

Interest Rates (%)			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.7277	-0.1%	WTI Crude Oil	81.73	-\$1.03
90-day Bill	0.07	1	AUD/JPY	83.07	-0.5%	Brent Crude Oil	84.47	-\$0.20
3-year Bond	1.01	1	AUD/EUR	0.6354	-0.1%	Mogas95*	97.08	\$0.75
10-year Bond	1.86	0	AUD/GBP	0.5309	0.0%	CRB Index	242.90	-2.29
			AUD/NZD	1.0606	-0.2%	Gold	1819.83	-\$4.47
			AUD/CNY	4.6284	0.0%	Silver	23.02	-\$0.10
US			EUR/USD	1.1454	0.1%	Iron Ore (62% Fe)**	128.14	-\$3.08
2-year	0.92	-1	USD/JPY	114.13	-0.5%	Iron Ore (21-22 Average)	134.52	-\$0.04
10-year	1.73	-3	USD/CNY	6.3595	0.0%	Copper	9958.50	-\$105.50
			RBA Policy			Equities		
			O/N Cash Rate Target	0.10%		ASX200	7405	-71
			Interbank O/N Cash Rate	0.05%		Dow Jones	36114	-176
Other 10-year			Probability of RBA Cash Rate Hike	14.14%		S&P500	4659	-67
Japan	0.15	2	RBA Bond Purchases (QE)***	A\$265.5b		Stoxx600	486	0
Germany	-0.09	-3				CSI300	4766	-80
UK	1.11	-3						

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

**Iron ore is the second SGX futures contract.

***QE stands for quantitative easing (the RBA's bond buying program).

The US stock indices fell on Thursday, dragged down by hawkish comments from multiple Fed officials. The Nasdaq again led the declines, ending the trading day 2.6% lower, while the S&P 500 lost 1.4% and the Dow Jones slid 0.5%. Despite the hawkish comments by US central bankers, US Treasury yields are down, particularly at the long end of the yield curve, and the US dollar depreciated.

San Francisco Fed President Mary Daly, Chicago Fed President Charles Evans and Philadelphia Fed President Patrick Harker (none of them voting FOMC members this year) all voiced support for near-term interest rate hikes. However, more importantly, Fed Governor and a candidate for Fed Vice Chair Lael Brainard added her weight to the case for a rate increase in March.

A fed funds rate hike to 0.25-0.50%, from 0.00-0.25% currently, is almost entirely priced in for March, with three more increases close to fully priced in over the remainder of the year.

The US economic data released overnight was a mixed bag. Monthly PPI inflation came in at a lower than expected 0.2% in December (exp 0.4%), with the annual rate easing by 0.1ppt to 9.7% after hitting a record high in November (since 2010). US initial jobless claims unexpectedly jumped 23k to an eight-week high of 230k last week. Continued claims fell 194k to 1,559k in the last week of 2021, to be at the lowest level since June 1973.

The Australian dollar is steady against the weaker USD but depreciated against all the other major currencies. 3-year Commonwealth bond yields as well as both the effective cash rate and 3-month bank bill swap rate rose slightly. The end of government bond purchases in February is becoming increasingly possible given the pending interest rate lift-off in the US. The ASX 200 rose yesterday but opened in red this morning.

The pandemic over east continues to escalate, with supply chain disruptions intensifying. In order to ease the pressure on supply chains, the national cabinet agreed yesterday to expand exemptions from isolation rules to more industries, including to workers in transport and freight.

ECONOMIC DATA REVIEW

- **US:** PPI (MoM, Dec) – Actual 0.2%, Expected 0.4%, Previous 1.0%.
- **US:** Initial Jobless Claims (w/e 8 Jan) – Actual 230k, Expected 200k, Previous 207k.

ECONOMIC DATA PREVIEW

- **AU:** Housing Finance (MoM, Dec) – Expected 0.0%, Previous -4.1%.
- **CH:** Trade Balance (Dec) – Expected US\$74.5b, Previous US\$71.7b.
- **US:** Retail Sales (MoM, Dec) – Expected 0.0%, Previous 0.3%.
- **US:** University of Michigan Consumer Confidence (Jan) – Expected 70.1, Previous 70.6.
- **US:** University of Michigan 1-year Consumer Inflation Expectations (Jan) – Previous 4.8%.
- **US:** University of Michigan 5-year Consumer Inflation Expectations (Jan) – Previous 2.9%.

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