

Interest Rates			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.6648	-0.6%	WTI Crude Oil	63.98	-\$0.58
90-day Bill	3.56	0	AUD/JPY	97.65	-0.2%	Brent Crude Oil	67.89	-\$0.62
3-year Bond	3.42	0	AUD/EUR	0.5623	-0.2%	Mogas95*	81.36	-\$1.26
10-year Bond	4.24	2	AUD/GBP	0.4878	-0.4%	CRB Index	303.60	-3.68
			AUD/NZD	1.1217	0.4%	Gold	3662.83	-\$30.76
			AUD/CNY	4.7290	-0.5%	Silver	41.72	-\$0.85
US			EUR/USD	1.1823	-0.4%	Iron Ore (62% Fe)**	106.05	\$0.35
2-year	3.54	4	USD/JPY	146.89	0.4%	Iron Ore (25-26 Average)	101.88	\$0.07
10-year	4.08	5	USD/CNY	7.1042	-0.1%	Copper	9996.00	-\$130.50
			RBA Policy			Equities		
			O/N Cash Rate Target		3.60	ASX200	8747	-99
Other 10-year			Interbank O/N Cash Rate		3.60	Dow Jones	46018	260
Japan	1.59	-2	Probability of a 25bps Cut in Sep		10.0%	S&P500	6600	-6
Germany	2.68	-2	RBA Bond Holdings (29 Aug)		A\$272.1b	Stoxx600	551	0
UK	4.63	-1				CSI300	4551	28

*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 and Nasdaq declined after a choppy session, while US Treasury yields picked up, reflecting slight disappointment among some traders about the pace of further fed funds rate cuts indicated by the Fed in its 'dot plot' chart. However, there was a lot of volatility in both stock prices and Treasury yields. The US dollar appreciated quite sharply.

The Australian dollar depreciated against all the major currencies last night, especially versus the stronger greenback. Long-term Commonwealth bond yields rose somewhat less than their US equivalents, while 3-year yields held steady. The ASX 200 opened lower this morning, having lost 0.7% yesterday.

As expected, the FOMC cut the fed funds rate target range by 25bps to 4.00-4.25%, citing a rise in downside risks to employment, which triggered a shift in the balance of risks between the price stability and full employment goals. Recently appointed interim Fed Board member Stephen Miran, who is currently on unpaid leave from his role as a White House staff member, voted for a deeper 50bps reduction in the fed funds rate.

The updated median FOMC projection suggested two more 25bps rate cuts this year, one more than forecast in June, though this is mainly due to the 100bps reduction preferred by Stephen Miran. Consequently, the fed funds rate path is around 25bps lower across the projection horizon. The 2026 inflation forecasts were revised slightly upwards, reflecting the recent rise in inflation, but were unchanged for 2027. The unemployment rate forecasts were kept unchanged.

During the press conference, Fed Chair Jerome Powell acknowledged that upside risks to inflation have risen in the short-term, he said the easing in labour market conditions limits the upside risks to inflation in the longer run.

Chair Powell was forced to emphasise the Fed's commitment to its independence, dismissing concerns over the recent appointment of Stephen Miran to the Fed Board. Chair Powell again said that he does not intend to step down from his role early and declined to comment on the recent attempt by US President Donald Trump to fire Fed Governor Lisa Cook.

The Bank of Canada also cut its policy rate by 25bps to 2.50% yesterday, which was in line with market expectations. The market expects at least one more rate cut in Canada, but most likely next year.

Data-wise, the UK CPI rose by 0.3% in August, as expected, while the annual rate of consumer price inflation remained unchanged at 3.8%. Annual core inflation ebbed 0.2ppts to 3.6%. UK inflation is significantly above its 2% goal, mainly due to the bill hikes earlier this year. The Bank of England is set to announce its bank rate decision later today, with no changes expected.

Economic Data Review

- **UK:** CPI (MoM, Aug) – Actual 0.3%, Expected 0.3%, Previous 0.1%.

Economic Data Preview

- **AU:** Employment (monthly change, Aug) – Expected 21.0k, Previous 24.5k.
- **AU:** Unemployment Rate (Aug) – Expected 4.2%, Previous 4.2%.
- **NZ:** GDP (QoQ, Q2) – Expected -0.3%, Previous 0.8%.
- **UK:** Bank of England Decision (Bank Rate) – Expected 4.00%, Previous 4.00%.
- **US:** Initial Jobless Claims (w/e 13 Sep) – Expected 240k, Previous 263k.