

Interest Rates			FX			Commodities		
Australia		Δ bp	AUD/USD	0.7077	-0.1%	WTI Crude Oil	64.29	-\$0.07
90-day Bill	3.95	0	AUD/JPY	109.19	-1.3%	Brent Crude Oil	68.80	-\$0.24
3-year Bond	4.26	-4	AUD/EUR	0.5950	0.0%	Mogas95*	79.92	\$0.42
10-year Bond	4.77	-7	AUD/GBP	0.5189	0.2%	CRB Index	308.33	-2.75
			AUD/NZD	1.1709	0.0%	Gold	5038.78	\$0.61
			AUD/CNY	4.8879	-0.4%	Silver	81.46	-\$0.87
US			EUR/USD	1.1893	-0.1%	Iron Ore (62% Fe)**	100.15	\$0.00
2-year	3.45	-3	USD/JPY	154.29	-1.2%	Iron Ore (25-26 Average)	103.47	-\$0.02
10-year	4.14	-5	USD/CNY	6.9127	-0.1%	Copper	13108.00	-\$68.50
			RBA Policy			Equities		
			O/N Cash Rate Target		3.85	ASX200	8964	67
Other 10-year			Interbank O/N Cash Rate		3.85	Dow Jones	50188	52
Japan	2.24	-2	Probability of a 25bps Hike in Mar		8.9%	S&P500	6942	-23
Germany	2.81	-3	RBA Bond Holdings (30 Jan)		A\$250.2b	Stoxx600	621	0
UK	4.51	-2				CSI300	4724	5

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

\*\*Iron ore is the second SGX futures contract.

The rebound on Wall Street ran out of steam on Tuesday. The Dow Jones nudged to a new record, while the S&P 500 and tech-heavy Nasdaq declined by 0.3% and 0.6%, respectively. The downside surprise to the US retail sales figures drove fed funds rate cut expectations a bit higher, resulting in a fall in US Treasury yields, while the US dollar appreciated slightly.

The mixed results in the US followed declines in the major European bourses and gains in most of the Asia-Pacific region. The ASX 200 closed flat yesterday, with gains in most sectors offset by declines in health care, utilities and financials. The Aussie share market opened higher this morning.

The Australian dollar depreciated slightly against the greenback and fell sharply against the stronger Japanese yen. Commonwealth bond yields declined broadly in line with their US equivalents.

In commodity markets, the gold price was steady at above US\$5,000 an ounce, while the price of silver declined by 1.1%. Oil prices declined somewhat, as some reports on progress in US-Iran talks were offset by a warning from US President Donald Trump that he might send a second aircraft carrier to the Middle East. Iron ore futures are little changed from this time yesterday and remain slightly above US\$100 a tonne.

Data-wise, US retail sales were flat in December, against market expectations for a 0.4% gain. The weakness was evident across many categories, with the notable exception of grocery stores, building materials and online retailers. The retail sales control group, which excludes food, petrol, cars and building materials, ebbed by 0.1%. The figures could have been affected by exceptionally cold weather and – to a lesser extent – some non-US citizens remaining at home due to actions of the US Immigration and Customs Enforcement (ICE).

US NFIB small business optimism declined by 0.2% in January, but remained slightly above its long-term average (99.3 versus 98.0). Expected sales volumes were the only category that saw substantial improvement.

In Australia, NAB business conditions declined by 2 points to 7 points in January, bringing the index close to its long-run average. There was deterioration in trading conditions and profitability, while employment conditions were steady yet low. Business confidence ticked up by 1 point to 3 points, which is below the long-run average. The NAB report also suggested a slight deceleration in labour and purchase cost growth as well as a decline in final product price inflation.

## Economic Data Review

- AU:** NAB Business Conditions (Jan) – Actual 7, Previous 9.
- AU:** NAB Business Confidence (Jan) – Actual 3, Previous 2 (revised).
- US:** Retail Sales (MoM, Dec) – Actual 0.0%, Expected 0.4%, Previous 0.6%.
- US:** NFIB Small Business Confidence (Jan) – Actual 99.3, Expected 99.8, Previous 99.5.

## Economic Data Preview

- AU:** Public Appearance by RBA Deputy Governor Andrew Hauser.
- CH:** CPI (YoY, Jan) – Expected 0.4%, Previous 0.8%.
- CH:** PPI (YoY, Jan) – Expected -1.5%, Previous -1.9%.
- US:** Non-farms Payrolls (monthly change, Jan) – Expected 68k, Previous 50k.
- US:** Unemployment Rate (Jan) – Expected 4.4%, Previous 4.4%.