

Interest Rates (%)			FX			Commodities US\$		
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.6562	-0.6%	WTI Crude Oil	75.87	-\$1.93
90-day Bill	4.33	-2	AUD/JPY	96.50	-0.7%	Brent Crude Oil	80.55	-\$2.32
3-year Bond	3.54	-14	AUD/EUR	0.6075	-0.1%	Mogas95*	98.29	-\$4.31
10-year Bond	3.98	-12	AUD/GBP	0.5177	-0.4%	CRB Index	272.41	-1.59
			AUD/NZD	1.0739	-0.1%	Gold	2039.48	\$1.75
			AUD/CNY	4.7297	-0.1%	Silver	22.90	-\$0.30
<b>US</b>			EUR/USD	1.0803	-0.4%	Iron Ore (62% Fe)**	130.35	-\$2.55
2-year	4.23	-9	USD/JPY	147.05	-0.1%	Iron Ore (23-24 Average)	121.15	\$0.05
10-year	3.93	-10	USD/CNY	7.1689	-0.1%	Copper	8608.50	-\$6.50
			<b>RBA Policy</b>			<b>Equities</b>		
			O/N Cash Rate Target	4.35		ASX200	7609	22
			Interbank O/N Cash Rate	4.32		Dow Jones	38150	-317
<b>Other 10-year</b>			Probability of a 25bps Cut in Feb	5.0%		S&P500	4846	-79
Japan	0.74	1	RBA Bond Holdings (31 Dec)	A\$336.1b		Stoxx600	486	0
Germany	2.17	-10				CSI300	3215	-30
UK	3.79	-11						

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

\*\*Iron ore is the second SGX futures contract.

US stocks retreated overnight, as Fed Chair Jerome Powell signalled that the FOMC will leave their options open regarding the timing of any interest rate cuts. This followed declines in Europe and mixed results in Asia-Pacific, with the ASX 200 rising to a fresh record high after the downside surprise to Aussie CPI inflation figures.

As expected, the FOMC kept the fed funds rate target range at 5.25-5.50% and scrapped the reference to 'additional policy firming' from the post-meeting statement. During the press conference Chair Powell assessed that, if the US economy fares as currently expected, it 'will likely be appropriate' to remove some of the monetary policy restraint this year. However, he stressed the FOMC needs to see more evidence inflation is returning to its 2% goal and admitted the Committee was not discussing cuts at this point.

As a result of these mixed messages, fed funds rate cut expectations were trimmed for March, but intensified for mid- to late 2024. Consequently, US Treasury yields dropped, but the US dollar appreciated.

Data-wise, the ADP report showed private sector employment rose 107k in January, significantly less than the 150k expected by the markets, while the December figures were revised slightly downwards. The ADP survey has been a poor indicator for the official US job figures, which are due on Friday night.

Across the Pacific, the Chinese NBS composite PMI rose 0.6pts to 50.9 in January (above 50 = expansion), supported by somewhat faster, albeit meagre, growth in non-manufacturing and slower contraction in manufacturing.

The **Aussie CPI** rose 0.6% in Q4 2023, while the annual rate dropped 1.3ppts to 4.1%, the lowest in two years. The trimmed mean CPI, the RBA's favourite underlying inflation gauge, rose by 0.8% QoQ, to be 4.2% up through the year. All these figures were downside surprises to consensus forecasts. The monthly CPI indicator suggested that inflation eased to 3.4% in December in headline terms and 4.0% in trimmed mean terms.

The downside surprise to Aussie CPI inflation led to a rise in expectations for a cash rate cut, which is now fully priced in for June. Commonwealth bond yields declined, and fell further this morning. The rise in rate cut expectations and weaker global sentiment saw the AUD depreciate against all the major currencies.

From other data, the Aussie national CoreLogic house price index rose by another 0.4% in January, with Perth again seeing the fastest increase of 1.6%.

#### ECONOMIC DATA REVIEW

- AU:** CPI (QoQ, Q4) – Actual 0.6%, Expected 0.8%, Previous 1.2%.
- AU:** CoreLogic House Prices (MoM, Jan) – Actual 0.4%, Previous 0.4%.
- CH:** NBS Composite PMI (Jan) – Actual 50.9, Previous 50.3.
- US:** ADP Employment (monthly change, Jan) – Actual 107k, Expected 150k, Previous 158k (revised).

#### ECONOMIC DATA PREVIEW

- AU:** Dwelling Approvals (MoM, Dec) – Expected 0.5%, Previous 1.6%.
- CH:** Caixin Manufacturing PMI (Jan) – Expected 50.8, Previous 50.8.
- US:** ISM Manufacturing PMI (Jan) – Expected 47.2, Previous 47.4.

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