

Morning Report

Monday, 11 September 2023



Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,157	-0.2%			Last	Overnight Chg		Australia		
US Dow Jones	34,577	0.2%	10 yr bond	4.12		0.04	90 day BBSW	4.12	0.00	
Japan Nikkei	32,607	-1.2%	3 yr bond	3.78		0.00	2 year bond	3.82	-0.05	
China Shanghai	3,268	-0.2%	3 mth bill rate	4.25		0.01	3 year bond	3.78	-0.06	
German DAX	15,740	0.1%	SPI 200	7,154.0		4	3 year swap	4.02	-0.03	
UK FTSE100	7,478	0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.08	-0.08
Commodities (close & change)*			TWI	60.1	-	-	60.1	United States		
CRB Index	284.5	0.7	AUD/USD	0.6378	0.6415	0.6367	0.6386	3-month T Bill	5.29	-0.01
Gold	1,919.08	-0.6	AUD/JPY	93.94	94.46	93.59	93.72	2 year bond	4.99	0.04
Copper	8,241.50	-79.8	AUD/GBP	0.5114	0.5129	0.5104	0.5116	10 year bond	4.26	0.02
Oil (WTI futures)	87.51	0.6	AUD/NZD	1.0852	1.0854	1.0774	1.0832	Other (10 year yields)		
Coal (thermal)	163.90	0.3	AUD/EUR	0.5962	0.5982	0.5949	0.5959	Germany	2.61	0.00
Coal (coking)	280.33	4.0	AUD/CNH	4.6823	4.7150	4.6787	4.7011	Japan	0.66	0.00
Iron Ore	113.55	0.2	USD Index	105.07	105.10	104.66	105.06	UK	4.42	-0.03

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: Markets struggled for direction given the release of limited top tier economic data to end the week. Bond yields edged higher, the US dollar was broadly unchanged, and equities snapped a three-day losing streak to finish the day slightly higher.

At the conclusion of the G-20 Summit on Sunday, Leaders warned that "cascading crises" pose challenges to long-term economic growth and called for coordinated macroeconomic policies.

Share Markets: US equities snapped a three-day losing streak to finish the day slightly higher but remained well in the red over the week. Risk sentiment took a hit last week as investors were concerned the resilient US economy will prompt the Federal Reserve to keep interest rates higher for longer.

The S&P 500 finished 0.1% higher but was 1.3% lower over the week. The Dow Jones finished 0.2% higher to be 0.8% lower over the week and the Nasdaq finished 0.1% higher to be 1.9% lower over the week.

The ASX 200 closed 0.2% lower on Friday, to be 1.7% lower over the week. The decline on Friday was led by mining and technology stocks. Futures are pointing to a positive open today.

Interest Rates: US bond yields edged higher across

the yield curve. The US 2-year yield increased by 4 basis points and the 10-year yield increased by 2 basis points. US treasury yields were higher across the curve.

Interest rate markets are pricing in around a 45% chance of another hike from the Fed in this cycle. Rate cuts are fully priced for the middle of 2024.

Aussie bond futures were mixed. The 3-year futures yield was unchanged at 3.78%. The 10-year futures yield gained 4 basis point to be at 4.12%.

Cash rate futures imply around a 25% chance of another rate hike from the Reserve Bank (RBA) this cycle. A rate cut is almost fully priced for December 2024.

Foreign Exchange: In volatile trade the US dollar finished broadly unchanged. The USD Index reached a high of 105.10, before falling to 104.66. The USD Index retraced some of this fall and is currently trading at around 105.06.

The AUD/USD pair temporarily increased above 0.6400 before retracing some of these gains to settle below the 0.6400 mark - at around 0.6386. The AUD/USD pair continues to trade in a narrow range.

Commodities: Commodities were mixed. Oil, coal, and iron ore were higher. Gold and copper were lower. The West Texas Intermediate (WTI) futures

price is currently at USD87.51.

Australia: There were no significant economic data releases on Friday.

Eurozone: Germany's consumer price inflation was confirmed at 6.1% over the year to the month of August, marking a marginal decline from 6.2% in July. Core inflation, which excludes volatile items like food and energy, remained unchanged at 5.5% in annual terms.

China: The consumer price index rose by 0.1% over the year to August, after falling by 0.3% in July. The outcome was in line with market expectations. The turnaround from last month resulted from higher transportation and accommodation costs during the summer travel season and a smaller decline in gas prices.

Producer (or wholesale) prices declined 3.0% over the year to August, following a 4.4% decline in July. This was in line with market expectations. The outcome was the eleventh consecutive month of producer deflation. Both outcomes show that the inflation impulse remains weak, given the lacklustre demand in the economy.

Japan: Economic activity expanded by 1.2% over the June quarter, compared with a flash reading of a 1.5% increase. This was broadly in line with market expectations (increase of 1.4% over the June quarter). There was a downward revision in both capital spending and private consumption when compared with the flash reading.

The current account surplus jumped to JPY2.78 trillion in July, from JPY1.51 trillion in June. This was the sixth consecutive current account surplus and marked that highest reading since March 2022. Exports dropped by 0.6% while imports declined by 13.3% over the month.

United States: Total consumer credit increased by \$10.4 billion in July, following a \$14 billion increase in June. This was lower than the \$16 billion increase the market was expecting. Revolving credit, like credit cards, drove the outcome, increasing by \$9.6 billion in July. While non-revolving credit, including car and student loans, increased by \$773 million.

Wholesale inventories fell 0.2% in July, compared to the preliminary estimate of a 0.1% decline. This comes on the back of a 0.7% decline over June. The decline was driven by declines in durable goods, predominantly furniture, hardware, and electrical equipment.

Dallas Fed President, Lorie Logan, said another rate skip by Fed officials this month may be appropriate

but that "does not imply stopping." Her base case is that there's more work to do as economic activity picks up.

New York Fed President, John Williams, said Fed policy is in a "very good place," while floating another potential hike depending on incoming economic data.

Today's key data and events (12 September):

AU WBC-MI Cons. Conf. Sep prev 81 (10:30am)

AU NAB Business Survey Aug (11:30am)

Confidence prev 2

Conditions prev 10

EZ EU ZEW Expectations Sep prev -5.5 (7pm)

NZ Retail Card Spending Aug prev 0.0% (8:45am)

NZ Net Migration Jul prev 5.0k (8:45am)

UK ILO Unemployment Rate Jul prev 4.2% (4pm)

US NFIB Small Biz. Survey Aug prev 91.9 (8pm)

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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