

Highlights this week

- In Australia, the RBA has increased the cash rate target to 3.85%, as expected, and has not rule out further hikes.
- Data-wise, the Melbourne Institute inflation gauge suggested a further slight pick-up in price growth in January. The Cotality home value index rose faster in January, which followed a drop in dwelling approvals in December. The goods trade surplus picked up in December.
- Abroad, the partial US government shutdown led to a delay of some data releases. The ISM PMIs pointed to an expansion in the US private sector, but ADP employment and JOLTS job openings suggested some softness in the labour market. The Chinese PMIs for January were mixed.

Highlights next week

- The key domestic releases next week will be the household spending indicator for December on Monday, as well as the NAB business report for January, and the Westpac consumer sentiment for February on Tuesday.
- The highlights offshore will be the official US labour market figures (rescheduled from today), as well as US and Chinese inflation numbers; all these releases are for January.

Central Bank Rates (%)		Weekly Change	Australian Interest Rates (%)		Weekly Change	Major Overseas Interest Rates (%)		Weekly Change	Global Equities		Weekly Change
Australia	3.85	(↑25 pt)	O/N Interbank Cash	3.85	(↑25 pt)	USD 3-month	4.85	(0 pt)	ASX200	8744	(↓130 pt)
US (IOR)	3.65	(0 pt)	90-day Bills	3.93	(↑9 pt)	2-yr T-Notes	3.46	(↓10 pt)	S&P500	6798	(↓171 pt)
Eurozone (Deposit)	2.00	(0 pt)	3-yr T-Bond	4.31	(↑3 pt)	10-yr T-Notes	4.18	(↓8 pt)	DJIA	48909	(↓163 pt)
UK	3.75	(0 pt)	10-yr T-Bond	4.83	(0 pt)	Jap 10-yr	2.22	(↓2 pt)	Nikkei	53516	(↑518 pt)
Japan (Target)	0.75	(0 pt)	3-yr WATC Bond	4.42	(↑7 pt)	UK 10-yr	4.56	(↑5 pt)	CSI300	4611	(↓67 pt)
China (1Y LPR)	3.00	(0 pt)	10-yr WATC Bond	5.21	(↑3 pt)	Ger 10-yr	2.84	(0 pt)	Stoxx600	612	(↑5 pt)

Changes are since the previous issue of Market WATCH Weekly.

Financial Markets

Interest Rates

As expected, the [RBA Monetary Policy Board](#) increased the cash rate target by 25bps to 3.85% on Tuesday. The post-meeting statement stressed that inflation has picked up 'materially' and is likely to remain above the target range 'for some time'.

The updated projections included in the February Statement on Monetary Policy forecast that headline and underlying inflation will not come back to the target range for at least another year, and will reach the vicinity of the mid-point of that range only towards the end of the projection horizon in mid-2028.

During the press conference, RBA Governor Michele Bullock refused to give any specific forward guidance, but did not rule out further rate increases.

In other central bank news, the ECB and the Bank of England have kept their policy rate steady, at 2.00% and 3.75% respectively. While the ECB is not expected to change rates this year, the probability of a 25bps cut from the Bank of England reached 60% following a narrow vote this week.

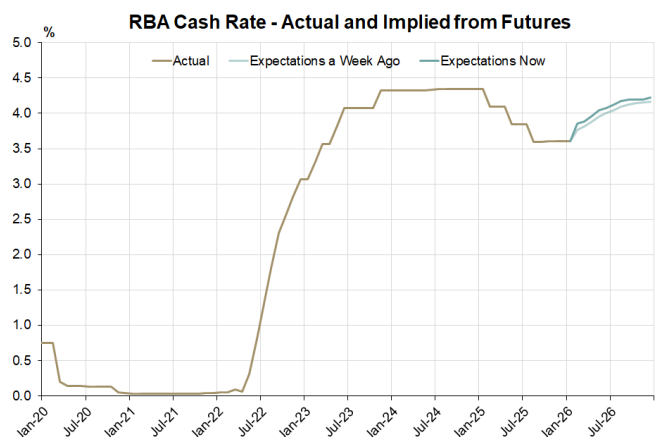
The cash rate hike and quite hawkish tone from the RBA this week led to a rise in Aussie bond yields, while the soft US labour market data drove US Treasuries lower.

