

Interest Rates (%)			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6537	0.2%	WTI Crude Oil	79.00	\$0.80
90-day Bill	4.34	0	AUD/JPY	98.15	0.3%	Brent Crude Oil	83.13	\$0.27
3-year Bond	3.78	2	AUD/EUR	0.6062	0.1%	Mogas95*	101.01	\$0.11
10-year Bond	4.20	3	AUD/GBP	0.5184	0.1%	CRB Index	272.59	1.31
			AUD/NZD	1.0655	-0.2%	Gold	2013.93	\$10.27
			AUD/CNY	4.7057	0.4%	Silver	23.42	\$0.46
US			EUR/USD	1.0784	0.1%	Iron Ore (62% Fe)**	130.60	\$0.90
2-year	4.64	6	USD/JPY	150.14	0.1%	Iron Ore (23-24 Average)	121.64	\$0.07
10-year	4.28	5	USD/CNY***	7.1936	0.0%	Copper	8489.00	\$175.00
			RBA Policy			Equities		
			O/N Cash Rate Target	4.35		ASX200	7672	6
			Interbank O/N Cash Rate	4.32		Dow Jones	38628	-145
Other 10-year			Probability of a 25bps Cut in Mar	9.7%		S&P500	5006	-24
Japan	0.74	1	RBA Bond Holdings (31 Jan)	A\$336.1b		Stoxx600	492	3
Germany	2.40	4				CSI300***	3365	0
UK	4.11	5						

*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.

Wall Street ended last week on the back foot, with sentiment turning sour following the upside surprise to the US PPI. US Treasury yields picked up a little, as the probability of a May fed funds rate cut is now below 40%, though a June cut continues to be fully priced in. The losses on Wall Street followed increases in Europe and most of the Asia-Pacific, including Australia.

The Australian dollar has appreciated against the major currencies, as the rise in commodity prices offset the slide in US market sentiment. The ASX 200 gained 0.7% on Friday, with materials seeing the strongest increase of all industries led by lithium miners. In the local fixed income markets, Commonwealth bond yields have opened higher following the rise in global yields on Friday.

The US PPI rose by 0.3% in January, more than the 0.1% consensus, while the annual rate of PPI inflation declined 0.1ppts to 0.9%, which was above the market expectations of 0.6%. What is more, the core PPI (excluding food, energy and trade) rose by 0.6%, taking the annual rate back to 2.0%. These upside surprises were led by services, which had been signalled in the details of the January ISM services report.

The University of Michigan consumer confidence index improved in February, albeit slightly less than expected, but remains below average. One-year inflation expectations saw a slight, albeit unexpected, uptick of 0.1ppts to 3.0%, while five- to ten-year expectations remained at 2.9%, rather than declining further as pencilled in by the consensus. Two voting FOMC members, San Francisco Fed President Mary Daly and her Atlanta counterpart Raphael Bostic, spoke in favour of waiting for more evidence that inflation is declining towards the target before embarking on fed funds rate cuts. However, they also supported the view that there could be three cuts this year, with Mary Daly calling it a 'reasonable baseline' scenario and Raphael Bostic judging that it could be 'for sure' if inflation resumes falling. Former St Louis Fed President James Bullard warned against waiting too long to start the easing cycle.

In commodity markets, oil prices rose 0.5-1.5% on Friday, as tensions in the Middle East continue. Iron ore futures picked up by 0.7%. Nickel prices continued to stabilise on Friday, rising for the fourth time in five days on the London Metals Exchange. The nickel miners' recent woes have drawn Western Australian government support via royalty relief, while the Commonwealth government included nickel on the critical minerals list, giving nickel miners the opportunity to access Commonwealth funding.

The key domestic events **this week** will be the RBA Board minutes tomorrow, the Q4 wage price index on Wednesday and the February Judo Bank flash PMI on Thursday. A quiet week offshore, with the highlights being the FOMC minutes and S&P Global flash PMI.

ECONOMIC DATA REVIEW

- **US:** PPI (MoM, Jan) – Actual 0.3%, Expected 0.1%, Previous -0.1%.
- **US:** University of Michigan Consumer Confidence (Feb, prelim.) – Actual 79.6, Expected 80.0, Previous 79.0.

ECONOMIC DATA PREVIEW

- **AU:** ANZ Roy Morgan Consumer Confidence (w/e 17 Feb) – Previous -1.4% (tomorrow).

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