

Morning Report

Tuesday, 12 December 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,199	0.1%			Last	Overnight Chg		Australia			
US Dow Jones	36,405	0.4%	10 yr bond		4.35	0.00		90 day BBSW	4.36	0.02	
Japan Nikkei	32,792	1.5%	3 yr bond		3.97	0.01		2 year bond	4.04	0.04	
China Shanghai	3,136	0.7%	3 mth bill rate		4.38	0.02		3 year bond	3.95	0.05	
German DAX	16,794	0.2%	SPI 200		7,227.0	13		3 year swap	4.15	0.01	
UK FTSE100	7,545	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.34	0.04	
Commodities (close & change)			TWI		61.3	-	-	61.3	United States		
CRB Index	261.8	-1.1	AUD/USD		0.6571	0.6583	0.6550	0.6567	3-month T Bill	5.23	0.00
Gold	1,981.56	-23.1	AUD/JPY		95.20	96.15	95.17	96.02	2 year bond	4.71	-0.01
Copper	8,380.00	107.0	AUD/GBP		0.5243	0.5246	0.5212	0.5230	10 year bond	4.23	0.01
Oil (WTI futures)	71.48	0.3	AUD/NZD		1.0743	1.0759	1.0705	1.0722	Other (10 year yields)		
Coal (thermal)	153.10	-0.6	AUD/EUR		0.6111	0.6115	0.6087	0.6101	Germany	2.27	-0.01
Coal (coking)	336.00	2.0	AUD/CNH		4.7196	4.7307	4.7120	4.7246	Japan	0.77	0.00
Iron Ore	134.30	-0.7	USD Index		103.97	104.26	103.93	104.09	UK	4.08	0.04

Data as at 8:00am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Equity markets lacked direction given the release of limited top tier economic data overnight. Investors were cautious ahead of several key central bank meetings later this week.

US equities edged higher. US Treasury yields were broadly unchanged ahead of the Fed's last meeting for the year. This US dollar edged higher.

Share Markets: US equities kicked off the week on a cautious note, with traders refraining from big bets ahead of the release of key inflation data, and the Fed's final meeting for the year, later this week.

The S&P 500 finished 0.3% higher, the Dow Jones finished 0.4% higher, while the Nasdaq ended 0.2% higher.

The ASX 200 finished 0.1% higher. Six of eleven sectors were higher. There were large gains in the energy and healthcare sectors, partly offset by losses the mining and information technology sectors. Futures are pointing to a positive open today.

Interest Rates: US Bond yields were broadly unchanged. The Fed will announce its policy decision early on Thursday morning. It's widely expected the fed funds rate will remain on hold at 5.25% to 5.50%. Markets will instead focus on the updated 'dot plots' (economic and interest rate forecasts from Fed committee members) and Jerome Powells speech. The 2-year yield declined by one basis point to 4.71%. The 10-year bond yield

increased by one basis point to 4.23%.

Interest-rate markets continue to price aggressive cuts from the Fed in 2024. Markets are currently pricing around 4.5 cuts by the end of 2024 and 5 cuts by January 2025.

Australian bond yields broadly mimicked moves in the US. The 3-year Australian government bond yield (futures) rose by one basis point to 3.97%. The 10-year (futures) yield was unchanged at 4.35%.

Interest-rate markets continue to expect that the RBA is done raising rates. In 2024, markets expect a little under 1.5 cuts by the end of the year.

Foreign Exchange: The US dollar edged higher as markets consolidated and the Japanese Yen unwound much the gains recorded last week. The USD Index rose from a low of 103.93 to a high of 104.26, before settling at 104.09

The Aussie was broadly unchanged. The AUD/USD pair tested the 0.6550 resistance level at numerous times during the session, before receiving support. The pair traded in a narrow range of 0.6550 to 0.6580. Its is currently trading at around 0.6567.

Commodities: The price of oil edged higher with the West Texas Intermediate (WTI) futures at US\$71.48 – still around six-month lows

Gold declined to fall below US\$2,000 per ounce at the close. Iron ore and thermal coal were weaker, while coking coal and copper rose.

Australia: The Federal Government announced its revamped Migration Strategy, which is aimed at better targeting Australia's migration program to areas where skills are most in demand and reducing the overall size of the program, from an expected record high of 510k in 2022-23 to 250k in 2024-2025. The revamped strategy is expected to reduce the number of students entering the country by imposing more stringent controls such as stronger English-language tests and requiring potential entrants to prove they are genuine students. There will be a new "Skills in Demand" visa to help attract new skilled labour.

United Kingdom: Advertised prices for newly listed dwellings declined by 1.9% in December, to be 1.1% lower than a year ago. The monthly decline was larger than the historical average decline for the month of December. This suggests there remains some underlying weakness in the housing market.

Today's key data and events:

AU RBA's Governor Bullock Speech (9:20am)
AU WBC-MI Consumer Sentiment Dec prev 79.9
(10:30am)
AU NAB Business Survey Nov (11:30am)
Confidence prev -2
Conditions Nov prev 13
EZ ZEW Expectations Dec prev 13.8 (9pm)
NZ Net Migration Oct prev 7510 (8:45am)
UK ILO Unemployment Rate Oct (6pm)
US CPI Nov prev 0.0% (12:30am)

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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