

Interest Rates (%)			FX			Commodities US\$		
<b>Australia</b>		<b>Δ bp</b>	AUD/USD	0.6493	-0.4%	WTI Crude Oil	76.39	\$2.41
90-day Bill	4.34	0	AUD/JPY	96.93	0.4%	Brent Crude Oil	81.63	\$2.42
3-year Bond	3.69	3	AUD/EUR	0.6026	-0.4%	Mogas95*	100.66	\$2.57
10-year Bond	4.13	2	AUD/GBP	0.5145	-0.4%	CRB Index	273.57	3.22
			AUD/NZD	1.0652	-0.2%	Gold	2034.09	-\$2.69
			AUD/CNY	4.6718	-0.4%	Silver	22.57	\$0.38
<b>US</b>			EUR/USD	1.0775	0.0%	Iron Ore (62% Fe)**	127.95	\$1.10
2-year	4.45	3	USD/JPY	149.29	0.8%	Iron Ore (23-24 Average)	121.35	\$0.05
10-year	4.15	5	USD/CNY	7.1967	0.0%	Copper	8193.50	-\$118.50
			<b>RBA Policy</b>			<b>Equities</b>		
<b>Other 10-year</b>			O/N Cash Rate Target	4.35		ASX200	7642	11
Japan	0.71	-3	Interbank O/N Cash Rate	4.32		Dow Jones	38726	49
Germany	2.35	4	Probability of a 25bps Cut in Mar	14.5%		S&P500	4998	3
UK	4.05	6	RBA Bond Holdings (31 Jan)	A\$336.1b		Stoxx600	485	0
						CSI300	3365	21

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

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

US stocks rose marginally following a choppy and uneventful session, while Treasury yields picked up amid scarce data flow. Investors are awaiting the US CPI revision due later today, as well as the new CPI figures next week.

The Australian dollar depreciated against all the major currencies except for the weaker Japanese yen, with the AUD/USD falling below US\$0.65. Commonwealth bond yields followed their US equivalents higher. The ASX 200 closed 0.3% higher yesterday, as solid gains in information technology, utilities and financials were partly offset by lower prices for energy and consumer staples stocks.

At an event overnight, Richmond Fed President Thomas Barkin said the FOMC would be 'smart' to 'take [their] time' on starting interest rate cuts, citing heightened uncertainty, the risk that inflation pressures could re-emerge and still-robust labour market conditions.

Meanwhile, US initial jobless claims declined to 218k last week from 227k in the week ending 27 January, thus remaining close to the 2023 average of 225k. Continued claims declined to 1,871k in the week ending 27 January from 1,894k in the previous week, to be slightly above the 2023 average of 1,764k.

Across the Pacific, Chinese consumer price deflation deepened further in January, with CPI down 0.8% through the year, the most since September 2009. The annual rates of change in consumer prices were depressed by a high base from a year earlier. The annual decline was driven by food prices, which dropped 5.9% YoY, but core inflation also slowed to a seven-month low of 0.4%. Deflation in producer prices slowed 0.2ppts to 2.7% YoY.

Bank of Japan Deputy Governor Shinichi Uchida said that, even if the Japanese central bank were to end its negative interest rate policy, interest rates are unlikely to rise rapidly. This comment saw the Japanese yen depreciate by 0.8% against the US dollar, to the weakest levels since mid-November, while Japanese government bond yields fell.

In commodity markets, oil prices surged by around 3%, as Israeli Prime Minister Benjamin Netanyahu rejected Hamas' proposal for a ceasefire. Iron ore futures rose by 0.9%.

RBA Governor Michele Bullock is testifying before a House of Representatives economic committee at the time of writing, reiterating in her opening statement that, while recent price developments are encouraging, high inflation remains a challenge. In the Q&A session, Governor Bullock said the RBA Board does not need to wait for inflation to reach the mid-point of the 2-3% target range before cutting interest rates, but also repeated that the Board needs to be 'very confident' that it will 'get there'.

#### ECONOMIC DATA REVIEW

- **CH:** CPI (YoY, Jan) – Actual -0.8%, Expected -0.5%, Previous -0.3%.
- **CH:** PPI (YoY, Jan) – Actual -2.5%, Expected -2.6%, Previous -2.7%.
- **US:** Initial Jobless Claims (w/e 3 Feb) – Actual 218k, Expected 224k, Previous 227k (revised).

#### ECONOMIC DATA PREVIEW

- **AU:** Household Spending Indicator (YoY, Dec) –Previous 3.1%.

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