

Interest Rates			FX			Commodities		
Australia		Δ bp	AUD/USD	0.7041	0.6%	WTI Crude Oil	63.55	\$0.96
90-day Bill	3.85	3	AUD/JPY	107.65	0.9%	Brent Crude Oil	68.40	\$0.83
3-year Bond	4.23	-8	AUD/EUR	0.5878	1.0%	Mogas95*	75.71	-\$0.30
10-year Bond	4.80	-6	AUD/GBP	0.5092	0.6%	CRB Index	318.90	1.32
			AUD/NZD	1.1615	0.1%	Gold	5514.57	\$348.49
			AUD/CNY	4.8577	0.1%	Silver	118.12	\$5.49
US			EUR/USD	1.1978	-0.3%	Iron Ore (62% Fe)**	102.90	-\$0.55
2-year	3.57	0	USD/JPY	152.89	0.2%	Iron Ore (25-26 Average)	103.59	-\$0.01
10-year	4.24	1	USD/CNY	6.9484	-0.1%	Copper	13086.50	\$80.00
			RBA Policy			Equities		
			O/N Cash Rate Target		3.60	ASX200	8875	-72
Other 10-year			Interbank O/N Cash Rate		3.60	Dow Jones	49016	12
Japan	2.25	-2	Probability of a 25bps Hike in Feb		67.2%	S&P500	6978	-1
Germany	2.86	-2	RBA Bond Holdings (31 Dec)		A\$250.2b	Stoxx600	609	-5
UK	4.54	2				CSI300	4718	12

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

**Iron ore is the second SGX futures contract.

The US S&P 500 and US Treasury yields were broadly steady last night, as the FOMC kept the fed funds rate unchanged, as expected, and emphasised the strength of the US economy. Despite the more upbeat language from the Fed, markets continue to expect a rate cut later this year.

The FOMC left the fed funds rate target range at 3.50-3.75% last night, though the voting was not unanimous, with two of the Committee members (Stephen Miran and Christopher Waller) preferring a 25bps cut. The post-meeting statement highlighted that US economic activity has been expanding at a 'solid' pace (an upgrade from 'moderate' in December), while the reference to the downside risks to employment was removed.

The positive tone continued at the press conference, with Fed Chair Jerome Powell stressing that the labour market 'may be stabilising', while inflation and inflation expectations are off their highs. He added that the still-elevated readings of headline inflation reflect the impact of tariffs on goods prices, while services price inflation is declining. Chair Powell was consistently avoiding answering questions about the ongoing tensions between the Fed and the White House.

The US dollar recovered a little, while the Japanese yen resumed depreciating after Treasury Secretary Scott Bessent said that the US has a strong dollar policy and ruled out intervention to alter the USD/JPY exchange rate.

Prices of gold and silver rose to yet another record high, while oil prices picked up a little further. Speculation over a potential attack on Iran continued to mount, as the US continues to build up its forces in the Middle East and is reported to be reinforcing its command elements at its Qatar air base. Iron ore futures declined by 0.6%.

In Australia, the Q4 and December CPI figures confirmed that both headline and trimmed mean inflation rates are above the 2-3% target range, which led to a further intensification of cash rate hike expectations next week. At the time of writing, the probability of such a move is around 70%, which compares with 60% yesterday morning.

The Australian dollar appreciated further after the CPI report, with the AUD/USD establishing above the US\$0.70 mark. Despite a good start to the trading day yesterday, the ASX 200 eventually retreated by 0.1%, with declines in most industries except for materials and energy.

The [Aussie headline CPI](#) rose by an unadjusted 0.6% in Q4, taking the annual rate of inflation to 3.6%. Trimmed mean CPI, which is the RBA's favoured underlying consumer price measure, picked up by 0.9% in the quarter, to be up by 3.4% through the year (against the 3.3% YoY expected).

While the full monthly inflation figures, including trimmed mean inflation, are now available, the RBA will continue to focus on the quarterly trimmed mean inflation for the time being, until they become more confident in the monthly figures.

For the month of December only, the CPI rose by a seasonally adjusted 0.2%, to be up by 3.8% through the year in original terms. Trimmed mean CPI was up by 0.2% MoM and 3.3% YoY.

Economic Data Review

- **AU:** CPI (YoY, Dec) – Actual 3.8%, Expected 3.6%, Previous 3.4%.

Economic Data Preview

- **AU:** International Price Indices.
- **US:** Initial Jobless Claims (w/e 24 Jan) – Expected 205k, Previous 200k.