Equities

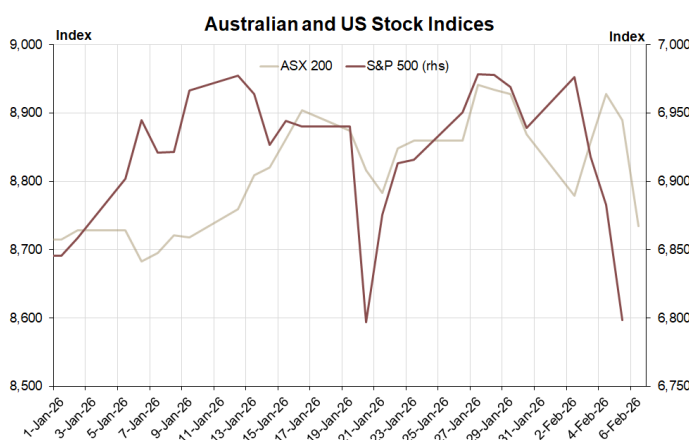
The US S&P 500 fell over the past five days, with the strongest losses in the information technology sector caused by concerns that spending on artificial intelligence might be overdone.

The losses came later this week and followed relative stability on Friday and Monday, with some confusion around the nomination of the hawkish Kevin Warsh as the next Fed Chair.

The ASX 200 fell less than its US equivalent this week, which reflects a relatively small share of tech stocks. However, most sectors saw losses, with slight gains only in financials and consumer staples. Materials and energy fell quite sharply amid a drop in many commodity prices this week.



Source: Bloomberg



Source: Bloomberg

Currencies

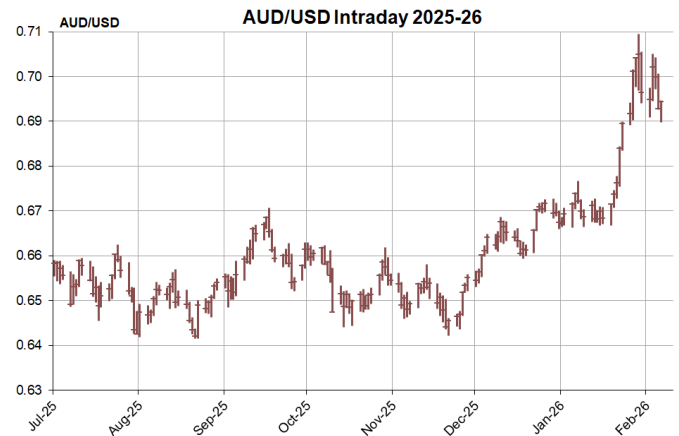
The AUD has slipped against the stronger US dollar this week and has been mixed against the broader currency universe.

The fall in the AUD/USD was initially driven by a sharp rebound in the greenback last Friday, after US President Donald Trump's nomination of former Fed Governor Kevin Warsh to replace Jerome Powell as Fed Chair in May.

The AUD/USD jumped back above US\$0.70 after the RBA increased the cash rate on Tuesday and raised its inflation forecasts, indicating at least one more interest rate hike is likely.

However, the exchange rate has since slipped again, as the Aussie gave up some of its gains and the big dollar strengthened, pushing the US dollar index to a two-week high.

The AUD/USD dipped marginally below US\$0.69 earlier this morning for the first time since 26 January, before bouncing.



