

Morning Report

Tuesday, 3 October 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,033	-0.2%			Last	Overnight Chg		Australia		
US Dow Jones	33,433	-0.2%	10 yr bond	4.61	0.11	90 day BBSW	4.14	-0.01		
Japan Nikkei	31,760	-0.3%	3 yr bond	4.16	0.07	2 year bond	4.08	0.00		
China Shanghai	3,261	0.1%	3 mth bill rate	4.33	0.02	3 year bond	4.08	0.00		
German DAX	15,247	-0.9%	SPI 200	6,968.0	-96	3 year swap	4.34	0.09		
UK FTSE100	7,511	-1.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.49	0.00
Commodities (close & change)*			TWI	61.1	-	-	61.1	United States		
CRB Index	282.5	-2.0	AUD/USD	0.6424	0.6445	0.6363	0.6364	3-month T Bill	5.32	0.01
Gold	1,848.63	-16.2	AUD/JPY	96.14	96.42	95.28	95.37	2 year bond	5.11	0.06
Copper	8,003.00	-236.0	AUD/GBP	0.5268	0.5285	0.5250	0.5263	10 year bond	4.68	0.11
Oil (WTI futures)	88.77	-2.0	AUD/NZD	1.0704	1.0745	1.0692	1.0703	Other (10 year yields)		
Coal (thermal)	156.10	-3.8	AUD/EUR	0.6079	0.6100	0.6054	0.6073	Germany	2.92	0.08
Coal (coking)	330.50	1.5	AUD/CNH	4.6908	4.7068	4.6593	4.6602	Japan	0.78	0.01
Iron Ore	117.40	-0.8	USD Index	106.25	107.01	106.04	107.01	UK	4.56	0.13

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: US government bond yields continued to rise with the 10-year yield hitting a new 16-year high in the wake of the US government averting a US government shutdown (for now) and hawkish remarks from Fed officials.

Share Markets: US share markets ended mixed with the S&P 500 index ending unchanged and the Nasdaq rising by 0.7%.

Interest Rates: The sell off of US government bonds intensified overnight (that is, prices fell, yields rose). The US 2-year yield 6 basis points to 5.11%. The US 10-year bond yield closed at 4.68%, near its high of 4.70%, which was the highest rate hit since mid October 2007. The closing rate is 11 basis points higher than the previous close. Interest-rate markets raised bets on a November rate hike to 28%.

The Reserve Bank (RBA) board meets today. We expect the cash rate to stay on hold at 4.10%. Interest-rate markets attach very little chance of a move today also. However, markets are fully priced for a rate hike of 25 basis points by March 2024.

Foreign Exchange: After hitting a low of 0.6331 on September 27, the AUD/USD managed to bounce to 0.6500 by September 29, however, this recovery has proved short lived. The AUD/USD remained under selling pressure overnight, falling from an overnight high of 0.6445 to an overnight low of 0.6363. The data and statement accompanying the

board decision today could determine if the AUD/USD tries to test the recent low of 0.6331.

Commodities: Commodity prices slid overnight, including prices for oil and gold.

Australia: Dwelling prices rose 0.8% in September, led by Adelaide, Brisbane and Perth, according to CoreLogic data. It follows growth of 0.9% in August. Dwelling prices are on track to hit a new record high, despite a gradual lift in new listings and higher interest rates. In fact, dwelling prices now sit just 1% below the previous peak struck in April 2022. Strong population growth amid a shortage of dwellings is helping to underpin prices growth.

United Kingdom: Nationwide house prices contracted by 5.3% in the year to September.

United States: The US Congress on the weekend voted to avert a government shutdown after lawmakers agreed to last minute measures that keeps the government funded until mid November.

Overnight, Federal Open Market Committee (FOMC) member Michael Barr said rates are "likely at or very near" a sufficiently restrictive level, adding that the bigger question is how long they'll need to stay there. Michelle Bowman reiterated her view that multiple hikes may still be needed, citing "a continued risk" from high energy prices. Meanwhile, Fed Chair Powell didn't touch on policy during a round-table discussion.

The ISM manufacturing index rose to a 10-month

high of 49.0 in September, from 47.6 in August. The result was stronger than consensus anticipated.

Today's key data and events:

AU Housing Finance Aug (11:30am)

Owner Occupier Loans exp 3.5% prev -1.9%

Investor Loans exp 3.0% prev -0.1%

Total All Loans exp 3.0% prev -1.2%

AU Bldg Approvals Aug exp 2.5% prev -8.1% (11:30am)

AU Job Ads Sep prev 1.9% (11:30am)

AU RBA Board Meeting exp 4.10% prev 4.10% (2:30pm)

NZ CoreLogic House Prices Sep y/y prev -8.7% (10:01pm)

US JOLT Job Openings Aug exp 8815k prev 8827k (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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