

Morning Report

Tuesday, 21 February 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,352	0.1%			Last	Overnight Chg		Australia		
US Dow Jones	33,827	closed	10 yr bond	3.83				90 day BBSW	3.47	0.01
Japan Nikkei	27,532	0.1%	3 yr bond	3.57				2 year bond	3.53	0.04
China Shanghai	3,449	2.1%	3 mth bill rate	3.66				3 year bond	3.54	0.04
German DAX	15,478	0.0%	SPI 200	7,253.0				3 year swap	4.00	0.06
UK FTSE100	8,014	0.1%	FX Last 24 hrs					10 year bond	3.81	-0.01
Commodities (close & change)*								United States		
CRB Index	267.6	-2.7	TWI	62.0	-	-	62.0	3-month T Bill	4.67	closed
Gold	1,841.37	-1.0	AUD/USD	0.6872	0.6921	0.6857	0.6913	2 year bond	4.62	closed
Copper	9,133.75	159.5	AUD/JPY	92.30	92.82	92.09	92.79	10 year bond	3.81	closed
Oil (WTI futures)	77.13	0.8	AUD/GBP	0.5707	0.5751	0.5702	0.5742	Other (10 year yields)		
Coal (thermal)	179.50	-3.5	AUD/NZD	1.1019	1.1088	1.0998	1.1053	Germany	2.46	0.02
Coal (coking)	377.50	-3.5	AUD/EUR	0.6431	0.6479	0.6417	0.6469	Japan	0.51	0.00
Iron Ore	130.85	2.4	AUD/CNH	4.7239	4.7454	4.7147	4.7417	UK	3.47	-0.04
			USD Index	103.96	104.09	103.76	103.87			

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

Main Themes: Markets were quiet overnight owing to a holiday in the US. Investors continue to digest the 2023 outlook, weighing the persistence of inflation and the likely policy response against resilient economic data and the reopening of China.

Share Markets: US share markets were closed for a holiday, however, futures continued to trade. Futures declined for all major US equity indices. This points to further softness after a subdued end to last week underpinned by hawkish comments from several Fed officials.

The ASX 200 gained 0.1% yesterday in relatively quiet trade. Financials and consumer staples outperformed, while energy and healthcare stocks struggled. Futures are pointing to a soft open this morning.

Interest Rates: US physical bond markets were closed overnight. Futures continued to trade and rose across the curve as traders mull the prospect of policy rates pushing higher for longer. The 2-year treasury (futures) yield gained 4 basis points to 4.97%, while the 10-year (futures) yield rose 3 basis points to 4.52%.

Interest rate markets are pricing a peak in the federal funds rate of around 5.3% mid-way through this year.

The Australian 3-year government bond (futures) yield gained 2 basis points to 3.57%. The 10-year (futures) yield also rose 2 basis points to 3.83%.

Market pricing suggests a peak in the cash rate of almost 4.20% in the second half of 2023. There is currently a 76% probability attached to a 25-basis point hike at the Reserve Bank's (RBA) March meeting.

Currencies: The US dollar was slightly weaker against a basket of major currencies. The DXY index stuck to a narrow range between 103.76 and 104.09 and is currently trading around 103.87.

The Aussie dollar strengthened further after hitting a one-month low in Friday's session. The AUD/USD pair rose from an intra-day low of 0.6857 to a high of 0.6921 and is currently sitting just below that level at 0.6913.

Commodities: Commodities were mixed overnight. Oil, copper and iron ore gained, while gold and coal were softer.

The price of iron ore rose to US\$130.85, its highest level since June last year. Iron ore has now rallied near 78% from a low of US\$73.55 in November alongside the reopening of the Chinese economy.

Australia: There were no major economic data releases yesterday.

Europe: Consumer confidence printed at -19.0 in February, up marginally from a revised reading of -20.7 in January. The result met expectations and marks the fifth consecutive monthly improvement in sentiment since a record low of -28.7 in September. Still, confidence remains deeply

negative by historical standards and comfortably below the long-run average of -10.3.

United Kingdom: House prices were flat in February according to the Rightmove national asking price index. This followed a 0.9% gain in January. In annual terms, prices were up 3.9%, slowing from a 6.3% gain over the year to January.

Today's key data and events:

NZ PPI Q4 y/y prev 1.6% (8:45am)
AU RBA Board Meeting Minutes (11:30am)
JN Nikkei Mfg PMI Feb Prel. prev 48.9 (11:30am)
JN Nikkei Services PMI Feb Prel. prev 52.3 (11:30am)
UK Public Sector Borrowing Jan exp £1.3bn prev £26.6bn (6pm)
EZ Markit Serv. PMI Feb Prel. exp 51.0 prev 50.8 (8pm)
EZ Market Mfg PMI Feb Prel. exp 49.3 prev 48.8 (8pm)
EZ ZEW Expectations Feb prev 16.7 (9pm)
UK Markit Mfg PMI Feb Prel. exp 47.5 prev 47.0 (8:30pm)
UK Markit Serv. PMI Feb Prel. exp 49.2 prev 48.7 (8:30pm)
US Markit Mfg PMI Feb Prel. exp 47.4 prev 46.9 (1:45am)
US Markit Serv. PMI Feb Prel. exp 47.3 prev 46.8 (1:45am)
US Existing Home Sales Jan exp 2.0% prev -1.5% (2am)

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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