Source: Bloomberg

Spot Rates		Current	High	Low	Change (%)	52-Week High	52-Week Low
AUD/USD		0.6942	0.7050	0.6897	↓1.1	0.7094	0.5915
AUD/EUR		0.5888	0.5965	0.5832	↑0.1	0.6113	0.4620
AUD/GBP		0.5124	0.5151	0.5056	↑0.5	0.5151	0.4620
AUD/JPY		108.81	110.19	106.86	↑0.9	110.19	86.05
AUD/CNY		4.8179	4.8898	4.7983	↓1.5	4.9279	4.3523
EUR/USD		1.1789	1.1875	1.1766	↓1.2	1.2081	1.0280
GBP/USD		1.3548	1.3733	1.3509	↓1.7	1.3868	1.2333
USD/JPY		156.75	157.34	154.55	↑2.1	159.45	139.89
USD/CNY		6.9406	6.9543	6.9341	↓0.2	7.3511	6.9341

Forward Rates		Spot	3M	6M	12M
AUD/USD		0.6942	0.6938	0.6927	0.6889
AUD/EUR		0.5888	0.5860	0.5828	0.5758
AUD/GBP		0.5124	0.5121	0.5113	0.5089
AUD/JPY		108.81	107.93	107.03	105.22
AUD/NZD		1.1645	1.1600	1.1549	1.1454
AUD/SGD		0.8844	0.8785	0.8720	0.8587

Commodities

Precious metals were dumped in the US session last Friday following the nomination of Kevin Warsh as new Fed Chair.

Prices bounced on Tuesday but have since fallen again.

Oil prices fell sharply on Monday after US President Trump expressed confidence that a deal can be reached regarding Iran's nuclear program. Prices picked up midweek as tensions re-escalated before easing again as the US and Iran agreed to hold talks in Oman later today.

Iron ore futures prices have dipped below US\$100 a tonne for the first time since August 2025, reflecting demand concerns. Chinese port inventories rose to near four-year highs last week.

US President formally announced a US\$12b initiative, dubbed 'Project Vault', to stockpile critical minerals to counter China's supply dominance. The funding will include US\$1.7b in private capital and a US\$10b loan from the US Export-Import Bank.



Source: Bloomberg

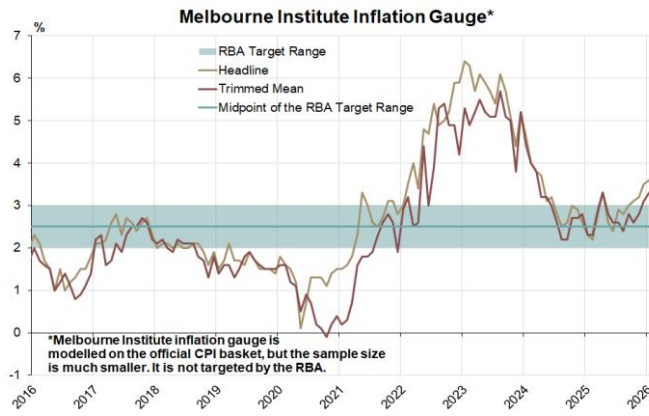
	Current	High	Low	Change	52-Week High	52-Week Low
Gold (US\$)	\$4,813.76	\$5,091.60	\$4,402.95	(↓\$405.16)	\$5,595.47	\$2,832.71
Brent Crude Oil (US\$)	\$67.83	\$69.76	\$65.19	(↓\$1.98)	\$81.40	\$58.40
Mogas95* (US\$)	\$77.20	\$81.43	\$74.57	(↑\$1.2)	\$89.08	\$67.57
WTI Oil (US\$)	\$63.58	\$65.53	\$61.12	(↓\$0.8)	\$78.40	\$54.98
CRB Index	309.36	320.09	305.14	(↓14.35)	323.71	279.79
Iron Ore Price 62% Fe (US\$) **	\$99.80	\$104.20	\$99.80	(↓\$4.5)	\$109.40	\$91.70

