

Highlights this week

- In Australia, the wage price index saw another moderate increase in Q4, in line with market expectations. The January labour force report was solid, with the unemployment rate unexpectedly remaining steady at 4.1%. The S&P Global PMIs suggested a slower pace of expansion in February. The RBA Monetary Policy Board minutes brought no major surprises, confirming a wait-and-see approach after the February cash rate hike.
- Abroad, US industrial production and durable goods orders surprised to the upside in January. The FOMC minutes revealed a hawkish swing within the Committee. The RBNZ left the official cash rate unchanged, as expected.

Highlights next week

- The key domestic releases next week will be the January CPI inflation and Q4 construction work done on Wednesday, Q4 private sector capex on Tuesday, and the January private sector credit on Friday. RBA Governor Michele Bullock will appear publicly on Wednesday.
- A quiet week offshore, with the Conference Board US consumer confidence for February on Tuesday and the US PPI for January on Friday being the key releases.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	3.85 (0 pt)	O/N Interbank Cash	3.85 (0 pt)	USD 3-month	4.85 (0 pt)	ASX200	9075 (↓153 pt)
US (IOR)	3.65 (0 pt)	90-day Bills	3.99 (↑3 pt)	2-yr T-Notes	3.46 (↓1 pt)	S&P500	6862 (↑29 pt)
Eurozone (Deposit)	2.00 (0 pt)	3-yr T-Bond	4.29 (↑3 pt)	10-yr T-Notes	4.07 (↓5 pt)	DJIA	49395 (↓57 pt)
UK	3.75 (0 pt)	10-yr T-Bond	4.74 (↓1 pt)	Jap 10-yr	2.12 (↓10 pt)	Nikkei	56727 (↓352 pt)
Japan (Target)	0.75 (0 pt)	3-yr WATC Bond	4.40 (↑1 pt)	UK 10-yr	4.37 (↓8 pt)	CSI300	4660 (↓60 pt)
China (1Y LPR)	3.00 (0 pt)	10-yr WATC Bond	5.13 (↑3 pt)	Ger 10-yr	2.74 (↓4 pt)	Stoxx600	625 (↑7 pt)

Changes are since the previous issue of Market Watch Weekly.

Financial Markets

Interest Rates

Government bond yields are generally down this week, reflecting a flight to safety amid a rising probability of a US attack on Iran. Australia was an exception, with Commonwealth bond yields up across most of the yield curve amid a slight intensification of cash rate hike expectations following another solid jobs report.

This week saw the release of the minutes from the most recent FOMC and RBA Monetary Policy Board meetings.

The RBA minutes repeated what was said just after the cash rate hike and in subsequent multiple public appearances by RBA officials. As for the cash rate outlook, the document said that Monetary Policy Board members will need to monitor incoming data to determine if further cash rate increases are needed.

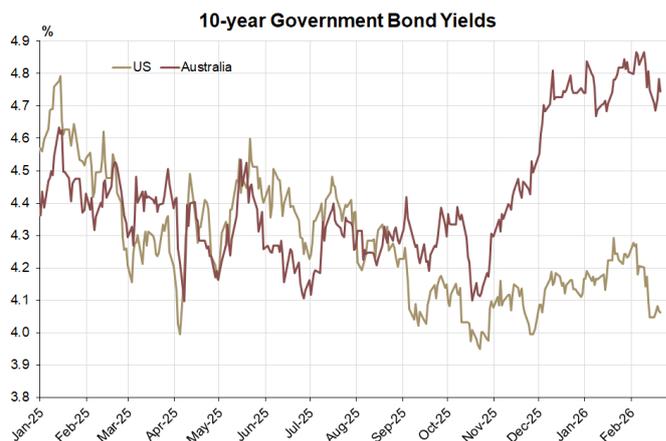
The FOMC minutes showed that, while several participants supported the case for further monetary policy easing, some participants voiced an opinion that the fed funds rate should be kept steady to better assess incoming data.

The RBNZ left the official cash rate unchanged at 2.25%, as expected, with the next move anticipated to be a hike towards the end of 2026.

