

Morning Report

Thursday, 22 June 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,315	-0.6%			Last	Overnight Chg		Australia		
US Dow Jones	33,952	-0.3%	10 yr bond	3.93				90 day BBSW	4.28	-0.03
Japan Nikkei	33,575	0.6%	3 yr bond	3.87				2 year bond	4.11	-0.04
China Shanghai	3,352	-1.3%	3 mth bill rate	4.57				3 year bond	3.95	-0.04
German DAX	16,023	-0.5%	SPI 200	7,274.0				3 year swap	4.21	0.01
UK FTSE100	7,559	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.98	-0.04
Commodities (close & change)*			TWI	62.6	-	-	62.6	United States		
CRB Index	270.6	3.2	AUD/USD	0.6786	0.6805	0.6741	0.6795	3-month T Bill	5.12	0.07
Gold	1,932.55	-3.9	AUD/JPY	95.96	96.47	95.78	96.39	2 year bond	4.72	0.03
Copper	8,615.25	64.0	AUD/GBP	0.5316	0.5334	0.5292	0.5322	10 year bond	3.72	0.00
Oil (WTI futures)	72.50	0.0	AUD/NZD	1.1003	1.1017	1.0941	1.0954	Other (10 year yields)		
Coal (thermal)	133.65	-0.9	AUD/EUR	0.6217	0.6227	0.6178	0.6186	Germany	2.44	0.03
Coal (coking)	231.00	-3.0	AUD/CNH	4.8755	4.8929	4.8461	4.8771	Japan	0.38	-0.01
Iron Ore	111.00	0.3	USD Index	102.51	102.71	102.02	102.09	UK	4.41	0.07

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: The Federal Reserve Chair Powell warned of more rate hikes to come, leading to a sell off in share markets and lifting volatility in bond markets.

Share Markets: US share market indexes fell after Fed Chair Powell issued warnings about further rate hikes. Tech shares were particularly hit as AI names weakened. The Dow closed 0.3% lower, the S&P slid 0.5% and the Nasdaq shed 1.2%.

Interest Rates: The US 2-year treasury yield was volatile, initially jumping from 4.69% to 4.74% following strong UK inflation data and later testing 4.75% during Fed Chair Powell's testimony. But then it retraced and at the close was 3 basis points higher at 4.72%. The US 10-year yield round tripped from 3.73% to 3.79% and closed unchanged at 3.72%. Interest-rate markets are almost fully priced for a rate hike when the Fed next meets on 27 July.

Foreign Exchange: The US dollar index was sold off modestly in the overnight session. That saw EUR/USD rise from 1.0910 to a one-month high of 1.0990. USD/JPY round tripped from 141.70 to a 7-month high of 142.36 and back. Meanwhile, AUD/USD roundtripped from 0.6800 to 0.6741 and back.

Commodities: Gold was weaker and oil unchanged.

Australia: There was no major economic data out yesterday.

United Kingdom: Inflation remained higher than

expected for a fourth month, shortening market odds that the Bank of England will raise interest rates to nearly 6%. The consumer price index (CPI) rose 0.7% in May, above consensus forecasts for a rise of 0.5%. In year-on-year terms, headline CPI stayed steady at 8.7%.

Core inflation, which excludes food and energy, accelerated unexpectedly from 6.8% in April to a 31-year high of 7.1%.

The Office of National Statistics (ONS) noted that services inflation continued to rise, with gains in recreation and culture at 30-year highs.

United States: Federal Reserve Chair Jerome Powell signalled the Fed will raise rates twice more this year, calling that "a pretty good guess." He told a House panel that officials can now move at a more moderate pace to bring down inflation.

Powell also said the Fed is running down its balance sheet at a pace of about \$1 trillion a year. Lawmakers pressed him on plans to strengthen supervision of regional and big banks.

Please see over the page for the calendar of events over the next 24 hours

Today's key data and events:

NZ Trade May prev \$427mn (8:45am)

UK Bank of England Meeting exp 4.75% prev 4.50% (9pm)

US Chicago Fed Index May exp -0.10 prev 0.07 (10:30pm)

US Current Account Q1 exp \$-218.0bn prev -\$206.8bn
(10:30pm)

US Initial Jobless Claims Jun 17 exp 259k prev 262k
(10:30pm)

US Kansas Fed Index Jun exp -5 prev -1 (1am)

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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