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

** The Iron Ore Price is the SGX 62% Fe iron ore futures 2nd contract.

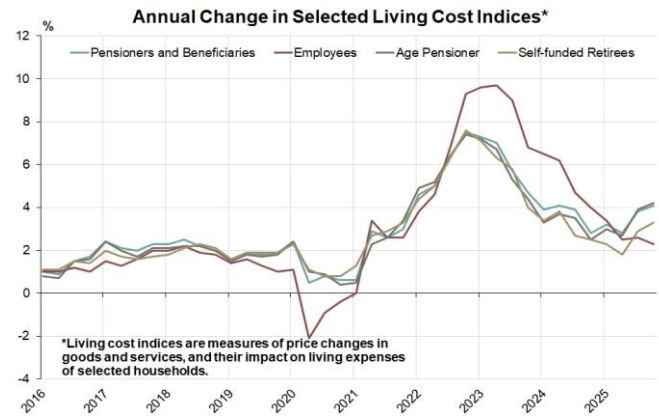
Domestic Economy

The Melbourne Institute gauge suggested that consumer price inflation rose a bit further in January.



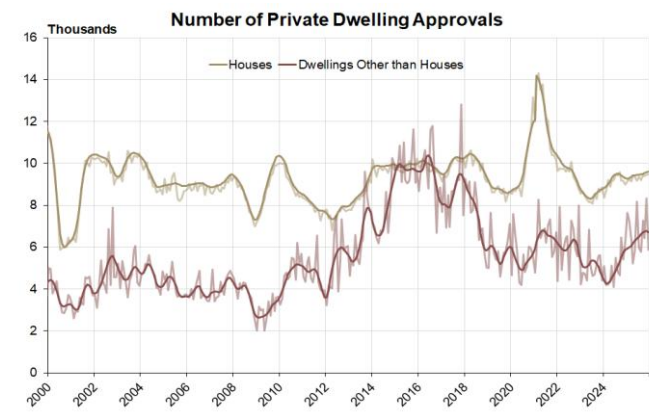
Source: Bloomberg

Living costs growth accelerated for most households, except for employees helped by lower mortgage rates.



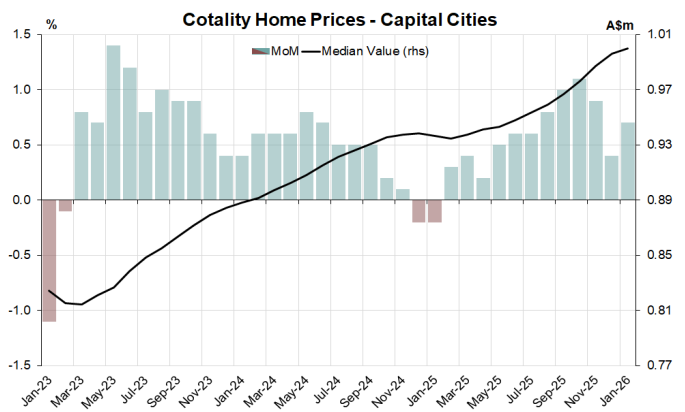
Source: ABS

Dwelling approvals were still climbing for private sector houses in December, but declined for units...



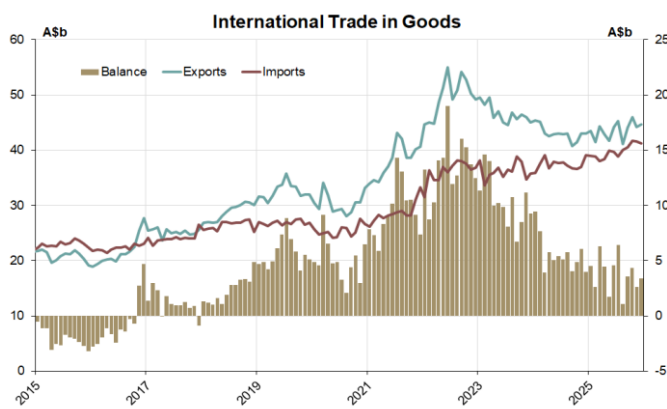
Source: ABS

... which was followed by another strong rise in **Cotality home prices** in January.



