

Morning Report

Friday, 24 November 2023



Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,029	-0.6%			Last	Overnight Chg		Australia		
US Dow Jones*	35,273	0.5%	10 yr bond	4.55		0.06	90 day BBSW	4.40	0.03	
Japan Nikkei	33,452	0.3%	3 yr bond	4.20		0.05	2 year bond	4.21	0.05	
China Shanghai	3,210	0.6%	3 mth bill rate	4.42		0.02	3 year bond	4.14	0.06	
German DAX	15,995	0.2%	SPI 200	7,066.0		14	3 year swap	4.41	0.03	
UK FTSE100	7,484	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.48	0.04
Commodities (close & change)			TWI	60.9	-	-	60.9	United States*		
CRB Index	275.1	-2.0	AUD/USD	0.6540	0.6575	0.6540	0.6559	3-month T Bill	5.27	-0.01
Gold	1,992.25	2.1	AUD/JPY	97.85	98.20	97.67	98.11	2 year bond	4.90	0.00
Copper	8,294.50	-99.5	AUD/GBP	0.5234	0.5253	0.5224	0.5233	10 year bond	4.40	0.00
Oil (WTI futures)	76.35	-0.7	AUD/NZD	1.0864	1.0872	1.0829	1.0850	Other (10 year yields)		
Coal (thermal)	128.00	1.0	AUD/EUR	0.6008	0.6025	0.6006	0.6016	Germany	2.62	0.06
Coal (coking)	318.00	4.0	AUD/CNH	4.6864	4.6967	4.6822	4.6920	Japan	0.73	0.00
Iron Ore	132.50	-0.7	USD Index	103.89	103.90	103.54	103.77	UK	4.26	0.10

*US equity and bond markets were closed overnight due to the Thanksgiving public holiday - table shows outcomes from the previous session. Data as at 7.30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: US equity and bond markets were closed overnight due to the Thanksgiving public holiday. European equities finished in the green on the back of stronger than expected activity data and dovish comments from European Central Bank (ECB) officials. The US dollar edged lower while the price of oil also declined.

Share Markets: US equity markets were closed overnight. European equities finished higher on the back of stronger than expected activity data. The Euro Stoxx 50, FTSE 100 and DAX all closed 0.2% higher.

The ASX 200 index fell for the second consecutive day, closing 0.6% lower. Nine of eleven sectors were lower. Materials stocks led the decline driven by lower prices for energy commodities, including oil. Futures are pointing to a positive open.

Interest Rates: US equity markets were closed overnight. However, futures did trade and imply a 5-basis point increase in the US 10-year government bond yield.

Markets currently price the Fed funds rate, currently 5.375% (mid), to be unchanged at the next few meetings, with a 50% of a rate cut priced in from June 2024.

The Australian 3-year government bond yield (futures) rose from by 5 basis points to 4.20%. The 10-year yield rose by 6 basis points to 4.55%.

Markets are currently pricing in very little chance of a hike at the Reserve Bank's December meeting but have a 60% chance of another 25-basis point hike priced in by June 2024.

Foreign Exchange: The US dollar lost value in line with the stronger Euro and British pound. The DXY index fell from a high of 103.90 to a low of 103.54 and is currently trading at around this low.

The Euro and British pound increased on the back of stronger than expected activity data. The EUR/USD pair increased from 1.0888 to 1.0906 (or by around 0.2%). The GBP/USD pair increased from 1.2494 to 1.2535 (or by 0.3%).

The Aussie outperformed. The AUD/USD pair shot up from a low of 0.6540 to a high of 0.6575. The pair declined before receiving support at key support around 0.6550. It is now trading at 0.6559.

Commodities: Oil slumped after OPEC+ said its delayed meeting next week will be held online instead of in-person. Saudi Arabia and its allies are in dispute over output quotas with African members, reducing the chance that the cartel will be able to effectively tighten supplies.

The West Texas Intermediate (WTI) futures price declined to USD76.35 a barrel. Gold and coal were higher while iron ore was broadly unchanged at elevated levels.

Australia: There were no major data releases

yesterday.

Eurozone: The HCOB Services Purchasing Managers Index (PMI) increased to 48.2 index points in November from 47.8 points in October. This was better than the 48.1 points the market was expecting. New orders stabilised and service providers continued to expand their staffing levels. Meanwhile, services input prices increased rapidly again and selling prices were also higher.

The HCOB Manufacturing PMI increased to 43.8 index points in November from 43.1 points in October. This was better than the 43.4 points the market was expecting. On the pricing front, manufacturing saw a further sharp decrease in input costs, while factory output prices fell for the seventh consecutive month as companies passed on cost savings amid sharply declining demand.

United Kingdom: The S&P Global/CIPS Manufacturing PMI rose to 46.7 index points in November, up from 44.8 points in October. This was better than 45.0 points the market was expecting. The fall in output showed signs of stabilising. However, inflows of new work and employment levels continued declining.

The S&P Global/CIPS Services PMI rose to 50.5 index points in November of 2023, from 49.5 points in October. This was better than 49.5 points the market was expecting. Output from service providers booked a slight expansion, supported by the clearance of backlogs of work. On the price front, soaring staffing costs drove service providers to increase prices.

ECB official, Francois Villeroy de Galhau, said “Excluding surprises, I don’t think the ECB will raise rates again. A gradual reduction in rates will come one day, but we’re not there yet”. While ECB official, Joachim Nagel, sent a different message saying “there is great uncertainty about further developments. At the moment we cannot be sure whether we have actually reached the peak in interest rates. It is too early to consider lower interest rates”.

Today’s key data and events:

EZ IFO Business Climate Survey Nov prev 86.9 (8:00pm)
 JN CPI Oct y/y prev 3.0% (10:30am)
 NZ Retail Sales Volumes Q3 prev -1.0% (8:45am)
 UK GfK Consumer Sentiment Nov prev -30 (11:01am)
 US S&P Global Mfg PMI Nov Prel. (1:45am)
 US S&P Global Services PMI Nov Prel. (1:45am)

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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