

Interest Rates (%)			FX			Commodities US\$			
Australia		Δ bp	AUD/USD	0.6327	0.5%	WTI Crude Oil	67.57	\$0.98	
	90-day Bill	4.12	1	AUD/JPY	93.85	0.7%	Brent Crude Oil	70.91	\$1.04
	3-year Bond	3.79	1	AUD/EUR	0.5813	0.8%	Mogas95*	80.33	\$2.03
	10-year Bond	4.44	0	AUD/GBP	0.4881	0.3%	CRB Index	303.77	0.82
			AUD/NZD	1.1029	0.1%	Gold	2938.62	\$24.08	
			AUD/CNY	4.5708	0.2%	Silver	33.27	\$0.45	
US			EUR/USD	1.0885	-0.2%	Iron Ore (62% Fe)**	100.65	-\$0.85	
	2-year	3.99	6	USD/JPY	148.34	0.2%	Iron Ore (24-25 Average)	102.00	-\$0.01
	10-year	4.31	5	USD/CNY	7.2379	0.1%	Copper	9770.00	\$107.50
			RBA Policy			Equities			
Other 10-year			O/N Cash Rate Target		4.10	ASX200	7796	8	
			Interbank O/N Cash Rate		4.09	Dow Jones	41351	-83	
	Japan	1.52	-2	Probability of a 25bps Cut in Apr		10.3%	S&P500	5599	27
	Germany	2.88	-2	RBA Bond Holdings (28 Feb)		A\$297.6b	Stoxx600	541	4
	UK	4.72	5				CSI300	3927	-14

\*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 saw the first daily gains this week, as US CPI inflation came out slightly lower than expected in February. The downside surprise had no impact on fed funds rate cut expectations, with traders almost fully pricing in a rate cut in June.

The US dollar rose slightly after closing at a near five-month low on Tuesday and US Treasury yields picked up, as inflation expectations ticked up amid escalation of the global trade war. Canada and European Union rolled out countermeasures against the 25% tariffs on steel and aluminium that became effective yesterday. US President Donald Trump said that he will respond to the European Union's countermeasures.

The improvement in market sentiment helped the Australian dollar appreciate against all the major currencies, with the AUD/USD rising back above the US\$0.63 mark. Commonwealth bond yields were little changed overnight. The ASX 200, having dropped by 1.2% yesterday, opened higher this morning.

US CPI rose by 0.2% in February, taking the annual rate of consumer price inflation down 0.2ppts to 2.8%. The core CPI rose by 0.2%, to be up by 3.1% YoY, the least since April 2021. Accommodation saw the weakest growth rate since December 2021. However, the so-called 'supercore' inflation, which also excludes housing, slowed to 0.2% MoM and 3.8% YoY, the slowest since October 2023.

Oil and gold prices benefited from the downside surprise to the US CPI. Brent futures rose by 1.5%, to be back above US\$70 a barrel. The gold price gained 0.8%, to be just 0.5% short of its record high from 24 February. Iron ore futures declined by 0.8% yesterday.

The Bank of Canada cut its policy rate by 25bps to 2.75%, as expected, warning that the monetary policy 'cannot offset the impacts of a trade war', other than ensuring that the temporarily higher prices because of the introduction of tariffs do not translate into 'ongoing inflation'. To prevent this, the Bank will closely monitor developments in inflation expectations, and weigh any upward price pressures from tariffs against the dampening impact of a weaker economy on prices. The next 25bps cut is fully priced in for June at the time of writing.

### Economic Data Review

- **US:** CPI (MoM, Feb) – Actual 0.2%, Expected 0.3%, Previous 0.5%.

### Economic Data Preview

- **AU:** Melbourne Institute Inflation Expectations (Feb) – Previous 4.6%.
- **US:** PPI (MoM, Feb) – Expected 0.3%, Previous 0.4%.
- **US:** Initial Jobless Claims (w/e 8 Mar) – Expected 225k, Previous 221k.