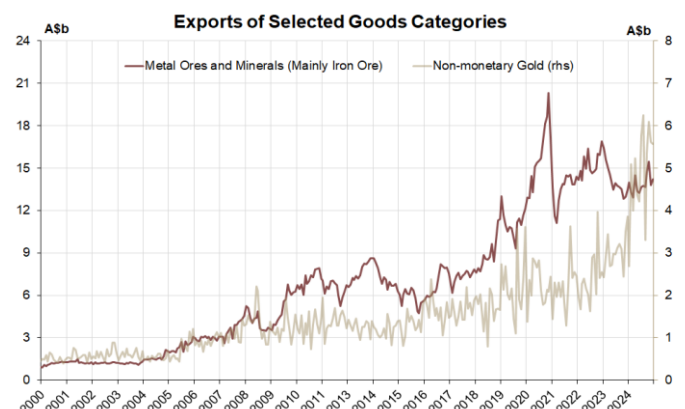
Source: Bloomberg

Goods trade balance picked up in December, amid a slight rise in exports and imports declining somewhat.



Source: ABS

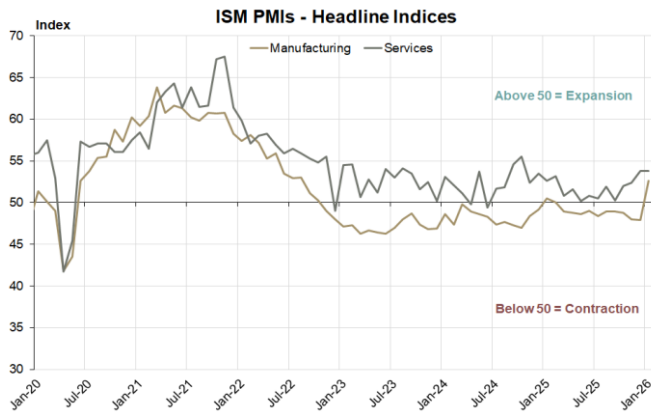
Exports of iron ore and gold remain elevated by historical standards.



Source: ABS

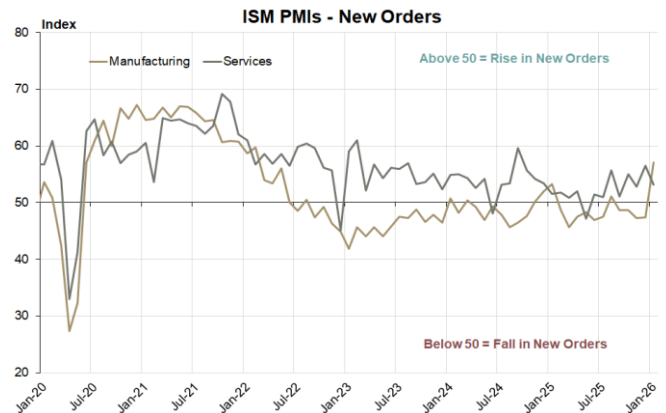
Global Economy

US ISM PMIs suggest expansion in both services and manufacturing, thanks to a strong rebound in the latter.



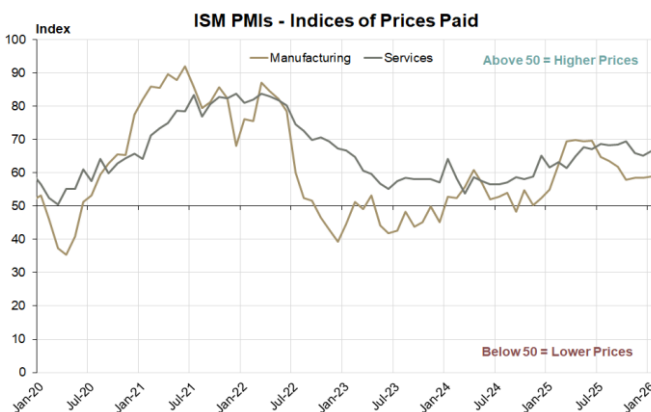
Source: Bloomberg

The details of the ISM reports suggest an upswing in **new orders in the manufacturing sector**.



