

Morning Report

Monday, 26 June 2023

| Equities (close & % change) | | | Sydney Futures Exchange (last & change) | | | | | Interest rates (close & change) | | |
|-------------------------------|----------|--------|---|---------|-------------|----------------------|---------|---------------------------------|------|-------|
| S&P/ASX 200 | 7,099 | -1.3% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 33,727 | -0.6% | 10 yr bond | 3.93 | | | | 90 day BBSW | 4.32 | 0.04 |
| Japan Nikkei | 32,782 | -1.5% | 3 yr bond | 3.91 | | | | 2 year bond | 4.20 | 0.06 |
| China Shanghai | 3,352 | -1.3% | 3 mth bill rate | 4.60 | | | | 3 year bond | 4.02 | 0.05 |
| German DAX | 15,830 | -1.0% | SPI 200 | 7,043.0 | | | | 3 year swap | 4.26 | -0.05 |
| UK FTSE100 | 7,462 | -0.5% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 3.99 | 0.01 |
| Commodities (close & change)* | | | TWI | 62.3 | - | - | 62.3 | United States | | |
| CRB Index | 263.0 | -2.7 | AUD/USD | 0.6757 | 0.6768 | 0.6663 | 0.6678 | 3-month T Bill | 5.14 | 0.00 |
| Gold | 1,921.20 | 7.2 | AUD/JPY | 96.68 | 96.85 | 95.26 | 95.99 | 2 year bond | 4.74 | -0.05 |
| Copper | 8,401.24 | -184.0 | AUD/GBP | 0.5302 | 0.5309 | 0.5237 | 0.5252 | 10 year bond | 3.73 | -0.06 |
| Oil (WTI futures) | 69.16 | -0.4 | AUD/NZD | 1.0936 | 1.0940 | 1.0864 | 1.0872 | Other (10 year yields) | | |
| Coal (thermal) | 140.85 | -0.7 | AUD/EUR | 0.6168 | 0.6177 | 0.6121 | 0.6131 | Germany | 2.35 | -0.14 |
| Coal (coking) | 230.00 | -1.0 | AUD/CNH | 4.8631 | 4.8692 | 4.8060 | 4.8194 | Japan | 0.37 | -0.01 |
| Iron Ore | 109.50 | 0.3 | USD Index | 102.38 | 103.17 | 102.38 | 102.87 | UK | 4.32 | -0.05 |

Data as at 24 June 8:30pm AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Worries over a global recession dominated market sentiment on Friday after manufacturing gauges across key economies in Europe and US slumped. Equities and bond yields fell in the major economies.

Share Markets: Another drop for stocks on Friday has Wall Street has led the S&P 500 to close out its first losing week in the last six. The S&P closed 0.8% lower on Friday, after last week reaching its highest level in more than a year. The Dow closed 0.7% weaker and the Nasdaq was off 1.0%. Worries about a global recession weighed on equities.

Interest Rates: In the bond market, yields dropped across the US yield curve as investors looked for safer places to park cash amid rising worries of a global recession. These worries were raised after the UK's Bank of England lifted its bank rate by a bigger than expected 50 basis points last Thursday. The US 2-year bond yield fell 5 basis points and the 10-year yields closed 6 basis points lower.

Foreign Exchange: After hitting 69 US cents, the AUD has trended lower. Selling continued in the AUD/USD on Friday night, as equities shed ground and investors moved to safer haven currencies. The AUD/USD reached an overnight low on Friday of 0.6663. The USD benefitted from the shift towards safer haven assets on Friday.

Commodities: Copper and other base metals slid as the factory-output gauges fell in Europe and the US.

Oil was slightly softer at the close on Friday. Oil markets will be alert to further developments in Russia's internal power struggle.

Australia: There was no major economic data out on Friday.

China: Premier Li Qiang said the economy has shown "upward momentum" this year, despite weaker-than-expected May data. He said fundamentals for long-term sound economic development are unchanged and reiterated that China rejects decoupling.

Eurozone: The manufacturing purchasing managers' index (PMI) slumped to 43.6 in June, from 44.8 in May. The PMIs in France and Germany led the slumps. The composite and services PMIs printed above 50.0, suggesting activity is expanding, but they each declined in June from the previous month. The composite index fell 2.5 points to 50.3 and the services declined 2.7 points to 52.1.

Japan: The consumer price index grew by 3.2% in the year to May, a slower pace than the 3.5% result in April. A reduced levy on electricity prices impacted the result.

UK: Retail sales excluding auto fuel rose just 0.1% in May, after a 0.7% gain in April. The annual rate of contraction improved modestly from -3.0% in April to -1.7% in May.

Like the Eurozone manufacturing PMI, UK's PMI for manufacturing moved further below 50. It fell to

46.2 in June, from 47.1 in May.

Russia: Heavily armed Russian mercenaries who advanced most of the way to Moscow began turning back on Saturday, de-escalating a major challenge to President Putin's hold on power. Markets will be alert to further developments in coming days.

United States: US Treasury Secretary, Janet Yellen, sees a diminishing risk of a US recession. She suggested that a slowdown in consumer spending may be the price to pay for finishing the campaign to contain inflation. She pointed to the resilience in the labour market and the recent drop in inflation.

The manufacturing PMI fell 2.1 points to 46.3 in June. The services PMI and composite PMI also fell, but remained above the 50 level, which means activity should continue to expand. The services PMI fell 0.8 points to 54.1 and the composite PMI slid 1.3 points to 53.0.

The Kansas Fed manufacturing activity index jumped to 14 in June, from 3 in May.

Today's key data and events:

US Dallas Fed Mfg Activity Jun exp -20.0 prev -29.1
12:30am

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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