

Highlights this week

- Aussie household spending growth was strong again in November, ANZ-Indeed job ads fell in December, and the Westpac-Melbourne Institute consumer confidence index fell for the second month in a row in January. Q4 job vacancies data showed the public sector drove labour demand growth in the quarter.
- US payrolls growth remained soft in December 2025, while US CPI inflation remains too high for comfort. US retail sales data indicated consumer spending remained solid in November. China's external trade surplus widened in December.

Highlights next week

- The Melbourne Institute inflation gauge for December is due on Monday, however, the employment data for December on Thursday will be the big-ticket item for Australia. The Aussie S&P Global flash PMI for January will be released on Friday.
- The major highlight offshore will be China's Q4 GDP and activity data for December on Monday. The rather dated US personal income and spending report for November, including the PCE price index, is out on Thursday. The S&P Global flash PMIs for the advanced countries, the Japanese CPI for December, and a Bank of Japan policy decision are all due on Friday.

Central Bank Rates (%)	Weekly Change	Australian Interest Rates (%)	Weekly Change	Major Overseas Interest Rates (%)	Weekly Change	Global Equities	Weekly Change
Australia	3.60	(0 pt)	O/N Interbank Cash	3.60	(0 pt)	USD 3-month	4.85
US (IOR)	3.65	(0 pt)	90-day Bills	3.73	(↓1 pt)	2-yr T-Notes	3.56
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	4.11	(↑3 pt)	10-yr T-Notes	4.17
UK	3.75	(0 pt)	10-yr T-Bond	4.71	(↑3 pt)	Jap 10-yr	2.19
Japan (Target)	0.75	(0 pt)	3-yr WATC Bond	4.18	(↑3 pt)	UK 10-yr	4.39
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.11	(↑2 pt)	Ger 10-yr	2.82

Changes are since the previous issue of Market WATCh Weekly on 19 December 2025

Financial Markets**Interest Rates**

In the US, the Trump administration increased its pressure on the Fed, raising further concerns over the outlook for Fed independence. However, the news appears to have had little impact on financial markets.

The US Department of Justice served the Federal Reserve with grand jury subpoenas, threatening criminal indictment regarding Chair Powell's testimony to Congress last year about renovations to the Fed's headquarters. Chair Powell was straightforward in accusing the President of using this as a pretext to intimidate the Fed into lowering interest rates at a faster pace.

US Treasury yields dipped in the middle of the week amid rising expectations for a possible US strike on Iran. However, yields rose again after the US President walked back his earlier threat.

Aussie bond yields have largely followed moves in the US; however, yields are a little bit higher over the week as pricing edged up for the average cash rate going forward.

Equities

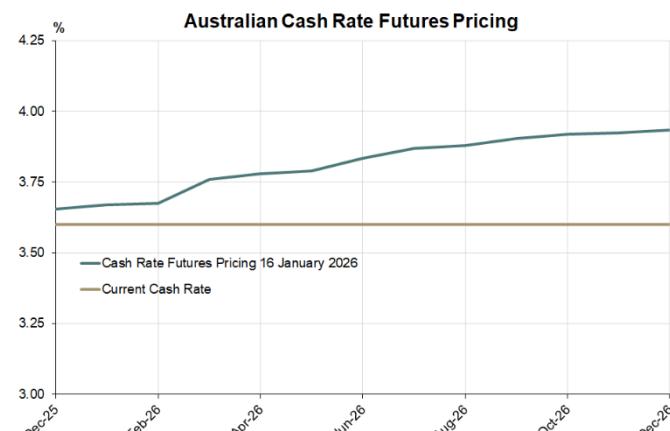
The MSCI World Developed Market Index hit a fresh record high early this week before a midweek slide on Wall Street dragged the index lower.

The tech sector was the biggest contributor to the midweek declines in the US, although financials also fell sharply.

