

Morning Report

Friday, 3 November 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	6,900	0.9%			Last	Overnight Chg		Australia		
US Dow Jones	33,839	1.7%	10 yr bond		4.72		-0.09	90 day BBSW	4.35	0.00
Japan Nikkei	31,950	1.1%	3 yr bond		4.29		-0.04	2 year bond	4.36	-0.10
China Shanghai	3,155	-0.5%	3 mth bill rate		4.40		-0.01	3 year bond	4.31	-0.10
German DAX	15,144	1.5%	SPI 200		6,992.0		85	3 year swap	4.45	-0.07
UK FTSE100	7,447	1.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.79	-0.16
Commodities (close & change)			TWI	60.2	-	-	60.2	United States		
CRB Index	282.2	3.2	AUD/USD	0.6393	0.6456	0.6389	0.6434	3-month T Bill	5.27	-0.03
Gold	1,985.78	3.3	AUD/JPY	96.52	96.93	96.44	96.81	2 year bond	4.99	0.05
Copper	8,079.50	29.3	AUD/GBP	0.5262	0.5291	0.5258	0.5273	10 year bond	4.66	-0.08
Oil (WTI futures)	82.46	2.0	AUD/NZD	1.0937	1.0945	1.0903	1.0908	Other (10 year yields)		
Coal (thermal)	128.00	1.5	AUD/EUR	0.6048	0.6077	0.6036	0.6058	Germany	2.72	-0.05
Coal (coking)	326.67	0.7	AUD/CNH	4.6898	4.7272	4.6882	4.7150	Japan	0.93	-0.03
Iron Ore	122.35	-0.2	USD Index	106.66	106.69	105.81	106.14	UK	4.38	-0.12

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: The Bank of England (BoE) left rates on hold overnight, as widely anticipated, and global share markets extended their gains, building on from the previous session when the Fed hinted that they may be done hiking rates.

Share Markets: US share markets jumped, a day after the US Federal Reserve suggested it might be done hiking rates. The S&P 500 rose 1.9% - its best daily gain since April. The Dow gained 1.7% whilst the Nasdaq increased 1.8%.

Interest Rates: The US 2-year treasury yields probed slightly lower to 4.91% after better labour productivity data, before rebounding to 4.99%, up 5 basis points on the day. Meanwhile, the US 10-year yield fell from 4.74% to 4.62% before consolidating around 4.66%, which is 8 basis points lower on the previous session. Interest-rate markets are currently have a 22% probability attached to a rate hike from the Fed at their next meeting.

Foreign Exchange: The AUD strengthened to a one-month of 0.6456 as the USD index encountered broad-based selling, before falling back under the 0.6400. In other currencies, the GBP appreciated after the UK's central bank kept rates on hold. GBP/USD rose to a high of 1.2225, but fully unwound these gains soon after.

Commodities: Oil and gold increased overnight.

Australia: Australia's international trade in goods

surplus narrowed in September on a spike in imports, up 7.5% in the month. Export earnings declined by 1.4%. The trade surplus printed at \$6.8 billion, down from \$10.2 billion for August. For the past six months, the surplus for goods averaged \$9.1 billion, a clear step down from the \$14.1 billion average over the year to March 2023. The key driver of that move has been a retreat in commodity prices from the historic highs following Russia's invasion of Ukraine.

The total value of new housing finance approvals rose 0.6% in the month of September, coming in below the consensus forecast of a 1.3% gain. The value of new investor borrowing was responsible for the growth in the month. On a year ago, housing finance is down 4.7%.

The figures also showed that monthly new loan commitments for first-home owner-occupiers jumped 1.4% over the month to \$4.6 billion.

United Kingdom: The Bank of England (BoE) kept interest rates on hold at 5.25%. It was another split vote, with 6 of 9 members voting for no change, and three voting for a further hike. The BoE Governor Andrew Bailey warned that policy will stay tight "for an extended period of time" and "it's much too early to be thinking about rate cuts."

Forecasts show the BoE expect growth to remain "well below historical averages" over the medium

term, even as its forecasts signalled that inflation is set to remain more persistent than it previously expected. The BoE now expects growth to be flat in the third quarter, weaker than previously expected. An expansion of only 0.1% is expected in the final quarter of the year. It also anticipates that output will remain stagnant throughout 2024, a downgrade from the previous forecast of 0.5%. Inflation is expected to only drop below the bank's 2% target at the end of 2025. It now expects inflation of 3.1% in the final quarter of 2024, higher than previously predicted, before inflation drops to 1.9% in the final quarter of the following year.

United States: Factory orders rose more than expected in September, by 2.8%, after a rise of 1.0% in August.

Non-farm labour productivity gained 4.7% last quarter, the most in three years, as unit labour costs fell 0.8%.

Initial jobless claims rose by 217k in the latest week, a tad higher than consensus estimates. It is the sixth straight increase with continuing claims at 1818k.

Today's key data and events:

AU Retail Sales Volumes Q3 exp 0.2% prev -0.5% (11:30am)

AU RBA's Jones Panel (11:30am)

CH Caixin Services PMI Oct exp 51.0 prev 50.2 (12:45pm)

CH Caixin Composite PMI Oct prev 50.9 (12:45pm)

EZ Unemploy. Rate Sep exp 6.4% prev 6.4% (9:00pm)

US Employment Report Oct (11:30pm)

Non-farm Payrolls Change exp 180k prev 336k

Unemployment Rate exp 3.8% prev 3.8%

Average Hourly Earnings exp 0.3% prev 0.2%

US ISM Non-Mfg Index Oct exp 53.0 prev 53.6 (1am)

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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