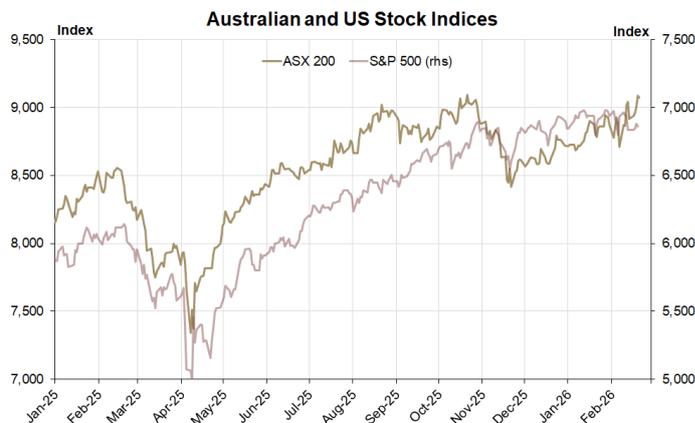
Equities

It was quite a volatile week in the global financial markets. In the US, the S&P 500 saw slight gains for most of the shortened trading week, before realisation that a US attack on Iran is more likely than not saw stock prices drop last night. US President Donald Trump reportedly gave a 10-day deadline for US-Iran talks in Switzerland, while US military forces are still being gathered in the Middle East.

In Australia, the ASX 200 managed to rise for the week, outperforming the S&P 500, and even reaching an intrasession record high on Thursday, despite the intensification of cash rate hike expectations on the day. This morning, however, started with losses reflecting geopolitical concerns, though the ASX 200 is recovering at the time of writing. Overall, all but three Aussie industries registered gains this week, with the strongest increases in information technology.



Source: Bloomberg



Source: Bloomberg

Currencies

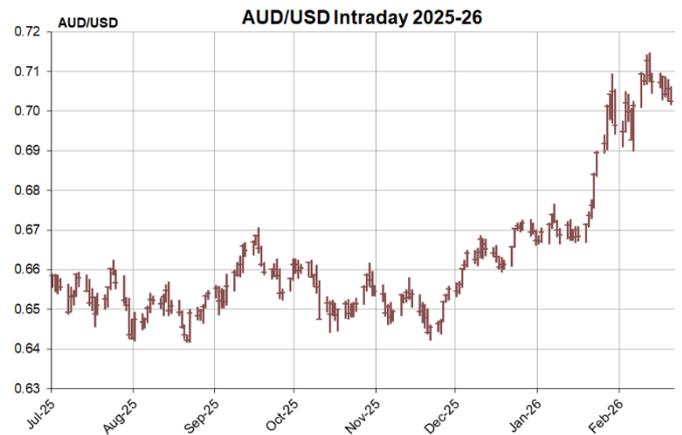
The Australian dollar has appreciated against all the major currencies except the stronger greenback, to be one of the strongest members of the G10 currency basket over the past week.

The Norwegian krone and Canadian dollar were the other members of the G10 basket to outperform the Aussie, boosted by higher oil prices and concerns over the near-term supply outlook amid escalating tensions in the Middle East.

The AUD/USD is on track for its first weekly fall in five weeks, with the exchange rate seeing a further decline this morning amid the risk of a US strike on Iran.

The Aussie remains supported by expectations that the RBA will hike the cash rate at least one more time this year.

The US dollar itself has gained following the moderately hawkish FOMC minutes which sees the US dollar index on track for its best week since October last year.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.7027	0.7097	0.7015	↓0.9	0.7147	0.5915
AUD/EUR		0.5977	0.6001	0.5942	↑0.1	0.6113	0.4620
AUD/GBP		0.5228	0.5248	0.5171	↑0.4	0.5248	0.4620
AUD/JPY		109.03	109.77	107.73	↑0.3	110.79	86.05
AUD/CNY		4.8524	4.8999	4.8442	↓0.8	4.9373	4.3523
EUR/USD		1.1757	1.1878	1.1742	↓0.9	1.2081	1.0360
GBP/USD		1.3442	1.3662	1.3434	↓1.3	1.3868	1.2559
USD/JPY		155.16	155.34	152.62	↑1.2	159.45	139.89
USD/CNY		6.9049	6.9353	6.8997	↑0	7.3511	6.8997

