4, household spending volumes saw a solid increase, driven by Black Friday sales.



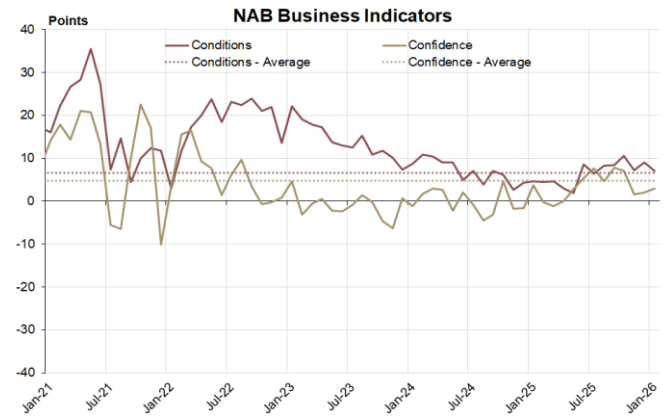
Source: ABS

However, the RBA pivot saw **Westpac consumer sentiment** retreat in early 2026.



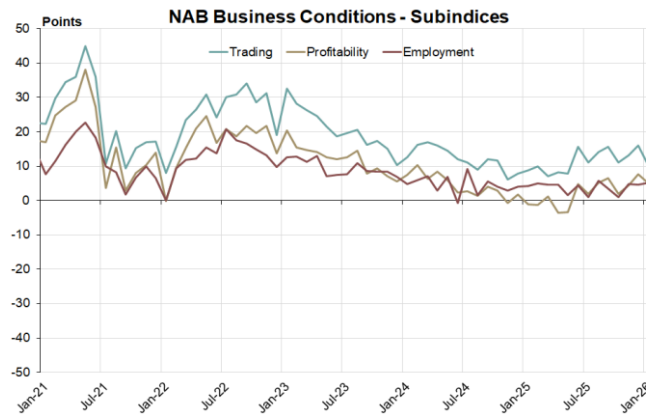
Source: Bloomberg

NAB business conditions declined back to the series average, while business confidence remains depressed.



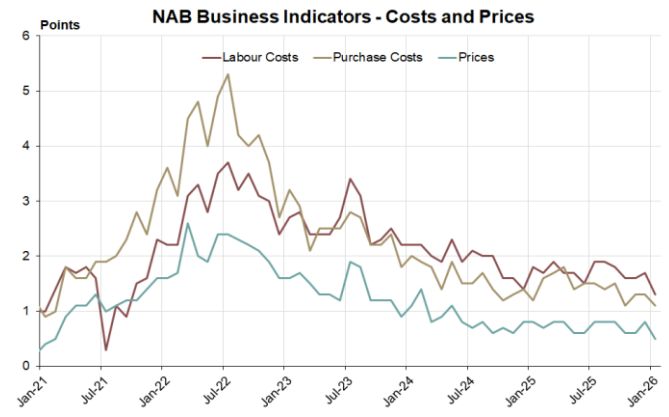
Source: Bloomberg

The decline in **business conditions** in January was concentrated in trading and profitability.



Source: Bloomberg

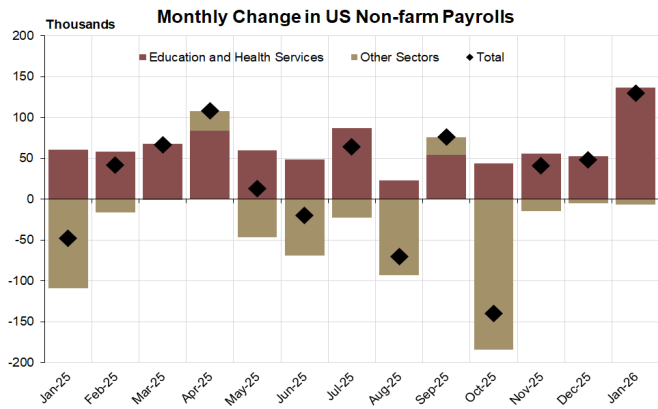
The NAB business survey also pointed to a slight slowdown in **business cost and price growth**.