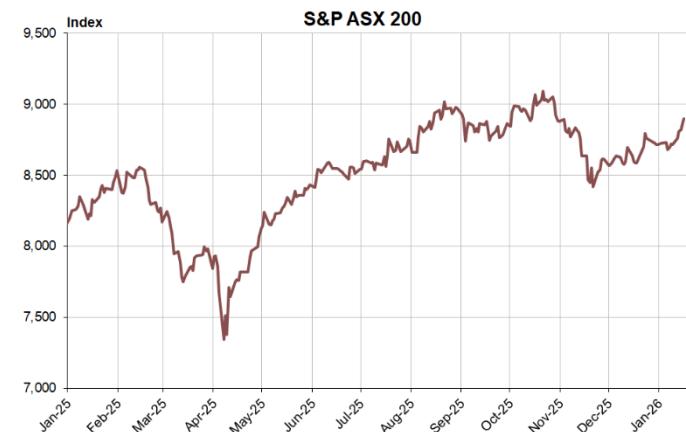
The market bounced back on Thursday as Taiwanese semiconductor giant TSMC delivered a positive earnings outlook and an increase in capital spending plans. News of a trade agreement between the US and Taiwan, including an undertaking from Taiwan to make big investments in the US semiconductor industry, also boosted sentiment.

The Aussie equity market has risen for the last five days in a row, with the ASX 200 currently at its highest levels since early November.

Most industry sectors gained, except for info tech and utilities. Materials, consumer discretionary, and energy were the best performers.



Source: Bloomberg



Source: Bloomberg

Currencies

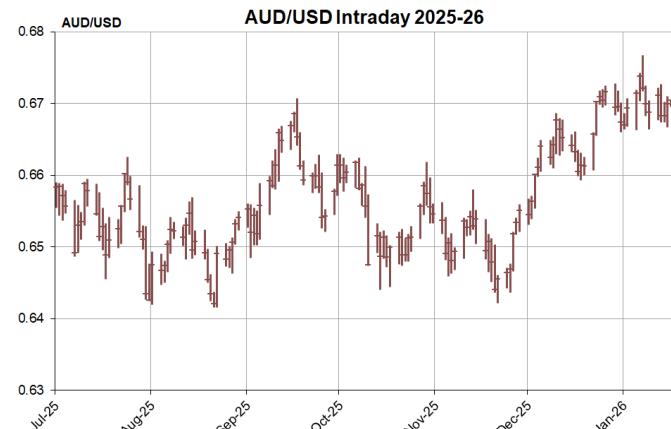
The Australian dollar climbed early this week, boosted by news of further strong growth in Aussie household spending in November.

However, the Aussie slipped in the middle of the week amid a decline in market sentiment as traders became increasingly concerned that the US would conduct military strikes on Iran.

The AUD received a short-term boost from the positive Chinese trade data on Wednesday but sank again, hitting its lowest level for the week on Thursday morning amid fragile market sentiment.

The currency picked up again later in the day and continued to rise as risk appetite recovered on Wall Street, with the AUD/USD a little higher than this time last week.

The gains against the other currencies were bigger, with the Aussie hitting fresh 18-month highs against the Japanese yen and eight-month highs against the euro.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6705	0.6727	0.6667	10.2	0.6767	0.5915
AUD/EUR		0.5774	0.5781	0.5728	10.6	0.6113	0.4620
AUD/GBP		0.5007	0.5012	0.4964	10.5	0.5104	0.4620
AUD/JPY		106.10	106.72	105.53	10.8	106.72	86.05
AUD/CNY		4.6709	4.6915	4.6469	10	4.7637	4.3523
EUR/USD		1.1612	1.1699	1.1593	10.4	1.1919	1.0141
GBP/USD		1.3390	1.3495	1.3363	10.3	1.3789	1.2161
USD/JPY		158.25	159.45	157.52	10.7	159.45	139.89
USD/CNY		6.9663	6.9798	6.9658	10.2	7.3511	6.9658
Forward Rates		Spot	3M	6M	12M		
AUD/USD		0.6705	0.6705	0.6701	0.6679		
AUD/EUR		0.5774	0.5750	0.5723	0.5664		
AUD/GBP		0.5007	0.5008	0.5005	0.4991		
AUD/JPY		106.10	105.29	104.46	102.79		
AUD/NZD		1.1646	1.1606	1.1563	1.1479		
AUD/SGD		0.8631	0.8578	0.8523	0.8411		