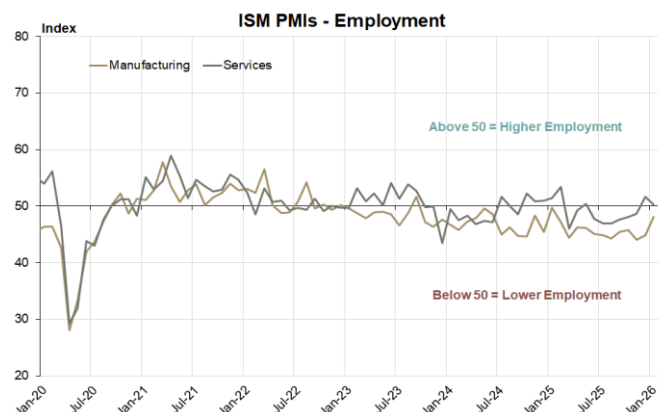
Source: Bloomberg

At the same time, **price pressures** continue to rise steadily in manufacturing and services.



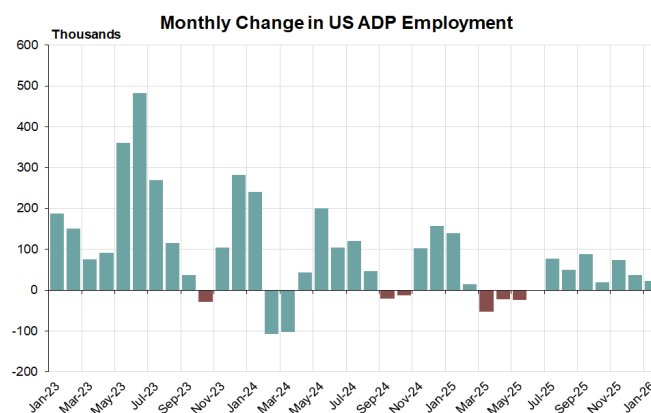
Source: Bloomberg

Despite the expansion in activity, **employment** was stagnant in services and down in manufacturing...



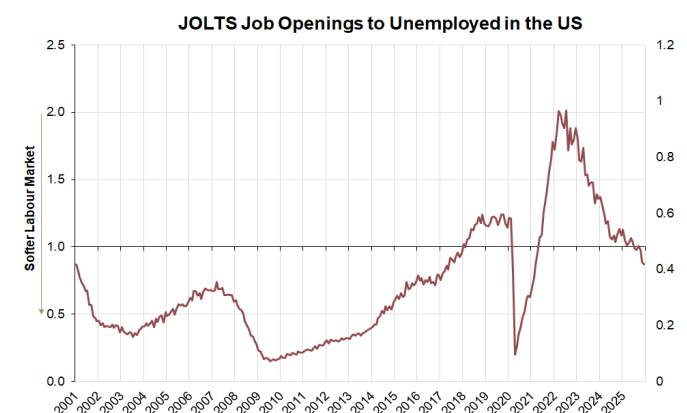
Source: Bloomberg

... which corresponds to sluggish **US private sector employment** growth reported by the ADP...



Source: Bloomberg

... amid a further decline in the **JOLTS job openings** to the lowest level since the heights of COVID-19.