Source: Bloomberg

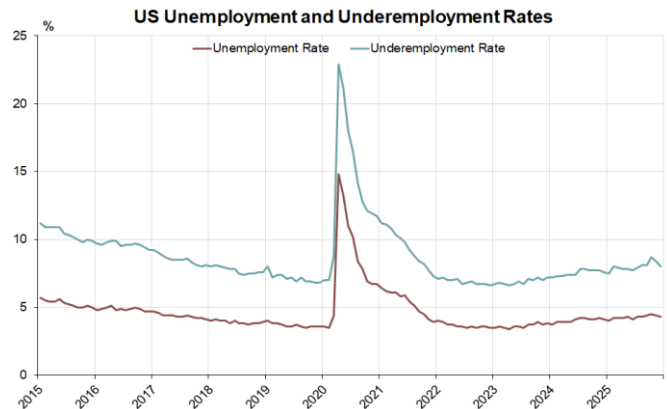
Global Economy

US non-farm payrolls saw a strong increase in January, thanks to a surge in education and care.



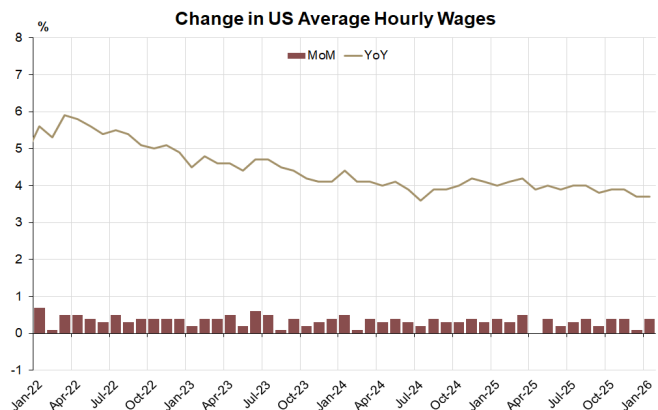
Source: Bloomberg

US unemployment and underemployment rates declined slightly in January.



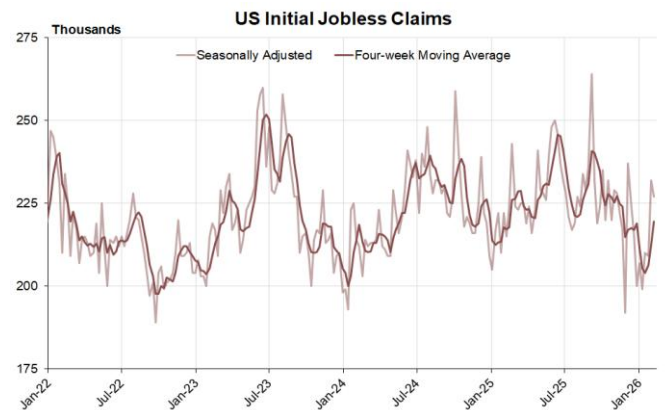
Source: Bloomberg

US wages continue to rise steadily, both in monthly and annual terms.



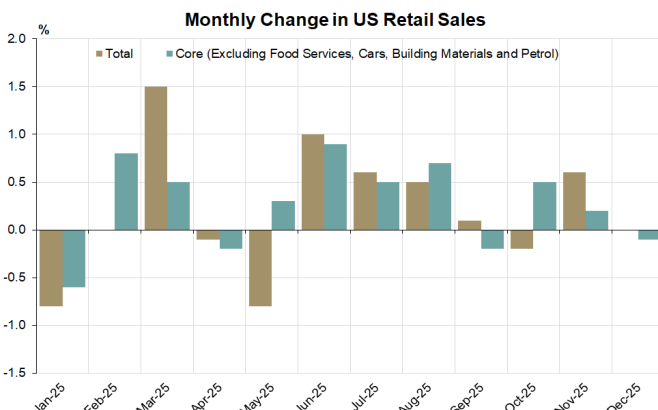
Source: Bloomberg

Following a plunge in early 2026, **US initial jobless claims** are back to their December levels.



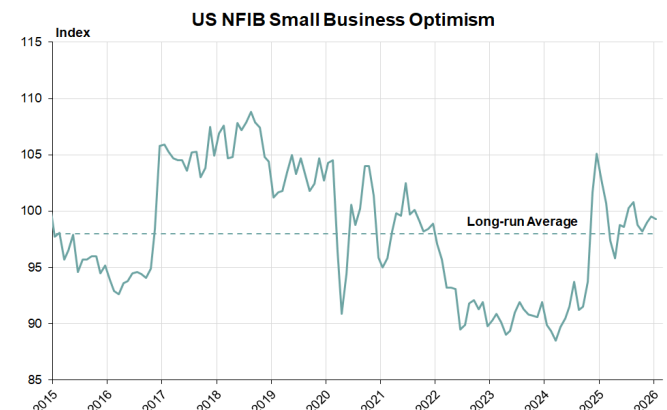
Source: Bloomberg

US retail sales stagnated in December, which could have been partly due to exceptionally cold weather.