Commodities

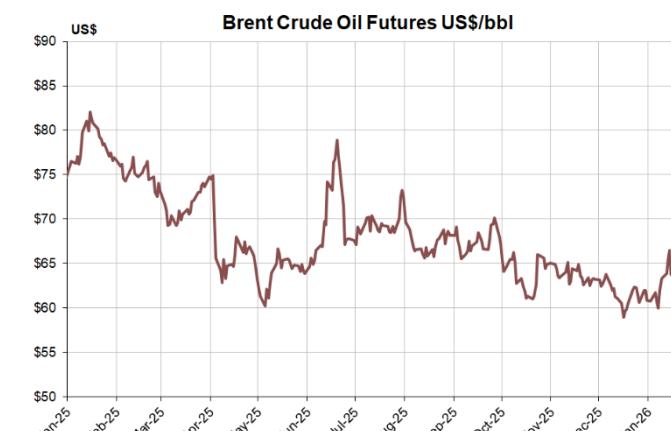
Oil prices jumped this week, amid comments from US President Trump that the US would intervene in Iran in support of anti-government demonstrators.

Concerns over what this would mean for Iranian oil supplies pushed Brent crude oil prices to the highest levels since September last year. The US also announced an additional 25% tariff on any country doing business with Iran.

Oil prices slipped back after the US backed away from threats of a near-term strike on Iran, although Brent crude futures are on track for the fourth weekly increase in a row.

Gold and silver prices surged to fresh record highs as geopolitical risk escalated, aided by concerns over the future of Federal Reserve independence. Prices eased late in the week as the threat of a US intervention in Iran subsided.

Iron ore futures prices eased but remain well above US\$100 / tonne. Trade data this week showed record Chinese iron ore imports for December and for the year.



Source: Bloomberg

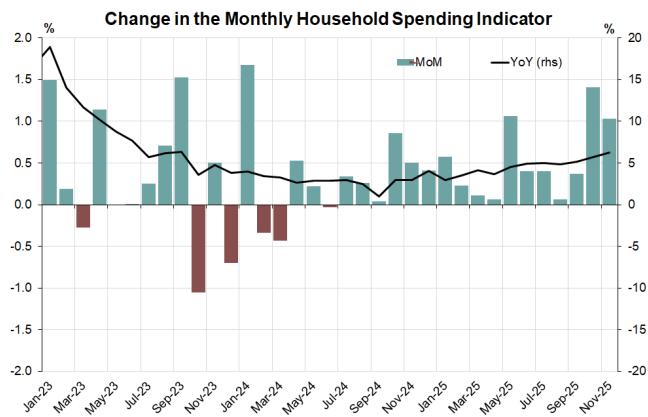
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,598.99	\$4,642.98	\$4,512.08	(+\$130.1)	\$4,642.98	\$2,689.46
Brent Crude Oil (US\$)	\$63.70	\$66.82	\$62.76	(+\$1.38)	\$81.40	\$58.40
Mogas95* (US\$)	\$72.89	\$75.87	\$72.38	(-\$1.08)	\$95.91	\$67.57
WTI Oil (US\$)	\$59.18	\$62.36	\$58.45	(+\$1.13)	\$80.59	\$54.98
CRB Index	301.75	306.82	301.47	(-0.63)	316.63	279.79
Iron Ore Price 62% Fe (US\$) **	\$107.05	\$109.40	\$106.55	(-\$0.65)	\$109.40	\$91.70

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

** The Iron Ore Price is the SGX62% Fe iron ore futures 2nd contract.

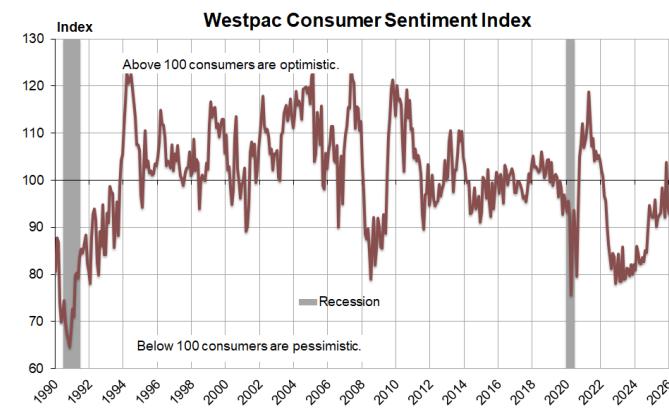
Domestic Economy

Household spending growth picked up sharply in Q4, aided by Black Friday sales and other events.



Source: ABS

Strong consumer spending growth comes despite consumers remaining pessimistic.



