

Interest Rates				FX			Commodities		
Australia		Δ bp	AUD/USD	0.6615	0.2%	WTI Crude Oil	56.01	-\$0.92	
90-day Bill	3.73	1	AUD/JPY	103.01	0.4%	Brent Crude Oil	59.82	\$0.14	
3-year Bond	4.10	2	AUD/EUR	0.5642	0.4%	Mogas95*	71.73	-\$1.06	
10-year Bond	4.74	2	AUD/GBP	0.4944	0.2%	CRB Index	293.21	1.52	
			AUD/NZD	1.1458	0.1%	Gold	4331.69	-\$10.57	
			AUD/CNY	4.6582	0.2%	Silver	65.50	-\$0.82	
US			EUR/USD	1.1723	-0.2%	Iron Ore (62% Fe)**	104.65	\$0.45	
2-year	3.47	0	USD/JPY	155.72	0.1%	Iron Ore (25-26 Average)	103.16	\$0.02	
10-year	4.13	-2	USD/CNY	7.0413	0.0%	Copper	11778.00	\$41.00	
			RBA Policy			Equities			
			O/N Cash Rate Target		3.60	ASX200	8629	67	
			Interbank O/N Cash Rate		3.60	Dow Jones	47952	66	
Other 10-year			Probability of a 25bps Hike in Feb		29.1%	S&P500	6775	53	
Japan	1.96	-2	RBA Bond Holdings (28 Nov)		A\$250.3b	Stoxx600	585	6	
Germany	2.85	-1				CSI300	4553	-27	
UK	4.48	1							

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

**Iron ore is the second SGX futures contract.

The S&P 500 saw the first gain in a week, as the US CPI figures surprised to the downside, strengthening the case for further monetary policy easing by the FOMC. US 10-year Treasury yields declined a little, but the US dollar appreciated. The gains on Wall Street followed increases in Europe and mixed results in the Asia-Pacific. The ASX 200 dropped by 1.3% yesterday, before opening higher this morning.

The slight improvement in the global market sentiment saw the Australian dollar appreciate against all major currencies. Commonwealth bond yields picked up slightly across the yield curve.

The US CPI rose by 2.7% over the year to November, significantly less than the 3.1% pencilled in by the market consensus and the least since July (though, due to the US Government shutdown, there is no data for October). Annual core inflation also unexpectedly declined to 2.6% YoY, which is the lowest level since March 2021.

From other US data, US initial jobless claims declined back to 224k last week, but continued claims re-approached 1.9m in the week ending 5 December.

Japanese annual CPI inflation declined by 0.1ppts to 2.9% as expected, but 'core-core' inflation was unchanged at 3.0%. The Bank of Japan will announce its monetary policy decision today, with a 25bps hike almost fully priced in.

Meanwhile, the Bank of England cut its bank rate by 25bps to 3.75% in a surprising and tight vote, while the ECB kept its interest rates steady.

In Australia, Melbourne Institute inflation expectations rose by 0.2ppts to 4.7% in December, remaining somewhat above their series average of 4.4% (since 1995).

Yesterday also saw the publication of the [Western Australian Government's 2025-26 Mid-year Review](#), which – similarly to the Commonwealth's MYEFO – showed a better fiscal position compared to the Budget.

The forecast general government net operating surplus for 2025-26 has been revised upwards to A\$2.5b, from A\$2.4b envisaged in the Budget. There were also some upward revisions also for the outyears. This follows the higher-than-expected A\$3.7b surplus in 2024-25.

At the same time, the total public sector net debt to GSP estimate for 2025-26 was revised downwards to 7.6% of GSP in 2025-26 (from 9.1% of GSP in the Budget). Net debt is expected to remain below 10% of GSP in the outyears. Net debt to GSP was 6.6% in 2024-25 (compared to an estimated 7.5% of GSP in the Budget).

The above forecasts were prepared under the assumption that real state final demand will rise by 3.0% in 2025-26, somewhat faster than the 2.5% envisaged in the Budget.

Economic Data Review

- **AU:** Melbourne Institute Inflation Expectations (Dec) – Actual 4.7%, Previous 4.5%.
- **JP:** CPI (YoY, Nov) – Actual 2.9%, Expected 2.9%, Previous 3.0%.
- **US:** CPI (YoY, Nov) – Actual 2.7%, Expected 3.1%.

Economic Data Preview

- **AU:** Private Sector Credit (MoM, Nov) – Expected 0.6%, Previous 0.6%.
- **JP:** Bank of Japan Decision (Policy Rate) – Expected 0.75%, Previous 0.50%.