

Interest Rates			FX			Commodities		
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.7110	0.7%	WTI Crude Oil	95.91	\$0.75
90-day Bill	4.26	8	AUD/JPY	112.94	0.4%	Brent Crude Oil	103.42	\$1.61
3-year Bond	4.52	-3	AUD/EUR	0.6161	0.2%	Mogas95*	130.09	\$4.79
10-year Bond	4.91	-3	AUD/GBP	0.5322	0.3%	CRB Index	364.40	4.68
			AUD/NZD	1.2133	0.5%	Gold	5008.56	\$2.91
			AUD/CNY	4.8913	0.3%	Silver	79.44	-\$1.14
<b>US</b>			EUR/USD	1.1540	0.4%	Iron Ore (61% Fe)**	108.20	\$0.85
2-year	3.68	0	USD/JPY	158.87	-0.2%	Iron Ore (25-26 Average)	103.08	\$0.03
10-year	4.21	-2	USD/CNY	6.8848	-0.1%	Copper	12775.00	-\$80.50
			RBA Policy			Equities		
			O/N Cash Rate Target	4.10		ASX200	8603	-1
			Interbank O/N Cash Rate	4.10		Dow Jones	46993	47
<b>Other 10-year</b>			Probability of a 25bps Hike in May	57.2%		S&P500	6716	17
Japan	2.26	-1	RBA Bond Holdings (27 Feb)	A\$250.0b		Stoxx600	602	4
Germany	2.91	-5				CSI300	4637	-34
UK	4.69	-8						

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

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

As expected, [the RBA](#) decided to increase the cash rate target by 25 basis points to 4.10% yesterday. The vote was split, with five members voting for a rate hike and four voting against, which was a surprise to some market participants.

The post-meeting statement was revised significantly from the previous meeting to sound even more hawkish. Most importantly, the Board judged that there is a 'material' risk that inflation will remain above the target for longer than previously thought. The Board expressed concerns that a 'longer and more severe' conflict in the Middle East could 'build into' longer-term inflation expectations as well.

In the press conference, RBA Governor Michele Bullock confirmed that, by bringing forward the rate hike, the RBA aims to prevent longer-term inflation expectations from becoming de-anchored and to decrease the scale of the second-round effects from the rise in oil prices. She added some insights about the split vote, saying that it was about the timing, not the direction.

What attracted some media attention was an apparent rise in determination to bring inflation down, with Governor Bullock not ruling out the possibility that the central bank might need to raise rates so high that the economy could slip into recession. However, Michele Bullock also said that maintaining activity growth remains important for the RBA when considering the scale of any rate adjustment.

No specific guidance about the rate outlook was again given in the post-meeting statement or during the press conference, with decisions remaining data-dependent. Cash rate expectations did not change materially after the meeting, with a 25 basis point increase at around 55% priced in for May and more than fully priced in for August, with one further adjustment largely expected later in the year.

The surprisingly close split vote led to a slight decline in Commonwealth bond yields yesterday, despite Governor Bullock stressing that the dissenters just preferred to wait for the decision but did not oppose the direction. However, the Australian dollar picked up against all major currencies, supported by a further rise in some commodity prices and improved global market sentiment. The ASX 200 closed 0.4% higher yesterday before opening flat this morning.

Global stocks rose slightly overnight, with the S&P 500 seeing a 0.3% gain and the European Stoxx 600 up by 0.7%. Oil and gas prices continued to climb, however, as press reports pointed to at least one attack on a processing facility in the Middle East, this time at the Shah gas field in the United Arab Emirates. US Treasury yields were steady at the front end of the curve, while the US dollar depreciated ahead of the FOMC decision tonight, with no changes expected.

### Economic Data Review

- **AU:** Westpac Leading Index (MoM, Feb) – Actual -0.09%, Previous 0.01%.

### Economic Data Preview

- **CA:** Bank of Canada Decision (Policy Rate) – Expected 2.25%, Previous 2.25%.
- **US:** PPI (MoM, Feb) – Expected 0.2%, Previous 0.5%.
- **US:** FOMC Decision (MoM, Feb) – Expected 3.65%, Previous 3.65%.