

Morning Report

Tuesday, 13 June 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,123	0.3%			Last	Overnight Chg		Australia		
US Dow Jones	34,066	0.6%	10 yr bond		3.95		0.00	90 day BBSW	4.21	0.00
Japan Nikkei	32,434	0.5%	3 yr bond		3.86		0.01	2 year bond	4.00	0.00
China Shanghai	3,385	-0.1%	3 mth bill rate		4.53		0.01	3 year bond	3.83	0.00
German DAX	16,098	0.9%	SPI 200		7,123.0		25	3 year swap	4.18	0.03
UK FTSE100	7,571	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.95	0.00
Commodities (close & change)*			TWI	61.6	-	-	61.6	United States		
CRB Index	256.9	-3.6	AUD/USD	0.6741	0.6773	0.6732	0.6751	3-month T Bill	5.08	-0.03
Gold	1,961.19	-4.3	AUD/JPY	93.99	94.42	93.88	94.24	2 year bond	4.58	-0.02
Copper	8,292.00	-65.8	AUD/GBP	0.5359	0.5405	0.5356	0.5396	10 year bond	3.74	0.00
Oil (WTI futures)	67.12	-3.1	AUD/NZD	1.1005	1.1041	1.1000	1.1029	Other (10 year yields)		
Coal (thermal)	142.00	-4.7	AUD/EUR	0.6274	0.6286	0.6270	0.6277	Germany	2.39	0.01
Coal (coking)	226.50	0.0	AUD/CNH	4.8153	4.8446	4.8128	4.8309	Japan	0.43	0.00
Iron Ore	108.40	-0.5	USD Index	103.57	103.76	103.24	103.63	UK	4.34	0.10

Data as at 7:40am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Markets entered a holding pattern ahead of the key US inflation report tonight and the Fed policy decision tomorrow morning. US equities continued their rally, supported by strong gains in tech companies, while treasuries and the US dollar were little changed.

Share Markets: US equities extended last week's gains, led by a further rally in tech stocks. The S&P 500 closed at its highest level since April 2022. The tech-heavy NASDAQ outperformed, up 1.5% while the S&P 500 and the Dow Jones closed up 0.9% and 0.6%, respectively.

The ASX 200 was closed yesterday for the King's Birthday public holiday. On Friday, the ASX finished up 0.3% but 0.3% down on the week.

Interest Rates: Treasuries gyrated but finished the day little changed as traders exercise caution ahead of tonight's key inflation report and tomorrow's fed policy meeting. The inflation print will likely dictate the Fed's policy decision tomorrow. The 2-year treasury yield slipped 2 basis points to 4.58%, while the 10-year yield was unchanged at 3.74%

Interest rate markets are attaching a 25% chance of hike from the Fed tomorrow but see a 90% chance of a final hike by July – pointing to expectations for a 'pause' in June followed by a final hike in July. Bets on rate cuts have been pushed back into 2024.

Australian bond futures were also little changed. The yield on the policy sensitive 3-year bond future

briefly touched its highest level since September 2022 but retraced to finish the up 1 basis point at 3.86%. The 10-year bond future finished unchanged at 3.95%.

Interest rate markets expect the Reserve Bank (RBA) to pause in July. Another increase in the cash rate to 4.35% is fully priced by September with some risk (80% chance) that this hike comes earlier in August. There is also some chance attached to a further move to 4.60%.

Foreign Exchange: The Aussie dollar remains in an uptrend since the 31 May low of 0.6458. Overnight the pair rose from a low of 0.6732 to a high of 0.6773 and is currently trading a little lower at 0.6751. At this level, the pair is still within its trading range since early March and looks likely to test the top end of this range (0.6818). A successful run above this level will be an indicator of strength for the Aussie.

The Aussie dollar also outperformed on the crosses, reaching a 7-month high against the Yen, a near 3-month high against the euro, a 7-week high against the Pound and a more than 3-month high against the New Zealand dollar.

The US dollar finished slightly higher after trading a narrow range between 103.24 and 103.76. The DXY is currently trading at 103.63.

Commodities: Commodity prices were broadly softer. Gold, copper, oil and iron ore were all

weaker.

Australia: There were no major economic data releases yesterday.

New Zealand: Retail card spending slid 1.7% in May and April's estimated gain of 0.7% was revised down to 0.4%. In annual terms, retail card spending was 1.9% lower, compared to a 0.5% increase over the year to April. The accelerating slowdown in retail spending come alongside aggressive interest rate hikes and the Reserve Bank of New Zealand's expectation that it will likely need to engineer a recession to bring inflation pressure back in check.

Today's key data and events:

NZ Net Migration Apr prev 12.1k (8:45am)
AU WBC-MI Cons. Sent. Index Jun prev 79.0 (10:30am)
EZ Ger. CPI May Final exp -0.1% prev -0.1% (4pm)
EZ Zew Expectations Jun prev -9.4 (7pm)
UK ILO Unemployment Rate exp 4.0% prev 3.9% (4pm)
US CPI May (10:30pm)
m/m prev 0.1% prev 0.4%
y/y exp 4.1% prev 4.9%

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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