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.7027	0.7023	0.7012	0.6975
AUD/EUR		0.5977	0.5948	0.5915	0.5844
AUD/GBP		0.5228	0.5223	0.5214	0.5188
AUD/JPY		109.03	108.14	107.23	105.42
AUD/NZD		1.1820	1.1773	1.1721	1.1617
AUD/SGD		0.8920	0.8859	0.8793	0.8655

Commodities

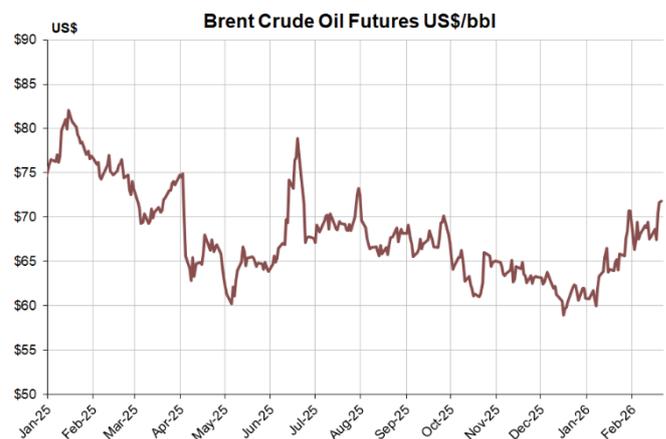
Brent crude oil futures jumped back above US\$70.00 a barrel amid the heightened risk of a renewed Middle East conflict. Prices jumped 4.3% on Wednesday, the biggest daily rise since October last year and climbed a further 1.8% on Thursday, driving Brent futures to their highest levels since July last year.

US President Trump has reportedly given Iran 10 days to come to a deal over its nuclear program. However, an earlier US strike cannot be ruled out.

If a US attack does go ahead prices are likely to rise much higher from here.

Gold has been surprisingly steady given the sharp increase in the likelihood of renewed conflict.

Iron ore futures prices fell to fresh seven-month lows in Singapore on thin trading volumes, with Chinese traders out for the Lunar New Year holiday.



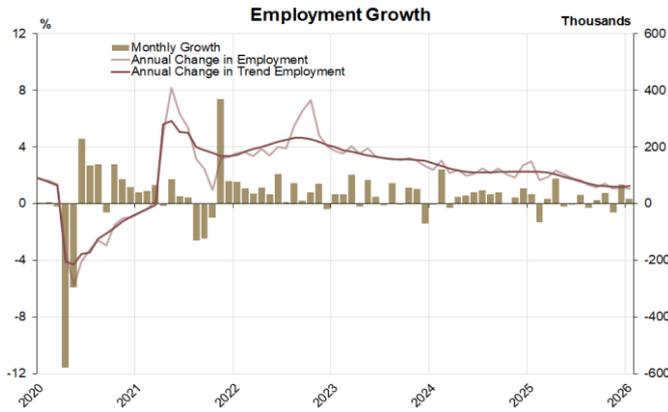
Source: Bloomberg

	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,997.17	\$5,037.61	\$4,843.51	(↓\$14.46)	\$5,595.47	\$2,832.71
Brent Crude Oil (US\$)	\$71.83	\$72.16	\$66.82	(↑\$4.36)	\$81.40	\$58.40
Mogas95* (US\$)	\$80.52	\$80.92	\$74.76	(↑\$4.44)	\$89.08	\$67.57
WTI Oil (US\$)	\$66.78	\$66.90	\$61.87	(↑\$4.01)	\$78.40	\$54.98
CRB Index	309.10	309.10	302.14	(↑2.87)	323.71	279.79
Iron Ore Price 62% Fe (US\$) **	\$95.10	\$97.80	\$95.10	(↓\$3.4)	\$109.40	\$91.70

