

Morning Report

Tuesday, 14 February 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,418	-0.2%			Last	Overnight Chg		Australia		
US Dow Jones	34,246	1.1%	10 yr bond	3.77		0.00	90 day BBSW	3.50	0.03	
Japan Nikkei	27,427	-0.9%	3 yr bond	3.51		0.03	2 year bond	3.45	0.05	
China Shanghai	3,442	0.7%	3 mth bill rate	3.74		0.01	3 year bond	3.47	0.05	
German DAX	15,397	0.6%	SPI 200	7,399.0		49	3 year swap	3.94	0.02	
UK FTSE100	7,948	0.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.76	0.05
Commodities (close & % change)*			TWI	62.0	-	-	62.0	United States		
CRB Index	272.8	0.1	AUD/USD	0.6915	0.6974	0.6891	0.6966	3-month T Bill	4.64	0.00
Gold	1,854.31	-11.3	AUD/JPY	90.87	92.49	90.74	92.16	2 year bond	4.52	0.00
Copper	8,916.50	86.2	AUD/GBP	0.5735	0.5755	0.5725	0.5740	10 year bond	3.71	-0.02
Oil (WTI futures)	79.35	-0.4	AUD/NZD	1.0968	1.0985	1.0929	1.0956	Other (10 year yields)		
Coal (thermal)	198.75	-7.3	AUD/EUR	0.6478	0.6503	0.6465	0.6496	Germany	2.37	0.00
Coal (coking)	374.00	1.3	AUD/CNH	4.7174	4.7577	4.7124	4.7534	Japan	0.51	0.01
Iron Ore	120.80	0.4	USD Index	103.62	103.84	103.24	103.30	UK	3.40	0.01

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: Investor sentiment was boosted overnight by US news that short term inflation expectations remained unchanged. US stock markets rose, as did the US dollar. Bond yields were mixed.

Share Markets: US share markets pushed higher ahead of the important release of the inflation report for January tonight. Investors were encouraged by the New York Fed's consumer survey showing one year inflation expectations had remained unchanged. The Dow jumped 1.1%, the S&P 500 1.0% and the Nasdaq 1.5%.

Interest Rates: Treasuries were mixed, with two-year yields hitting a new high for the year (during intraday session) and the 10-year yield falling back by 2 basis points at the close.

The Australian 3-year government bond yield (futures) rose from 3.48% to 3.51%, while the 10-year yield ranged between 3.75% and 3.80%.

Interest-rate markets are currently almost fully pricing in another 25 basis points from the Reserve Bank at its next meeting in March. Markets have a peak in the cash rate of 4.19% occurring in August this year.

Currencies: The AUD/USD fell to a 4-day low of 0.6892, but lifted modestly from this level. The AUD/USD still remains stuck in its recent trading level but has trended lower since February 2 when the Federal Reserve hiked rates. Inflation data

tonight in the US has the potential to push the AUD/USD outside of the range.

Commodities: The return of oil exports out of Turkey allayed immediate concerns over a looming reduction in Russian oil supply. The West Texas Intermediate price of oil fluctuated with the fortunes of wider markets as an improvement in risk sentiment among investors helped crude pare earlier, heavier declines.

Australia: There was no major data published yesterday locally.

New Zealand: The performance of services index rose to 54.5 in January, from an outcome of 52.0 in the previous month. The result suggests activity in the services sector will expand in the months ahead.

United States: The Federal Reserve Bank of New released its January survey of consumer expectations. The report revealed little change in inflation expectations at the short-, medium-, and long-term horizons. In fact, median inflation expectations remained unchanged at the year-ahead horizon, decreased by 0.3 percentage point at the three-year-ahead horizon, and increased by just 0.1 percentage point at the five-year-ahead horizon, to 5.0%, 2.7% and 2.5%, respectively.

The US Federal Reserve's Michelle Bowman added to the Fed chorus insisting on more rate increases to rein in inflation, saying "we are still far from

achieving price stability."

Today's key data and events:

AU Westpac - Melb Inst. Consumer Confidence Feb prev 84.3 (10:30am)

JN GDP Q2 exp 0.5% prev -0.2% (10:50am)

AU NAB Business Survey Jan (11:30am)

Conditions prev 12

Confidence prev -1

UK Avg Weekly Earnings 3 Mths Y/Y Feb exp 6.2% prev 6.4% (6pm)

UK ILO Unem Rate 3 Mths Dec exp 3.7% prev 3.7% (6pm)

EZ GDP Q2 P exp 0.1% prev 0.1% (9pm)

EZ Employment Q4 prev 0.3% (9pm)

US NFIB Small Business Optimism Jan exp 91.0 prev 89.8 (10:30pm)

US Consumer Price Index (CPI) Feb (12:30am)

Headline m/m exp 0.5% prev 0.1%

Headline y/y exp 6.2% prev 6.5%

Ex Food and Energy m/m exp 0.4% prev 0.4%

Ex Food and Energy y/y exp 5.4% prev 5.7%

US Fed Members Barkin, Logan, Harker and Williams give Speeches (1:30am-6:05am)

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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