

Morning Report

Tuesday, 27 June 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,079	-0.3%			Last	Overnight Chg		Australia		
US Dow Jones	33,715	0.0%	10 yr bond	3.90				90 day BBSW	4.32	0.00
Japan Nikkei	32,699	-0.3%	3 yr bond	3.85				2 year bond	4.12	-0.08
China Shanghai	3,303	-1.5%	3 mth bill rate	4.56				3 year bond	3.95	-0.08
German DAX	15,813	-0.1%	SPI 200	7,052.0				3 year swap	4.20	-0.06
UK FTSE100	7,454	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.95	-0.04
Commodities (close & change)*			TWI	61.9	-	-	61.9	United States		
CRB Index	263.4	0.4	AUD/USD	0.6676	0.6694	0.6668	0.6674	3-month T Bill	5.16	0.01
Gold	1,923.26	2.1	AUD/JPY	95.87	96.09	95.38	95.77	2 year bond	4.74	0.00
Copper	8,401.24	-184.0	AUD/GBP	0.5248	0.5261	0.5235	0.5250	10 year bond	3.72	-0.01
Oil (WTI futures)	69.37	0.2	AUD/NZD	1.0875	1.0875	1.0818	1.0830	Other (10 year yields)		
Coal (thermal)	139.50	0.3	AUD/EUR	0.6123	0.6137	0.6111	0.6120	Germany	2.31	-0.04
Coal (coking)	229.00	-1.0	AUD/CNH	4.8164	4.8415	4.8111	4.8343	Japan	0.36	-0.01
Iron Ore	109.10	0.0	USD Index	102.81	102.82	102.61	102.76	UK	4.30	-0.02

Data as at 27 June 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: Markets were quiet with no top tier economic data released overnight, and limited market reaction to the weekend events in Russia.

US equities were mixed, with bond yields and the US dollar remaining broadly unchanged.

Share Markets: US equities were mixed, as investors had limited economic news to digest. The Dow Jones was unchanged. Both the S&P 500 and the Nasdaq closed lower, by 0.5% and 1.2%, respectively. The falls were driven by the tech and communication sectors. These declines are a continuation from last week's pullback, which was triggered by hawkish central banks and the risk of a hard economic landing.

The ASX 200 declined by 0.3% yesterday, finishing lower for a fourth consecutive day. Nine of the eleven sectors ended lower, led by financial and mining stocks.

Interest Rates: US Treasury yields were broadly unchanged. The 2-year treasury yield remained unchanged at 4.74%. The 10-year yield fell by 1 basis point to 3.72%.

Interest rate markets are pricing a 72% chance of a 25-basis point hike from the Fed in late July. Markets are now pricing two full 25 basis points rate cuts in the June quarter 2024.

The Australian 3-year bond (futures) yield fell 4 basis points to 3.85%. The 10-year (futures) yield

declined 5 basis points to 3.90%.

Interest rate markets are pricing a 22% chance of a 25-basis point hike when the Reserve Bank meets in July. Markets are pricing a peak rate of around 4.55% by November 2023.

Foreign Exchange: The AUD/USD pair traded within a narrow range overnight – range of 0.6668 to 0.6694. The AUD/USD pair was broadly unchanged, currently trading at around 0.6674.

The US dollar was also broadly unchanged. It ranged between a low of 102.61 to a high of 102.82, before closing around 102.76.

Commodities: Gold, oil and thermal coal were higher. Copper continued its recent decline, coking coal declined, and iron ore was unchanged.

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

Eurozone: The Ifo Business Climate indicator for Germany fell for the second consecutive month to 88.5 from 91.5 in May. This was well below the 90.6 the market was expecting. Expectations for the upcoming months fell to 83.6 in June, from the 88.3 recorded in May, pointing to further weakness.

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

United States: The Federal Reserve Bank of Dallas general business activity index for manufacturing

improved to -23.2 in June, from -29.1 in May. The outcome was softer than the -21.8 the market was expecting. The outcome pointed to deteriorating conditions with contractions seen for production, new orders, shipments, and capacity utilisation. On the price front, the raw materials prices index was broadly unchanged while wage pressures remained elevated.

Today's key data and events:

US FOMC Meeting Minutes (9pm)
US Durable Goods Orders May Prel. (10:30pm)
US FHFA House Prices Apr prev 0.6% (11pm)
US S&P CoreLogic CS House Prices Apr 0.5% (11pm)
US New Home Sales May prev 4.1% (12am)
US Cons. Confidence Index Jun prev 102.3 (12am)
US Richmond Fed Mfg. Index Jun prev -15 (12am)

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.

Pat Bustamante, Senior Economist

Ph: +61 468 571 786

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
+61 404 844 817

Senior Economist

Jarek Kowcza
jarek.kowcza@banksa.com.au
+ 61 481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@banksa.com.au
+61 468 571 786

Economist

Jameson Coombs
jameson.coombs@banksa.com.au
+61 401 102 789

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