

Morning Report

Friday, 10 November 2023



| Equities (close & % change) | | | Sydney Futures Exchange (last & change) | | | | | Interest rates (close & change) | | |
|---|----------|-------|---|---------|-------------|----------------------|-------------|---------------------------------|-------|-------|
| S&P/ASX 200 | 7,015 | 0.3% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 33,892 | -0.6% | 10 yr bond | 4.64 | | 0.10 | 90 day BBSW | 4.40 | -0.01 | |
| Japan Nikkei | 32,646 | 1.5% | 3 yr bond | 4.25 | | 0.08 | 2 year bond | 4.30 | 0.07 | |
| China Shanghai | 3,201 | 0.0% | 3 mth bill rate | 4.42 | | 0.00 | 3 year bond | 4.24 | 0.08 | |
| German DAX | 15,353 | 0.8% | SPI 200 | 7,017.0 | | -5 | 3 year swap | 4.43 | 0.10 | |
| UK FTSE100 | 7,456 | 0.7% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 4.63 | 0.10 |
| Commodities (close & change) | | | TWI | 60.6 | - | - | 60.6 | United States | | |
| CRB Index | 273.4 | 0.0 | AUD/USD | 0.6403 | 0.6428 | 0.6364 | 0.6367 | 3-month T Bill | 5.27 | -0.01 |
| Gold | 1,958.27 | 8.1 | AUD/JPY | 96.68 | 97.01 | 96.31 | 96.38 | 2 year bond | 5.02 | 0.09 |
| Copper | 8,072.01 | 4.0 | AUD/GBP | 0.5211 | 0.5232 | 0.5204 | 0.5211 | 10 year bond | 4.63 | 0.14 |
| Oil (WTI futures) | 75.56 | 0.2 | AUD/NZD | 1.0835 | 1.0844 | 1.0784 | 1.0794 | Other (10 year yields) | | |
| Coal (thermal) | 123.00 | 0.5 | AUD/EUR | 0.5980 | 0.5999 | 0.5968 | 0.5971 | Germany | 2.65 | 0.03 |
| Coal (coking) | 297.00 | -4.0 | AUD/CNH | 4.6661 | 4.6877 | 4.6461 | 4.6484 | Japan | 0.84 | -0.02 |
| Iron Ore | 125.30 | 0.1 | USD Index | 105.53 | 105.97 | 105.38 | 105.94 | UK | 4.27 | 0.03 |

Data as at 8:45am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Hawkish comments from Fed Chair Jerome Powell took the wind out of the sails of financial markets overnight. A jump in longer-dated treasury yields halted an 8-day rally in US equities, while the US dollar firmed.

Share Markets: US equities finished in the red ending an 8-day rally. The S&P 500 closed 0.8% lower while the Dow Jones and the NASDAQ were down 0.7% and 0.9%, respectively.

The ASX 200 rose 0.3% yesterday, futures are pointing to a soft open this morning.

Interest Rates: Treasury yields rose across the curve as traders reassessed the trajectory of interest rates. The 2-year yield jumped 9 basis points to 5.02%, while the 10-year yield was up 14 basis points to 4.63%.

Overnight index swaps imply around a 20% chance of another Fed hike. Four 25-basis point cuts are fully priced in by September 2024.

Aussie bond futures followed the lead from the treasury market. The 3-year (futures) yield jumped 8 basis points to 4.25%, while the 10-year yield was up 10 basis points to 4.64%.

Cash rate futures imply a near 50% chance of another hike from the RBA in the first half of 2024.

Foreign Exchange: The US dollar firmed alongside the lift in treasury yields. The DXY index rose from a low of 105.38 to a high of 105.97 and is currently

trading just below this level at 105.94.

The Aussie dollar struggled against the stronger Greenback. The AUD/USD pair fell to a low of 0.6364, pushing through support around 0.6400. The pair was trading at 0.6367 at the time of writing.

Commodities: The West Texas Intermediate (WTI) price of oil closed at US\$75.56 per barrel – below where it traded before conflict erupted in the Middle East.

Australia: There were no major data releases yesterday.

China: The consumer price index (CPI) fell 0.2% over the year to October following a flat result in September. This was weaker than the 0.1% fall expected by consensus. Deflation remains a primary concern for the Chinese economy as it grapples with weakness overflowing from the precarious property sector into the real economy. The producer price index (PPI), which measure inflation faced by businesses, fell 2.6% in annual terms. This was the 13th consecutive monthly slide in annual PPI inflation and points to further weakness in consumer price inflation.

United States: Fed Chair, Jerome Powell, reiterated that the Fed will not hesitate to raise rates again if appropriate, but underscored that the Committee will continue to move carefully. Powell said

policymakers are committed to ensuring interest rates are sufficiently restrictive to return inflation to the 2% target but added “we are not confident we have achieved such a stance”.

Atlanta Fed Chief Raphael Bostic argued that there’s probably no need to hike further, while Richmond Fed President Thomas Barkin said it’s too early to tell whether the Fed is done hiking rates. Both officials agreed that the full impact from rate hikes had yet to be felt.

Today’s key data and events:

NZ BusinessNZ Mfg PMI Oct prev 45.3 (8:30am)

AU RBA Statement on Monetary Policy (11:30am)

UK GDP Q3 prev 0.2% (6pm)

US UoM Consumer Sentiment Nov prev 63.8 (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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