

Interest Rates			FX			Commodities US\$				
Australia	Δ bp		AUD/USD	0.6614	0.4%	WTI Crude Oil	63.74	\$0.79		
		90-day Bill	3.58	0	AUD/JPY	97.50	0.4%	Brent Crude Oil	67.57	\$0.87
		3-year Bond	3.42	-4	AUD/EUR	0.5653	0.4%	Mogas95*	80.13	\$0.35
		10-year Bond	4.24	-5	AUD/GBP	0.4889	0.4%	CRB Index	301.85	1.71
				AUD/NZD	1.1139	0.2%	Gold	3645.89	\$18.56	
				AUD/CNY	4.7141	0.5%	Silver	41.17	\$0.34	
US			EUR/USD	1.1699	0.0%	Iron Ore (62% Fe)**	106.45	-\$0.20		
		2-year	3.55	-1	USD/JPY	147.42	0.0%	Iron Ore (25-26 Average)	101.53	\$0.11
		10-year	4.05	-3	USD/CNY	7.1210	0.0%	Copper	10013.00	\$99.00
		RBA Policy			Equities					
Other 10-year			O/N Cash Rate Target		3.60	ASX200	8812	6		
			Interbank O/N Cash Rate		3.60	Dow Jones	45491	-220		
			Probability of a 25bps Cut in Sep		10.0%	S&P500	6532	19		
			RBA Bond Holdings (29 Aug)		A\$272.1b	Stoxx600	552	0		
						CSI300	4445	9		

*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 rose to fresh record highs yesterday, as a surprising decline in US producer prices led to a slight further intensification of fed funds rate cut expectations. US Treasury yields declined, but the US dollar was steady, as a rise in expectations of monetary policy easing in the US was offset by geopolitical concerns.

The rise in US stocks followed declines in Europe and gains across the Asia-Pacific region. The ASX 200 increased by 0.3% yesterday, with declines only in materials and energy, but remained 2.1% below its record high from mid-August. The Aussie share market opened lower this morning.

The relatively good market sentiment overnight and a rise in some commodity prices supported the Australian dollar, which appreciated against all the major currencies. Commonwealth bond yields declined more than their US equivalents.

The geopolitical jitters drove oil and gold prices up last night. Concerns over the implications of the Israeli attack on Hamas leadership in Qatar on the situation in the Middle East continue, with the strike condemned by most leaders in the region, including a NATO member, Türkiye.

In addition, a relatively large incursion of Russian drones into the Polish airspace led to NATO Article 4 consultations, while Russian drone attacks on Ukraine have intensified further. US President Donald Trump reportedly asked the EU officials to impose 100% tariffs on China and India, in an attempt to put additional pressure on Russia to end the war in Ukraine.

Overall, the gold price hit yet another record high, but Brent futures remained moderate, below US\$70 a barrel, held down by the pending rise in OPEC+ output in October. Iron ore futures declined by 0.2%.

Data-wise, US PPI declined by 0.1% in August, against the market consensus of a 0.3% gain, taking the annual rate of producer price inflation down by 0.5 percentage points down to 2.6%. However, core producer price inflation, which excludes food, energy and trade, ticked up by 0.1 percentage points to a five-month high of 2.8%. The market's attention is turning to US CPI figures, scheduled for a release tonight, with a slight increase in the headline rate of inflation expected.

Across the Pacific, the annual rate of Chinese CPI inflation turned negative again in August, reaching -0.4% (market expectations: -0.2%). The negative consumer price inflation rate reflected a faster pace of decline in food prices, while annual core inflation excluding food and energy rose by 0.1ppts to 0.9%, the highest level since February 2024. The pace of deflation in producer prices slowed but remained steep at 2.9%.

Economic Data Review

- **CH:** CPI (YoY, Aug) – Actual -0.4%, Expected -0.2%, Previous 0.0%.
- **CH:** PPI (YoY, Aug) – Actual -2.9%, Expected -2.9%, Previous -3.6%.
- **US:** PPI (MoM, Aug) – Actual -0.1%, Expected 0.3%, Previous 0.7% (revised).

Economic Data Preview

- **AU:** Melbourne Institute Inflation Expectations (Aug) – Previous 3.9%.
- **EZ:** ECB Decision (Deposit Rate) – Expected 2.00%, Previous 2.00%.
- **US:** CPI (MoM, Aug) – Expected 0.3%, Previous 0.2%.
- **US:** Initial Jobless Claims (w/e 6 Sep) – Expected 235k, Previous 237k.