

Interest Rates			FX			Commodities US\$		
Australia		Δ bp	AUD/USD	0.7033	0.1%	WTI Crude Oil	80.26	-\$1.30
90-day Bill	3.26	-2	AUD/JPY	91.46	-0.2%	Brent Crude Oil	86.42	-\$1.73
3-year Bond	2.94	-11	AUD/EUR	0.6460	0.0%	Mogas95*	101.28	\$0.00
10-year Bond	3.38	-10	AUD/GBP	0.5704	0.5%	CRB Index	277.97	-2.28
			AUD/NZD	1.0853	0.3%	Gold	1936.32	\$3.92
			AUD/CNY	4.7708	0.1%	Silver	23.59	\$0.12
US			EUR/USD	1.0884	-0.1%	Iron Ore (62% Fe)**	125.67	-\$0.61
2-year Bond	4.21	-2	USD/JPY	130.13	-0.3%	Iron Ore (22-23 Average)	102.96	\$0.15
10-year Bond	3.45	-6	USD/CNY***	6.7825	0.0%	Copper	9356.00	\$32.00
			RBA Policy			Equities		
			O/N Cash Rate Target	3.10%		ASX200	7492	24
			Interbank O/N Cash Rate	3.07%		Dow Jones	33734	104
Other 10-year			Probability of a 25bps Hike in Feb	45.3%		S&P500	4017	-3
Japan	0.41	3	RBA Bond Holdings (31 Dec)	A\$350.4b		Stoxx600	453	-1
Germany	2.16	-5				CSIB00***	4182	0
UK	3.28	-7						

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel price. No change due to a public holiday.

**Iron ore is the second SGX futures contract.

***No change due to a public holiday.

US stocks closed mixed overnight, as the flash S&P Global PMIs suggested that the pace of contraction in the US has narrowed somewhat and growth in cost pressures has re-accelerated. The Dow Jones added 0.3%, but the S&P 500 ebbed 0.1% and the Nasdaq lost 0.2%. This followed declines in Europe and gains in most of Asia.

US S&P Global composite PMI rose 1.6pts to 45.0 in January, suggesting a slightly slower but still strong pace of contraction. New orders also continued to fall, which indicates weakness in activity ahead. Input price growth re-accelerated amid higher wages and vendor prices. Employment increased, albeit only marginally.

Meanwhile, according to flash PMI reports, the UK private sector saw the strongest pace of decline in activity in two years, while the euro area and Japan returned to expansion in January.

Closer to home, Kiwi CPI rose by 1.4% in Q4, less than the 2.2% recorded in the previous quarter. The annual rate of inflation remained unchanged at the elevated 7.2%. Aussie CPI for Q4 will be published later this morning.

In commodity markets, US growth concerns, coupled with a larger-than-expected rise in US oil inventories, resulted in a 1.5-2.0% fall in oil prices. Iron ore futures declined by 0.5%.

In Australia, NAB business conditions dropped 8pts to 12pts, which is still above the series average. The deterioration in conditions was broad-based across subindices, industries and states, though Western Australia saw a relatively mild decline. Despite a slight improvement, NAB business confidence was still negative. Growth in costs and retail prices decelerated but remained relatively high.

The drop in business conditions, along with lower price and cost pressures, were reflected in a decline in RBA rate expectations, with the probability of a 25bps hike in February falling below 50%. Commonwealth bond yields also saw relatively large declines. The ASX 200 opened flat this morning, which followed gains yesterday. The Aussie dollar appreciated against the greenback, but it is down versus the safe-haven Japanese yen.

ECONOMIC DATA REVIEW

- **AU:** NAB Business Conditions (Dec) – Actual 12, Previous 20.
- **AU:** NAB Business Confidence (Dec) – Actual -1, Previous -4.
- **NZ:** CPI (QoQ, Q4) – Actual 1.4%, Expected 1.3%, Previous 2.2%.
- **JP:** Jibun Bank Composite PMI (Jan, flash) – Actual 50.8, Previous 49.7.
- **EZ:** S&P Global Composite PMI (Jan, flash) – Actual 50.2, Previous 49.3.
- **UK:** S&P Global Composite PMI (Jan, flash) – Actual 47.8, Previous 49.0.
- **US:** S&P Global Composite PMI (Jan, flash) – Actual 46.6, Previous 45.0.

ECONOMIC DATA PREVIEW

- **AU:** CPI (QoQ, Q4) – Expected 1.6%, Previous 1.8%.
- **US:** GDP (QoQ Annualised, Q4) – Expected 2.6%, Actual 3.2% (tomorrow).

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