

Interest Rates				FX			Commodities		
Australia		Δ bp	AUD/USD	0.6840	1.2%	WTI Crude Oil	59.63	-\$0.88	
	90-day Bill	3.81	7	AUD/JPY	108.39	1.2%	Brent Crude Oil	64.06	-\$1.18
	3-year Bond	4.26	12	AUD/EUR	0.5821	0.6%	Mogas95*	73.90	-\$1.36
	10-year Bond	4.82	8	AUD/GBP	0.5067	0.6%	CRB Index	308.41	-0.81
			AUD/NZD	1.1568	-0.1%	Gold	4950.77	\$160.14	
			AUD/CNY	4.7690	1.3%	Silver	96.83	\$5.47	
US			EUR/USD	1.1752	0.6%	Iron Ore (62% Fe)**	103.95	\$1.15	
	2-year	3.61	3	USD/JPY	158.47	0.0%	Iron Ore (25-26 Average)	103.60	\$0.01
	10-year	4.24	0	USD/CNY	6.9696	0.1%	Copper	12755.50	-\$54.50
			RBA Policy			Equities			
Other 10-year			O/N Cash Rate Target		3.60	ASX200	8850	0	
			Interbank O/N Cash Rate		3.60	Dow Jones	49384	307	
	Japan	2.24	-4	Probability of a 25bps Hike in Feb		60.5%	S&P500	6913	38
	Germany	2.89	1	RBA Bond Holdings (31 Dec)		A\$250.2b	Stoxx600	609	6
	UK	4.47	2				CSI300	4724	1

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

**Iron ore is the second SGX futures contract.

The recovery in US stocks continued last night, driven by easing geopolitical risk perception, following gains in Europe and the Asia-Pacific region. The US dollar fell a little further, while the gold price rose to a new record high. US Treasury yields rose a little at the front end of the yield curve, as incoming data confirmed that PCE inflation remains stubbornly above the Fed's inflation goal.

In Australia, a bumper labour market report led to intensification of the RBA cash rate hike expectations, with the probability of such a move in February rising to around 60%. Commonwealth bond yields surged across the yield curve in consequence, with relatively stronger increases for shorter maturities.

The rise in cash rate hike expectations also saw the AUD appreciate sharply and remains the strongest since the second half of 2024 against the USD and JPY. The ASX 200 bounced by 0.8% yesterday, with solid gains in most sectors except for materials and information technology. The Aussie share market opened higher this morning.

US personal spending rose by 0.5% in November, while the PCE price index picked up by 0.2% in both headline and core terms. The annual rate of PCE inflation (both core and headline) declined 0.1ppts to 2.7%, which is still above the 2% Fed inflation goal. US initial jobless claims were little changed at 200k last week.

Across the Pacific, the annual rate of the Japanese CPI inflation dropped by 0.8ppts to 2.1% in December. This is the lowest level since March 2022. However, the decline in the so-called 'core-core' inflation rate (excluding energy and fresh food) was more measured at 0.1ppts to 2.9% (market expectations: 2.8%).

In Australia, seasonally adjusted **employment** bounced by 65.2k in December, exceeding the market expectations of a 27.0k gain. Coupled with a 30.0k drop in unemployment, this led to a surprising 0.2ppts decline in the unemployment rate to a seven-month low of 4.1%. The further details of the labour force report were also on the strong side, with a rise in the participation rate back to 66.7% and the underemployment rate returning to a 17-year low of 5.7%.

The Aussie S&P Global composite PMI surged 4.5ppts to 55.5 in January (above 50 = expansion), indicating the fastest pace of growth in the private sector since August. Acceleration was recorded both in services (+4.9ppts to 56.0) and manufacturing (+0.8ppts to 52.4). The details of the report pointed to slower job creation, a decline in input cost inflation to a 14-month low, and a slight deceleration in selling price inflation.

Economic Data Review

- **AU:** Employment (monthly change, Dec) – Actual 65.2k, Expected 27.0k, Previous -28.7k (revised).
- **AU:** Unemployment Rate (Dec) – Actual 4.1%, Expected 4.3%, Previous 4.3%.
- **AU:** S&P Global Composite PMI (Jan, flash) – Actual 55.5, Previous 51.0.
- **JP:** CPI (YoY, Dec) – Actual 2.1%, Expected 2.2%, Previous 2.9%.
- **US:** Personal Consumption (MoM, Nov) – Actual 0.5%, Expected 0.3%, Previous 0.4%.
- **US:** PCE Price Index (MoM, Nov) – Actual 0.2%, Expected 0.2%, Previous 0.3%.
- **US:** Initial Jobless Claims (w/e 17 Jan) – Actual 200k, Expected 209k, Previous 199k (revised).

Economic Data Preview

- **JP:** Bank of Japan Decision (Policy Rate) – Expected 0.75%, Previous 0.75%.
- **US:** S&P Global Composite PMI (Jan, flash) – Expected 53.0, Previous 52.7.