Source: Bloomberg

Last Week

Date	Event	Actual	Forecast	Previous	Comment
Mon 02					
AU	Cotality Home Value (MoM, Jan)	0.7%	-	0.4%	Perth again saw the largest gain of 2.0%.
AU	MI Inflation Gauge (MoM, Jan)	0.2%	-	1.0%	Annual rate up 0.1ppts to 3.6%.
AU	ANZ Job Ads (MoM, Jan)	4.4%	-	-0.8%	Still down by 3.2% YoY.
CH	RatingDog Manuf. PMI (Jan)	50.3	50.0	50.1	The official NBS manufacturing PMI down 0.8pts to 49.3.
US	ISM Manufacturing PMI (Jan)	52.6	48.5	47.9	Suggests the strongest expansion since 2022.
Tue 03					
AU	RBA Decision (Cash Rate Target)	3.85%	3.85%	3.60%	An adjustment, not a start to a full-blown tightening cycle.
AU	RBA SoMP (Q1)	-	-	-	Inflation to return to the 2-3% range only in mid-2027.
AU	RBA Governor M. Bullock Speaks	-	-	-	Further hikes not ruled out completely.
AU	Dwelling Approvals (MoM, Dec)	-14.9%	-6.4%	13.1%	Private sector house approvals up by 0.4% in December.
AU	ANZ Cons. Conf. (w/e 31 Jan)	80.5	-	84.0	Drop driven by concerns over RBA rate hikes.
Wed 04					
CH	RatingDog Services PMI (Jan)	52.4	52.0	52.0	Suggested the first rise in employment in six months.
EZ	HICP (YoY, Jan)	1.7%	1.7%	2.0%	Euro area inflation is in a 'good place'.
US	ADP Employment (MoM, Jan)	22k	45k	37k	Has been a poor indicator of the official jobs figures.
US	ISM Services PMI (Jan)	53.8	53.5	53.8	December figures were revised downwards.
Thu 05					
AU	Trade Balance (Dec)	A\$3.4b	A\$3.5b	A\$2.6b	Iron ore exports higher, gold exports close to record high.
EZ	ECB Decision (Deposit Rate)	2.00%	2.00%	2.00%	ECB expected to stay put this year.
UK	BoE Decision (Bank Rate)	3.75%	3.75%	3.75%	Following a narrow vote, a cut of 60% priced in for March.
US	JOLTS Job Openings (Dec)	6.5m	7.3m	6.9m	Almost 1m more people unemployed than job openings.
US	Initial Jobless Claims (w/e 6 Feb)	231k	212k	209k	The highest level in over a month.
Fri 06					
AU	RBA Governor at HoR Committee	-	-	-	No groundbreaking news.
Tonight					
US	UMich Cons. Sent. (Feb, prel.)	-	55.5	56.4	Less reliable since the switch to the online survey.

Next Week

Date	Event	Forecast	Previous	Comment
Mon 09				
AU	Household Spending Indicator (MoM, Dec)	0.1%	1.0%	RBA expects household consumption growth to ease in 2026.
US	New York Fed Inflation Expectations (Jan)	-	3.4%	Comprehensive survey, also with unemployment expectations.
Tue 10				
AU	NAB Business Conditions (Jan)	-	9	PMIs for January suggested improvement in conditions.
AU	NAB Business Confidence (Jan)	-	3	Still below the long-run average.
AU	Westpac Consumer Sent. (MoM, Feb)	-	-1.7%	RBA cash rate hike might weigh on sentiment to some extent.
US	Retail Sales (MoM, Dec)	0.4%	0.6%	US private consumption remains resilient.
US	NFIB Small Business Optimism (Jan)	99.8	99.5	An early indicator of US business conditions.
Wed 11				
AU	RBA Deputy Governor Speaks	-	-	Fireside chat at an ACCI business leaders' lunch in Sydney.
CH	CPI (YoY, Jan)	0.3%	0.8%	Annual core inflation held steady at 1.2% in December.
CH	PPI (YoY, Jan)	-1.6%	-1.9%	The pace of Chinese producer price deflation has slowed.
US	Unemployment Rate (Jan)	4.4%	4.4%	Report rescheduled for Friday 13 February.
US	Non-farm Payrolls (monthly change, Jan)	75k	50k	Will be released along with the payrolls benchmark revision.
Thu 12				
AU	RBA Assistant Governor Speaks	-	-	Sarah Hunter gives a speech at a CEDA event in Perth.
UK	GDP (QoQ, Q4)	0.2%	0.1%	Business reports also suggest a bigger gain.
Fri 13				
US	CPI (MoM, Jan)	0.3%	0.3%	Annual rate expected to decline by 0.2ppts to 2.5%.

Timing of some of the reports could be impacted by the recently ended US Government shutdown.