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel prices.
 ** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

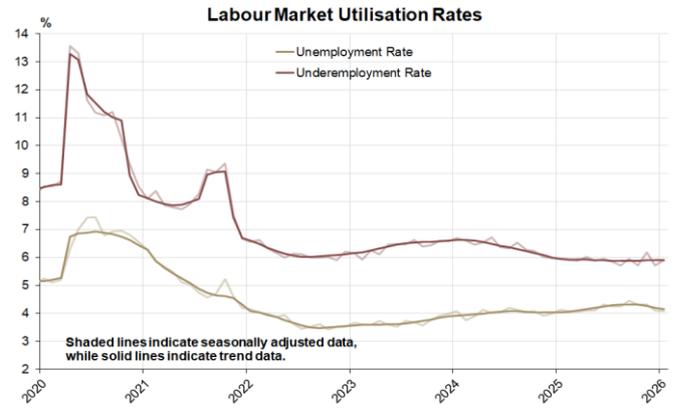
Domestic Economy

Employment rose again in January, while the annual growth rate is no longer trending downwards.



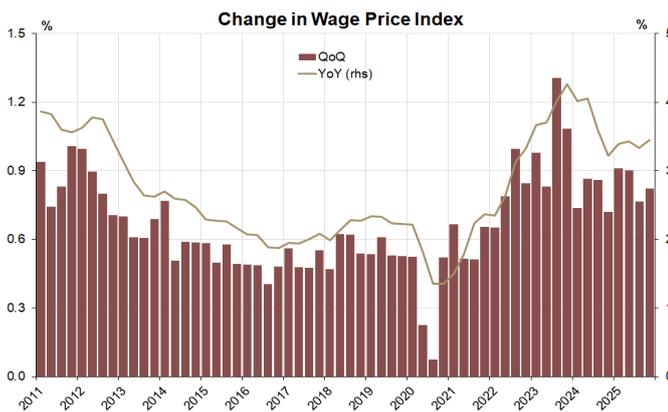
Source: ABS

The **unemployment rate** is again trending downwards, while the **underemployment rate** is very low.



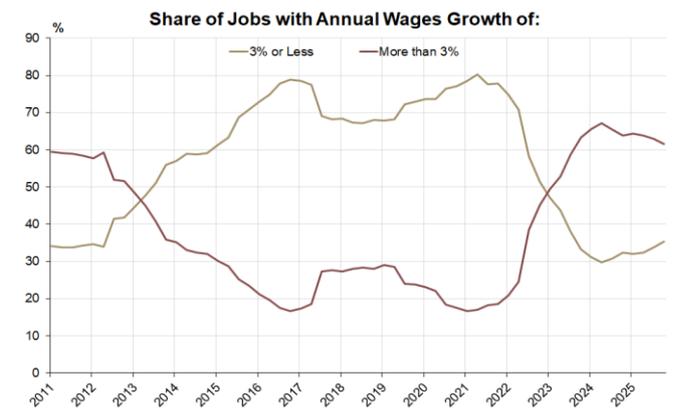
Source: ABS

Australian wages continued to rise steadily in Q4, both in quarterly and annual terms.



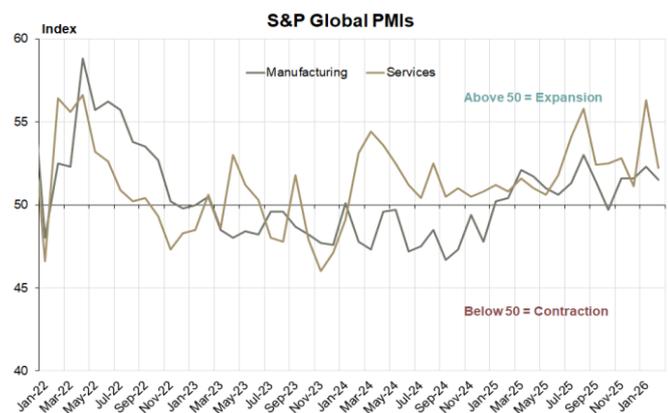
Source: ABS

Despite a slight decline, the share of jobs with **above-average wage hikes** remains high.



