

Morning Report

Tuesday, 12 September 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,192	0.5%			Last	Overnight Chg		Australia		
US Dow Jones	34,664	0.3%	10 yr bond	4.16		0.00	90 day BBSW	4.13	0.01	
Japan Nikkei	32,468	-0.4%	3 yr bond	3.84		0.00	2 year bond	3.86	0.04	
China Shanghai	3,295	0.8%	3 mth bill rate	4.26		0.01	3 year bond	3.83	0.05	
German DAX	15,801	0.4%	SPI 200	7,199.0		7	3 year swap	4.07	0.00	
UK FTSE100	7,497	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.16	0.08
Commodities (close & change)*			TWI	60.3	-	-	60.3	United States		
CRB Index	286.3	1.9	AUD/USD	0.6384	0.6449	0.6381	0.6432	3-month T Bill	5.29	-0.01
Gold	1,922.30	3.2	AUD/JPY	93.74	94.46	93.74	94.27	2 year bond	4.99	0.00
Copper	8,389.00	147.5	AUD/GBP	0.5118	0.5147	0.5116	0.5140	10 year bond	4.29	0.02
Oil (WTI futures)	87.29	-0.2	AUD/NZD	1.0833	1.0881	1.0830	1.0861	Other (10 year yields)		
Coal (thermal)	160.00	0.5	AUD/EUR	0.5959	0.6008	0.5959	0.5982	Germany	2.64	0.03
Coal (coking)	282.33	2.0	AUD/CNH	4.7001	4.7125	4.6940	4.6973	Japan	0.71	0.05
Iron Ore	117.60	0.3	USD Index	104.92	104.93	104.42	104.54	UK	4.47	0.05

Data as at 7:45am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Markets had little direction overnight given a lack of top tier economic data. Traders also remain in a holding pattern ahead of the US inflation report on Wednesday night (AEST). US equities finished in the green, treasuries were mixed, and the US dollar softened.

Share Markets: US equities finished higher, led by tech stocks. The S&P 500 posted a 0.7% gain, while the Dow Jones and the NASDAQ rose 0.3% and 1.1%, respectively.

The ASX 200 rose 0.5% yesterday, supported by positive lending data in China. Futures are pointing to a marginally positive open this morning.

Interest Rates: US treasuries were mixed as traders await key inflation data which will help assess how close the Fed is to the top of its rate tightening cycle. The 2-year yield was unchanged at 4.99%, after holding a narrow range between 4.97% and 5.01%. The 10-year yield rose 2 basis points to 4.29%.

Interest rate markets are pricing just under a 50% chance of another hike from the Fed by the end of 2023. Rate cuts are fully priced for the middle of next year.

Aussie bond futures were unchanged overnight. The 3-and-10-year futures yields closed at 3.84% and 4.16%, respectively.

Interest rate markets are pricing around a 25%

chance of another hike from the Reserve Bank (RBA) this cycle. Futures imply a near 50/50 chance of a rate cut by the end of 2024.

Comments from Bank of Japan (BoJ) Governor, Kazuo Ueda, prompted a spike in Japanese Government Bond (JGB) yields yesterday. The 10-year JGB yield jumped from a low of 0.68% to a high of 0.70% - it's highest level since January 2014.

Foreign Exchange: The US dollar was weaker overnight. The DXY fell from a high of 104.93 to a low of 104.42, before retracing slightly to close around 104.54.

The Aussie dollar outperformed, alongside a resurgent Japanese Yen and Chinese Yuan. The AUD/USD pair rose from a low of 0.6381 to a high of 0.6449 and is currently trading around 0.6432.

The Yen strengthened alongside the lift in JGB yields. The USD/JPY pair fell from a high of 147.28 to a low of 145.91 and is currently trading around 146.49.

Commodities: Moves in commodity prices were muted overnight. Oil softened modestly, while iron ore, gold and copper were firmer.

Australia: There were no significant economic data releases yesterday.

Eurozone: The European Commission downgraded its growth forecasts for the Eurozone, anticipating current weak growth momentum to persist into

2024. Eurozone GDP growth was marked down from 1.1% to 0.8% in 2023 and to 1.3% from 1.6% in 2024. Inflation forecasts were also tweaked downwards alongside softer growth.

Japan: Comments from BoJ Governor, Kazuo Ueda, spurred speculation the BoJ is starting to set the stage for a policy shift. Ueda said that if the BoJ becomes confident prices and wages will keep going up sustainably there will be a range of policy options available, including ending negative interest rates. Despite the comments, it is not yet clear whether Ueda is laying the foundations of a policy pivot, or injecting some commentary to support the Yen, which has been under pressure in recent weeks.

United Kingdom: Monetary Policy Committee (MPC) member, Cathrine Mann, reiterated the risks of taking too long to reign in inflation. Mann stated that she “would rather err on the side of over-tightening” and noted that inflation is likely to be more volatile in the future. Additionally, Mann suggested that the “neutral nominal rate is likely to be higher than in the past”, potentially pointing to less rate cuts and adding to ‘higher for longer’ rhetoric.

Today’s key data and events:

NZ Retail Card Spending Aug prev 0.0% (8:45am)

NZ Net Migration Jul prev 5.0k (8:45am)

AU WBC-MI Cons. Conf. Sep prev 81 (10:30am)

AU NAB Business Survey Aug (11:30am)

Confidence prev 2

Conditions prev 10

UK ILO Unemployment Rate Jul exo 4.3% prev 4.2% (4pm)

EZ EU ZEW Expectations Sep prev -5.5 (7pm)

US NFIB Small Biz. Survey Aug exp 91.5 prev 91.9 (8pm)

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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