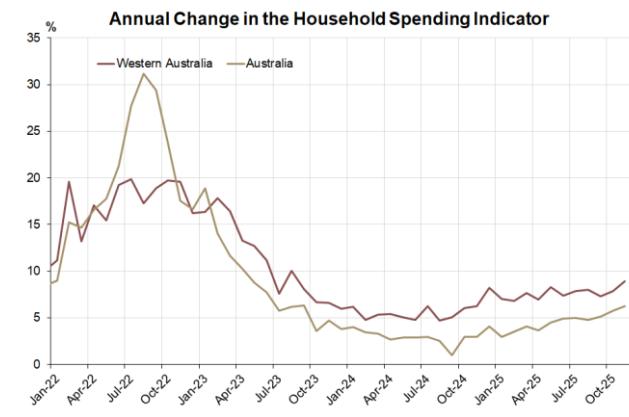
Source: Bloomberg

Q4 job vacancy data showed the public sector continues to make an outsized contribution to labour demand.



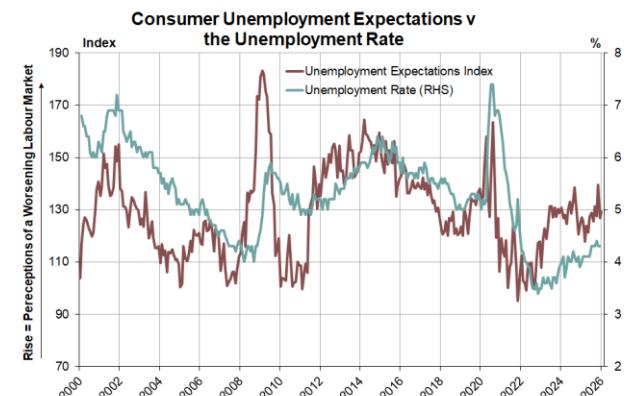
Source: ABS

Western Australia continues to lead the way in household spending growth.



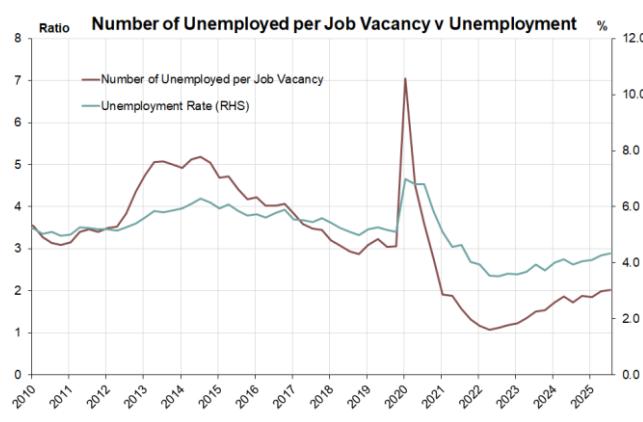
Source: ABS

Consumer **unemployment expectations** picked up a little in January to be slightly above the long-term average.



Source: ABS

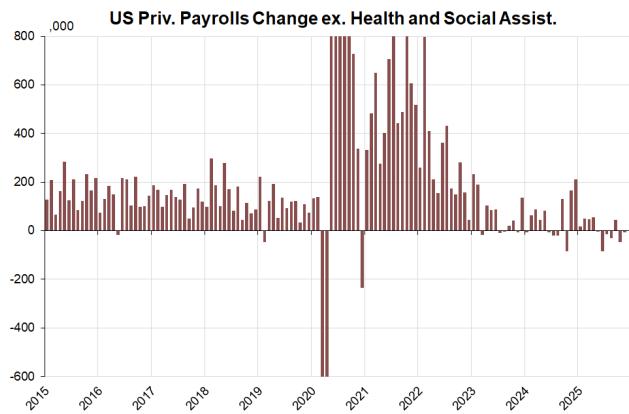
The number of **unemployed per job vacancy** is rising but suggests the labour market remains tight.