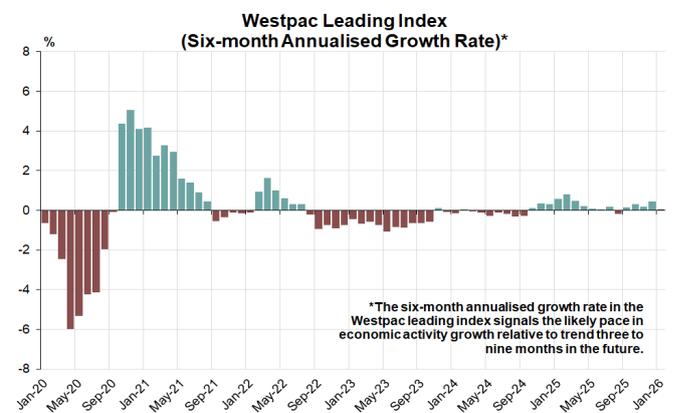
Source: ABS

The **S&P Global flash PMIs** suggest that the pace of expansion could have slowed in February.



Source: Bloomberg

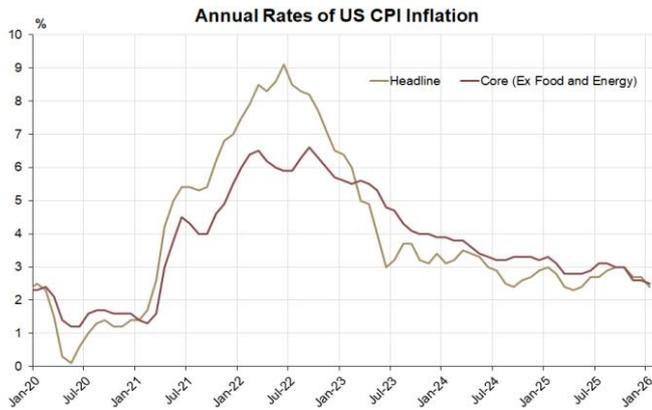
The **Westpac leading index** suggests growth will be around trend in the months ahead.



Source: Bloomberg

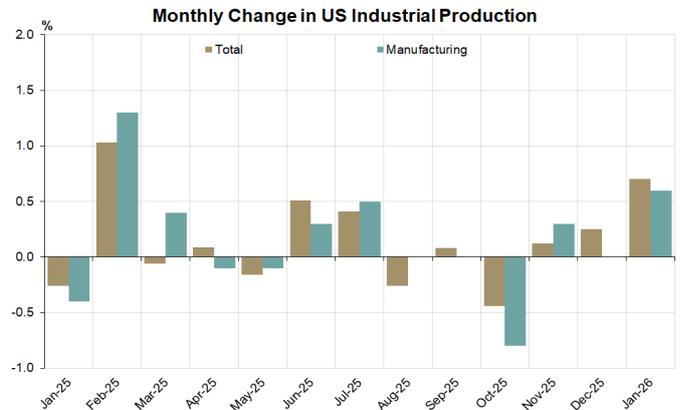
Global Economy

US consumer price inflation appears to be slowing again.



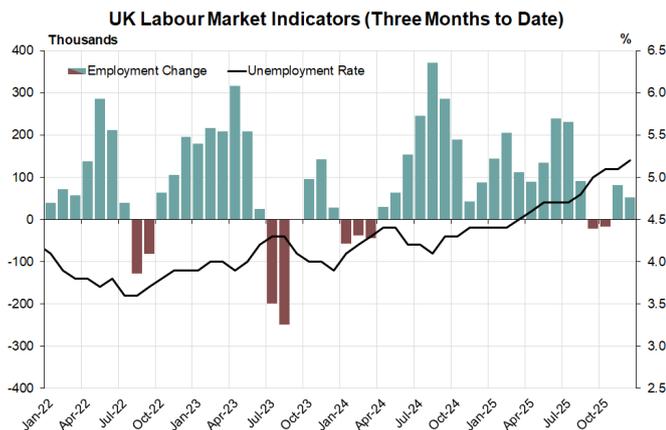
Source: Bloomberg

US industrial production rose the most in nearly a year in January, with a solid gain in manufacturing.



