

Morning Report

Monday, 10 July, 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,042	-1.7%			Last	Overnight Chg		Australia		
US Dow Jones	33,735	-0.6%	10 yr bond	4.29		0.03	90 day BBSW	4.30	0.02	
Japan Nikkei	32,388	-1.2%	3 yr bond	4.23		0.00	2 year bond	4.31	0.12	
China Shanghai	3,351	-0.3%	3 mth bill rate	4.55		0.00	3 year bond	4.23	0.12	
German DAX	15,603	0.5%	SPI 200	7,013.0		25	3 year swap	4.55	0.00	
UK FTSE100	7,257	-0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.26	0.13
Commodities (close & change)*			TWI	61.8	-	-	61.8	United States		
CRB Index	264.5	2.5	AUD/USD	0.6626	0.6701	0.6620	0.6692	3-month T Bill	5.20	-0.02
Gold	1,925.05	14.1	AUD/JPY	95.44	95.59	94.76	95.10	2 year bond	4.95	-0.03
Copper	8,369.25	111.3	AUD/GBP	0.5201	0.5218	0.5186	0.5212	10 year bond	4.06	0.03
Oil (WTI futures)	73.86	2.1	AUD/NZD	1.0761	1.0780	1.0736	1.0775	Other (10 year yields)		
Coal (thermal)	152.15	-0.9	AUD/EUR	0.6085	0.6109	0.6073	0.6101	Germany	2.64	0.01
Coal (coking)	227.33	2.8	AUD/CNH	4.8100	4.8445	4.7972	4.8403	Japan	0.43	0.01
Iron Ore	109.00	1.3	USD Index	103.08	103.19	102.23	102.27	UK	4.65	-0.01

Data as at Sunday 5pm AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: US payrolls data was softer than expected but ongoing resilience with wages growth means the Fed may tighten again this month.

Share Markets: The Dow fell 0.6%, the S&P 500 eased 0.3% and the Nasdaq declined 0.1%.

Interest Rates: The US 2-year yield fell 3 basis points at the close, while the 10-year yield gained 3 basis points. Interest-rate markets are attaching a probability of 89% to a rate hike of 25 basis points when the Fed next meets on July 26. This probability is up from 85% in the previous session.

Foreign Exchange: The USD index was sold off after the release of the weaker-than-expected payrolls data, despite the wages growth data suggesting the Fed may need to continue tightening. The sell off in the USD spurred the AUD/USD higher, from a Friday night low of 0.6620 to the 0.6700 handle where the appreciation has stalled.

Commodities: Commodities moved higher in trade on Friday, including oil and gold.

Australia: No major data releases on Friday.

Eurozone: German industrial production slid 0.2% in May, missing expectations for a flat reading. In annual terms production growth slowed to 0.7% from 1.7% in April.

United States: Non-farm payrolls rose 209,000 in June against a consensus expectation for a rise of 230,000 and after 306,000 jobs were added in May.

It was the fewest jobs added in 2½ years. There were also downward revisions in the previous two months. The unemployment rate stayed steady at 3.6%.

Average hourly earnings growth was 0.4% in June, quicker than the 0.3% monthly pace in May and faster than the 0.3% rate expected by consensus. The annual rate of average hourly earnings remained steady at 4.4%.

Chicago Federal Reserve President Austan Goolsbee left the door open for more data to sway officials ahead of the next Fed meeting. Goolsbee said we're getting to a more sustainable pace, which is what we need to do for inflation.

Today's key data and events:

JN Current Account May exp ¥1.9tr prev ¥1.9tr (9:50am)
 CH CPI Jun y/y exp 0.2% prev 0.2% (11:30am)
 CH PPI Jun y/y exp -5.0% prev -4.6% (11:30am)
 EZ Sentix Investor Confidence Jul prev -17.0 (6:30pm)

Times are AEST. All data forecasts are m/m or q/q and seasonally adjusted unless otherwise specified. Forecasts for Australian data are our forecasts and for other countries they are consensus forecasts.

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