

Interest Rates				FX			Commodities		
Australia		Δ bp	AUD/USD	0.6707	0.1%	WTI Crude Oil	59.70	\$0.27	
90-day Bill	3.74	0	AUD/JPY	106.00	0.2%	Brent Crude Oil	63.87	\$0.20	
3-year Bond	4.09	2	AUD/EUR	0.5750	0.0%	Mogas95*	73.70	-\$0.45	
10-year Bond	4.69	2	AUD/GBP	0.4981	-0.2%	CRB Index	304.04	2.57	
			AUD/NZD	1.1620	-0.4%	Gold	4593.19	\$37.12	
			AUD/CNY	4.6804	0.3%	Silver	84.21	\$2.14	
US			EUR/USD	1.1665	0.2%	Iron Ore (62% Fe)**	108.10	-\$0.65	
2-year	3.53	0	USD/JPY	158.04	0.1%	Iron Ore (25-26 Average)	103.51	\$0.04	
10-year	4.17	1	USD/CNY	6.9731	-0.1%	Copper	13209.50	\$211.50	
			RBA Policy			Equities			
			O/N Cash Rate Target		3.60	ASX200	8817	37	
			Interbank O/N Cash Rate		3.60	Dow Jones	49590	86	
Other 10-year			Probability of a 25bps Hike in Feb		29.1%	S&P500	6977	11	
Japan	2.15	6	RBA Bond Holdings (31 Dec)		A\$250.2b	Stoxx600	611	1	
Germany	2.84	-2				CSI300	4790	31	
UK	4.37	0							

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

**Iron ore is the second SGX futures contract.

US markets were relatively calm overnight, despite the bombshell that the US Justice Department was threatening the Federal Reserve with a criminal indictment. The S&P 500 opened lower on the news but soon recovered to close at a fresh record high. US Treasury yields are little changed, while the US dollar weakened and gold and silver prices climbed to all-time highs.

Fed chair Jerome Powell released a statement on Sunday night, US time, that the US Department of Justice had served the Federal Reserve with grand jury subpoenas, threatening criminal indictment. The subpoenas regard Chair Powell's testimony to Congress last year on renovations to the Fed's headquarters. Chair Powell's statement was straightforward in accusing the President of using this as a pretext to intimidate the Fed into lowering interest rates at a faster pace. The news raises further concerns about the Fed's independence going forward. Chair Powell's term as Fed Chair ends in May and the President is reportedly close to naming a successor.

The gains in US equities followed a strong start to the week in global markets, with the Stoxx 600 in Europe closing at a record high, while there were broad-based increases across the Asia-Pacific region. The ASX 200 climbed 0.5%, led by the consumer discretionary stocks and major banks, and is up again this morning.

Commonwealth bond yields climbed yesterday after the release of stronger-than-expected Australian consumer spending data for November.

The AUD rose against the weaker greenback and yen yesterday, but has slipped against the British pound. Gold and silver rose amid concerns over Fed independence and ongoing geopolitical risk, as the US threatened to intervene in Iran. The deteriorating situation in Iran, along with a social media post from the US President stating that he is imposing a 25% tariff on countries trading with Iran, has helped drive Brent crude oil futures to the highest levels since November.

Australian [household spending](#) rose a seasonally adjusted 1.0% in November (mkt exp 0.6%), with October's gain revised up to 1.4% from 1.3%. The annual growth rate accelerated 0.6ppts to a more than two-year high of 6.3%. The increase was broad-based, with the strongest gains in services and discretionary items.

The ANZ-Indeed job ads report for December saw the sixth consecutive monthly fall in Australian job advertisements. Job ads were down a seasonally 0.5% in the month, after a 1.5% fall in November, to be down 7.4% YoY.

The Westpac-Melbourne Institute consumer sentiment index fell 1.7% to 92.9 in January, following a 9.0% decline in December. Aussie consumers are becoming increasingly concerned over the outlook for interest rates, with almost two thirds expecting a rate hike this year. Expectations for the economy and family finances saw the biggest deterioration, but all indices remain in pessimistic territory (below 100). Unemployment expectations ticked up, but are around the long-term average.

Economic Data Review

- **AU:** Household Spending Indicator (MoM, Nov) – Actual 1.0%, Expected 0.6%, Previous 1.4% (revised).
- **AU:** ANZ-Indeed Job Ads (MoM, Dec) – Actual -0.5%, Previous -1.5% (revised).
- **AU:** Westpac-Melbourne Institute (MoM, Jan) – Actual -1.7%, Previous -9.0%.

Economic Data Preview

- **US:** CPI (YoY, Dec) – Expected 2.7%, Previous 2.7%