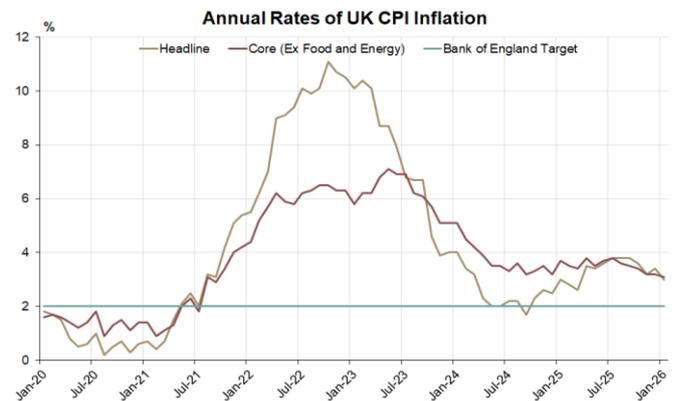
Source: Bloomberg

UK labour market conditions appear to have eased a bit in late 2025.



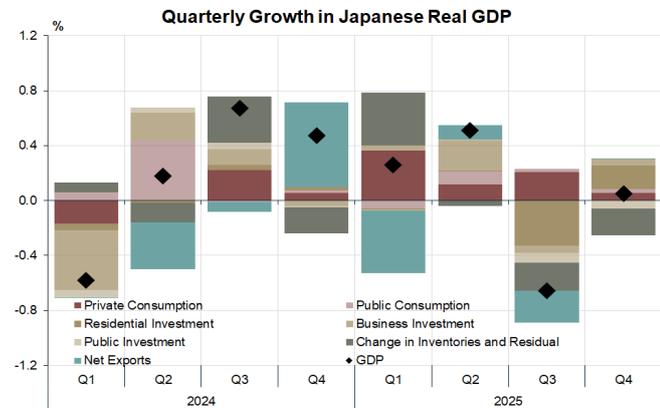
Source: Bloomberg

The annual rate of UK CPI inflation declined in January, with core inflation reaching its lowest level since 2021.



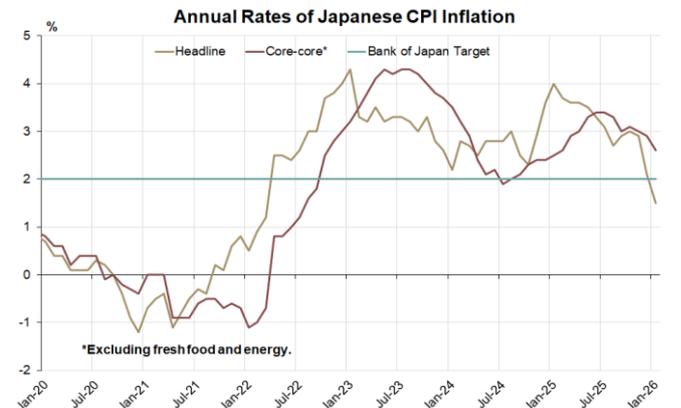
Source: Bloomberg

Japanese GDP rose only marginally in Q4, as higher investment was offset by a slowdown in consumption.



