

Interest Rates			FX			Commodities		
Australia		Δ bp	AUD/USD	0.7097	-0.1%	WTI Crude Oil	71.01	\$5.74
90-day Bill	3.99	1	AUD/JPY	111.64	0.9%	Brent Crude Oil	77.74	\$6.99
3-year Bond	4.29	7	AUD/EUR	0.6070	0.8%	Mogas95*	87.44	\$6.48
10-year Bond	4.72	7	AUD/GBP	0.5295	0.5%	CRB Index	320.55	10.52
			AUD/NZD	1.1944	0.5%	Gold	5356.91	\$165.95
			AUD/CNY	4.8906	0.6%	Silver	90.60	\$1.82
US			EUR/USD	1.1691	-1.0%	Iron Ore (61% Fe)**	98.60	\$0.05
2-year	3.47	5	USD/JPY	157.32	1.0%	Iron Ore (25-26 Average)	102.98	-\$0.04
10-year	4.04	3	USD/CNY	6.9051	0.8%	Copper	13108.00	-\$196.50
			RBA Policy			Equities		
			O/N Cash Rate Target	3.85		ASX200	9122	-65
			Interbank O/N Cash Rate	3.85		Dow Jones	48905	-594
Other 10-year			Probability of a 25bps Hike in Mar	26.6%		S&P500	6882	-27
Japan	2.10	-4	RBA Bond Holdings (30 Jan)	A\$250.2b		Stoxx600	624	-10
Germany	2.71	2				CSI300	4729	2
UK	4.37	10						

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

**Iron ore is the second SGX futures contract.

Global stocks fell over the long weekend as concerns over an attack on Iran materialised on Saturday, with subsequent counterattacks across the Middle East. There were signs of stabilisation during the US session last night, with the S&P 500 eventually closing flat.

Government bond yields first fell across the major advanced economies amid flight-to-safety flows, but bounced back in many countries on the realisation of the inflationary impacts of a nearly 10% rise in oil prices – despite the larger-than-planned increase in OPEC+ production – with the crucial Strait of Hormuz not crossable at the moment. There was also a surge in gas prices, with Dutch spot TTF up by over 40%, after QatarEnergy halted LNG production due to an Iranian attack. The flight-to-safety lifted the gold price to just 1.1% below its record high from late January.

The rise in prices of energy and materials helped the ASX 200 close flat yesterday, despite declines in most industries, but the Aussie share market opened lower today. Commonwealth bond yields rose more than their US equivalents, partly thanks to hawkish comments by RBA Governor Michele Bullock this morning, who warned about increased inflation risks from the conflict in the Middle East, adding that every RBA Monetary Policy Board meeting is 'live'. The probability of a March cash rate hike increased significantly, while a May hike is now fully priced in. This, along with an increase in some commodity prices helped the AUD appreciate against all major currencies except the stronger USD.

The attack on Iran and its aftermath eclipsed data releases over the long weekend to some extent. The US ISM PMI pointed to further expansion in US manufacturing, with a rapid acceleration in price growth. The US PPI rose by 0.5% in January, but annual producer price inflation ebbed by 0.1ppts to 2.9%.

At home, private sector credit growth saw a broad-based slowdown to 0.5% in January, which was followed by a 0.6% pick-up in Cotality home prices across the capital cities in February. The home price growth was somewhat slower than the 0.7% in the previous month, with prices in Sydney and Melbourne flat in February, while Perth prices rose by 2.3%. The Melbourne Institute inflation gauge suggested that annual headline inflation remained steady at 3.6% in February. ANZ job ads picked up by another 3.2% in February, with January gains revised up to 5.2%. ANZ consumer confidence ebbed last week, with a slight increase in consumer inflation expectations. GDP partials showed that inventories ebbed by 0.1% in Q4.

It will be a busy [week](#) domestically, with the Q4 GDP on Wednesday being the key release. Other important data reports will be the Q4 balance of payments and the January dwelling approvals today, as well as household spending and goods trade balance for January on Thursday. Apart from the ongoing military tensions in the Middle East, the highlights offshore include the US labour market data, with the official report on Friday, as well as the US and Chinese PMIs on Monday and Wednesday; all these releases are for February.

Economic Data Review

- **US:** ISM Manufacturing PMI (Feb) – Actual 52.4, Expected 51.5, Previous 52.6.
- **US:** PPI (MoM, Jan) – Actual 0.5%, Expected 0.3%, Previous 0.5%.

Economic Data Preview

- **AU:** Current Account Balance (Q4) – Expected -A\$16.3b, Previous -A\$16.6b.
- **AU:** Dwelling Approvals (MoM, Jan) – Expected 6.0%, Previous -14.9%.