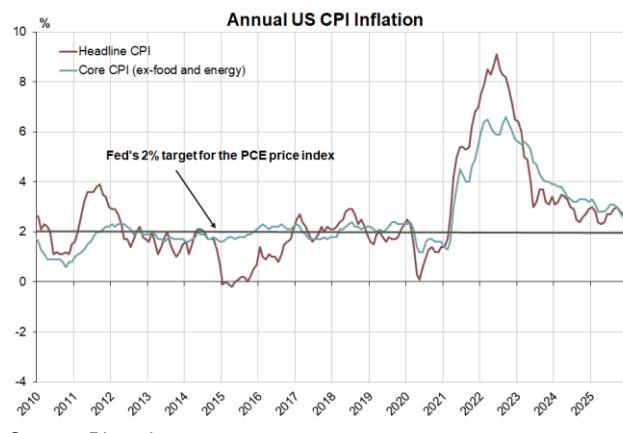
Source: ABS

Global Economy

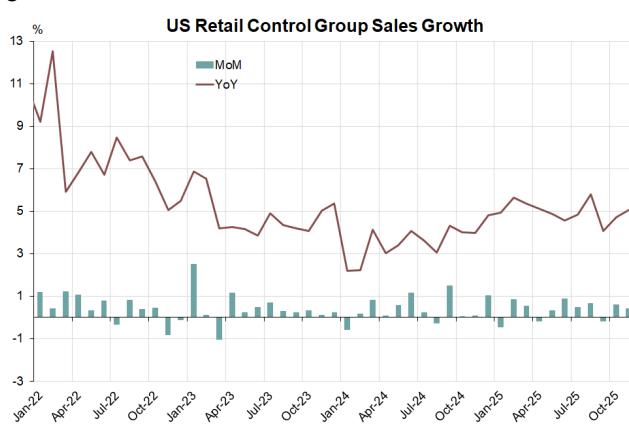
US non-farm payrolls growth has been almost entirely driven by the care sector since May 2025.



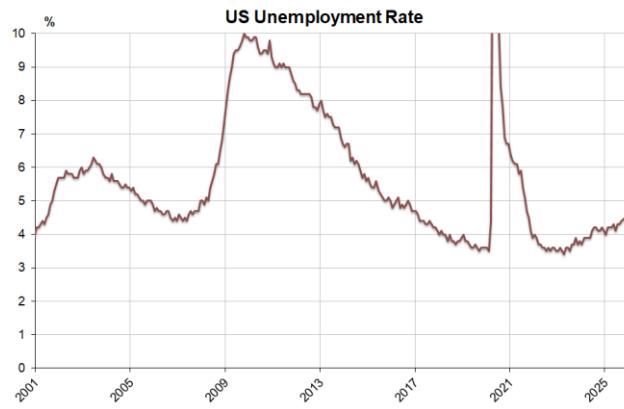
While not the Fed's official inflation target, **CPI inflation** remains too high for some on the FOMC.



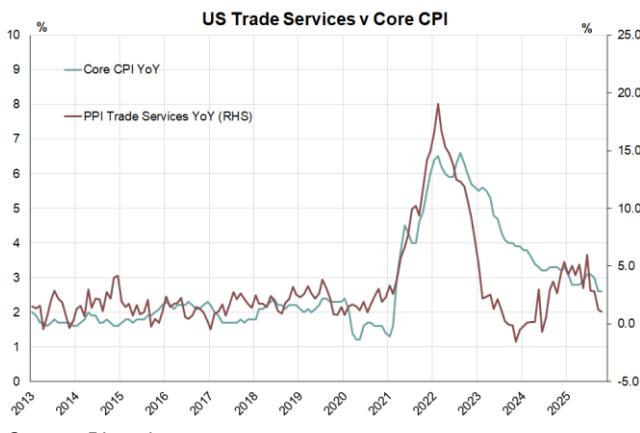
US retail sales data suggests consumer spending growth remained robust in Q4 2025.



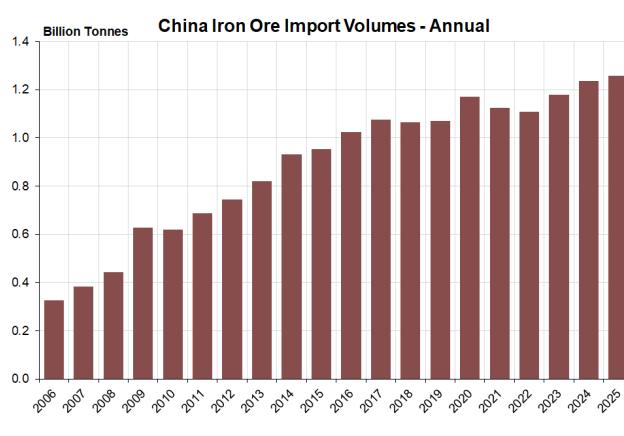
The US **unemployment rate** edged back in December, but was in a clear uptrend in the second half of 2025.