Source: Japanese Cabinet Office

Japan's headline CPI inflation is at a four-year low, but 'core-core' inflation is stuck above the 2% goal.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 16					
JP	GDP (QoQ, Q4)	0.1%	0.4%	-0.7%	Below expectations as business investment disappointed.
Tue 17					
AU	RBA Minutes	-	-	-	Further cash rate hikes will depend on the data.
AU	ANZ Cons. Conf. (w/e 14 Feb)	77.1	-	76.9	Inflation expectations bounced back by 0.5ppts to 5.5%.
UK	Unemployment Rate (Oct-Dec)	5.2%	5.1%	5.1%	Employment growth slowed in the three months to Dec.
Wed 18					
AU	Wage Price Index (QoQ, Q4)	0.8%	0.8%	0.8%	Annual rate accelerated 0.1ppts to 3.4%.
AU	Westpac Leading Ind. (MoM, Jan)	0.0%	-	0.1%	6m annualised growth rate signals trend-pace growth.
NZ	RBNZ Decision (OCR)	2.25%	2.25%	2.25%	An official cash rate hike now expected in late 2026.
UK	CPI (MoM, Jan)	-0.5%	-0.5%	0.4%	Annual core inflation is now the lowest since 2021.
US	Industrial Production (MoM, Jan)	0.7%	0.4%	0.2%	Manufacturing up by 0.6% in January.
US	Dur. Goods Orders (MoM, Dec)	-1.4%	-2.0%	5.4%	Non-defence ex aircraft orders up by another 0.6%.
US	FOMC Minutes	-	-	-	The document showed a hawkish swing in the FOMC.
Thu 19					
AU	Employment (MoM, Jan)	17.8k	20.0k	68.5k	The December gain was revised slightly upwards.
AU	Unemployment Rate (Jan)	4.1%	4.2%	4.1%	Trend unemployment rate down to a 9m low of 4.1%.
US	Trade Balance (Dec)	-US\$70b	-US\$56b	-US\$53b	The worst outcome since mid-2025.
US	Initial Jobless Claims (w/e 14 Feb)	206k	225k	229k	Continued claims rose to 1,869k in w/e 7 February.
Fri 20					
AU	S&P Global Composite PMI (Feb)	52.0	-	55.7	Further jobs growth, stronger cost and price inflation.
JP	CPI (YoY, Jan)	1.5%	1.6%	2.1%	'Core-core' inflation is still above the BoJ's goal of 2%.
JP	S&P Global Composite PMI (Feb)	53.8	-	53.1	The strongest pace of expansion in nearly three years.
Tonight					
EZ	HCOB Composite PMI (Feb)	-	51.5	51.3	Euro area manufacturing was in contraction in January.
UK	S&P Global Composite PMI (Feb)	-	53.2	53.7	UK seeing surprisingly strong growth.
US	GDP (QoQ annualised, Q4)	-	3.0%	4.4%	GDPNow gauge more positive than consensus, at 3.7%.
US	Personal Spending (MoM, Dec)	-	0.4%	0.5%	Real personal spending expected to rise by just 0.1%.
US	PCE Price Index (MoM, Dec)	-	0.3%	0.2%	Annual rate expected to remain at 2.8%.
US	S&P Global Composite PMI (Feb)	-	53.0	53.0	PMI indicators point to expansion in US private sector.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 23				
	<i>No market moving data</i>			
Tue 24				
CH	PBoC Announcement (5Y LPR)	3.50%	3.50%	One-year loan prime rate to stay steady at 3.00%.
US	C-S Hse Price Index 20 Cities (Mom, Dec)	0.3%	0.5%	Renewed rate cuts sparked a rise in home prices in the US.
US	Conference Board Cons. Conf. (Feb)	88.0	84.5	Reached the lowest level since 2014 in January.
Wed 25				
AU	CPI (YoY, Jan)	3.7%	3.8%	Trimmed mean inflation expected to stay at 3.3% in January.
AU	Construction Work Done (QoQ, Q4)	1.3%	-0.7%	Building work done picked up by 4.0% in Q3.
AU	RBA Governor Michele Bullock Speaks	-	-	Fireside chat at the Melbourne University.
Thu 26				
AU	Private Sector Capex (QoQ, Q4)	0.0%	6.4%	Q3 growth supported by construction of data centres.
Fri 27				
AU	Private Sector Credit (MoM, Jan)	0.7%	0.8%	The RBA judges credit growth to be too fast.
US	PPI (MoM, Jan)	0.3%	0.5%	Core monthly PPI inflation to decelerate 0.4ppts to 0.3%.