Source: Bloomberg

The US NFIB small business optimism index is slightly above its long-run average.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 09					
AU	Household Spending (MoM, Dec)	-0.4%	0.1%	1.0%	Household spending volumes increased by 0.9% in Q4.
US	NY Fed Inflation Exp. (Jan)	3.1%	3.4%	3.4%	Three- and five-year expectations steady at 3.0%.
Tue 10					
AU	NAB Business Conditions (Jan)	7	-	9	Back at the long-term average.
AU	NAB Business Confidence (Jan)	3	-	2	Confidence mixed across industries and states.
AU	Westpac Cons. Sent. (MoM, Feb)	-2.6%	-	-1.7%	Dragged down by the RBA cash rate hike last week.
US	Retail Sales (MoM, Dec)	0.0%	0.4%	0.6%	Retail sales control group down by 0.1% in December.
US	NFIB Small Bus. Optimism (Jan)	99.3	99.8	99.5	Still somewhat above the long-run average of 98.0.
Wed 11					
AU	New Home Loans (QoQ, Q4)	9.5%	4.8%	10.9%	A broad-based rise, with owner occupier loans up 10.6%.
AU	RBA Deputy Governor Speaks	-	-	-	Andrew Hauser positive about Aussie investment outlook.
CH	CPI (YoY, Jan)	0.2%	0.4%	0.8%	Core inflation down to a seven-month low of 0.8%.
CH	PPI (YoY, Jan)	-1.4%	-1.5%	-1.9%	The slowest deflation since mid-2025.
US	Unemployment Rate (Jan)	130k	65k	48k	Rise came largely from healthcare and education.
US	Non-farm Payrolls (MoM, Jan)	4.3%	4.4%	4.4%	Response rate for this survey is trending lower.
Thu 12					
AU	RBA Assistant Governor Speaks	-	-	-	Australian labour market conditions 'a bit' tight.
UK	GDP (QoQ, Q4)	0.1%	0.2%	0.1%	Disappointed due to an unexpected fall in investment.
US	Initial Jobless Claims (w/e 14 Feb)	227k	223k	232k	Continued claims rose to 1,862k in w/e 31 January.
Tonight					
US	CPI (MoM, Jan)	-	0.3%	0.3%	Annual rate expected to decline by 0.2ppts to 2.5%.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 16				
JP	GDP (QoQ, Q4)	0.4%	-0.6%	Rebound expected to be driven by business spending.
Tue 17				
AU	RBA Monetary Policy Board Minutes	-	-	Probably a non-event.
UK	Unemployment Rate (Oct-Dec)	5.2%	5.1%	Claimant count rate suggested a slight increase.
Wed 18				
AU	Wage Price Index (QoQ, Q4)	0.8%	0.8%	Advertised salary growth accelerated to 3.8% YoY.
NZ	RBNZ Decision (Official Cash Rate)	2.25%	2.25%	The RBNZ appears to have reached the bottom of the cycle.
UK	CPI (MoM, Jan)	-0.4%	0.4%	UK annual rate of inflation expected to fall by 0.3ppts to 3.1%.
US	Industrial Production (MoM, Jan)	0.4%	0.4%	Business reports pointed to an increase in manufacturing.
US	FOMC Minutes	-	-	More insights into the Fed monetary policy outlook.
Thu 19				
AU	Employment (monthly change, Jan)	20.0k	65.2k	January is a bit tricky with its seasonal patterns.
AU	Unemployment Rate (Jan)	4.2%	4.1%	The RBA expects the unemployment rate to rise from now on.
US	Durable Goods Orders (MoM, Dec)	-1.8%	5.3%	Has been choppy due to the volatile aircraft orders.
Fri 20				
AU	S&P Global Composite PMI (Feb, flash)	-	55.7	January saw one of the fastest expansion rates on record.
JP	CPI (YoY, Jan)	1.6%	2.1%	'Core-core' inflation expected to ebb 0.2ppts to 2.7%.
JP	S&P Global Composite PMI (Feb, flash)	-	53.1	Japanese services and manufacturing both expanding.
EZ	HCOB Composite PMI (Feb, flash)	-	51.3	Euro area manufacturing was in contraction in January.
UK	S&P Global Composite PMI (Feb, flash)	-	53.7	UK seeing surprisingly strong growth.
US	Personal Spending (MoM, Jan)	0.4%	0.5%	Retail sales figures suggested...
US	PCE Price Index (MoM, Jan)	0.3%	0.2%	Annual rates are somewhat above the Fed's goal.
US	S&P Global Composite PMI (Feb, flash)	-	53.0	All PMI indicators now point to expansion in US private sector.