The **decline in retail and wholesale margins** may have reduced some of the impact of higher tariffs on the US CPI.



China's iron ore imports rose to a record 1.26 billion tonnes in 2025.



This Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 12					
AU	Household Spending (MoM, Nov)	1.0%	0.6%	1.4%	Strong growth supported by Black Friday sales.
AU	ANZ Job Ads (MoM, Dec)	-0.5%	-	-1.5%	Sixth decline in job ads in a row.
Tue 13					
AU	Westpac Cons. Sent (MoM, Jan)	-1.7%	-	-9.0%	Two thirds of consumers expect rate hikes.
US	CPI (YoY, Dec)	2.7%	2.7%	2.7%	Inflation too high for some FOMC members.
US	Small Business Optimism (Dec)	99.5	99.2	99.0	Business optimism is well above the 20-year average.
Wed 14					
AU	Job Vacancies (QoQ, Q4)	-0.2%	-	-2.7%	Public sector up 1.8%, private sector down 0.5%.
CH	Trade Balance (Dec)	US\$114.1b	US\$114.4b	US\$111.7b	China imported a record amount of iron ore in 2025.
US	PPI (MoM, Nov)		0.3%	-	Trade margins continue to fall.
Thu 15					
AU	MI Consumer Inflation Exp. (Jan)	4.6%	-	4.7%	Saw a notable rise in mid-2025.
US	Retail Sales (MoM, Dec)	0.6%	0.4%	-0.1%	US consumer spending remained solid in Q4 2025.
US	Initial Jobless Claims (w/e 17/1)	198k	215k	208k	Four-week moving average fell to a one-year low.
Tonight					
US	Industrial Production (MoM, Dec)	-	0.1%	0.2%	Output growth was soft through most of 2025.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 19				
AU	Melb. Instit. Inflation Gauge (MoM, Dec)		0.3%	
CH	GDP (YoY, Q4)	4.5%	4.8%	Full year growth expected to be 5.0% as per govt target.
CH	Retail Sales (YoY, Dec)	1.1%	1.3%	Retail sales growth was very soft in 2025.
CH	Industrial Production (YoY, Dec)	5.0%	4.8%	Steel production fell to a near two-year low in November.
CH	Urban Fixed Asset Inv. (YTD, YoY, Dec)	-3.1%	-2.6%	Led by property sector declines.
Tue 20				
UK	Unemployment Rate (Sep-Nov)		5.1%	Hit the highest level since late 2020-early 2021 in Aug-Oct.
Wed 21				
UK	CPI (YoY, Dec)	3.3%	3.2%	Annual core inflation has eased but remains high at 3.2%.
Thu 22				
AU	Employment (Monthly Change, Dec)	26.3k	-21.3k	Employment growth slowed sharply in 2025.
AU	Unemployment Rate (Dec)	4.4%	4.3%	The RBA expects unemployment to peak at 4.4%.
US	Personal Consumption (MoM, Nov)	0.5%	-	Spending was robust before October report was cancelled.
US	PCE Price Index (MoM, Nov)	0.2%	-	Annual growth forecast to be 2.7%, well above the 2% target.
Fri 23				
AU	S&P Global Composite PMI (Flash, Jan)	-	51.0	Fell to a seven-month low in December.
JP	CPI (YoY, Dec)	2.1%	2.9%	Core inflation (ex. food and energy) expected to fall to 2.8%.
JP	S&P Global Composite PMI (Flash, Jan)	-	51.1	Closed 2025 at the lowest level in seven months.
JP	Bank of Japan Decision	0.75%	0.75%	BoJ raised its policy rate by 25bps in December.
EZ	HCOB Composite PMI (Flash, Jan)	-	51.5	Growth slowed in December after picking up earlier in Q4.
US	S&P Global Composite PMI (Flash, Jan)	-	52.7	Fell to an eight-month low in December.
US	UMich Consumer Conf. (Final, Jan)	54.0	54.0	Remains well below the 20-year average of 78.8.