

Morning Report

Thursday, 9 November 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	6,995	0.3%			Last	Overnight Chg		Australia		
US Dow Jones	34,113	-0.1%	10 yr bond	4.52				90 day BBSW	4.41	0.05
Japan Nikkei	32,166	-0.3%	3 yr bond	4.16				2 year bond	4.22	-0.08
China Shanghai	3,200	-0.2%	3 mth bill rate	4.42				3 year bond	4.16	-0.09
German DAX	15,230	0.5%	SPI 200	7,035.0				3 year swap	4.33	-0.05
UK FTSE100	7,402	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.58	-0.11
Commodities (close & change)			TWI	60.6	-	-	60.6	United States		
CRB Index	273.4	-2.3	AUD/USD	0.6433	0.6449	0.6397	0.6403	3-month T Bill	5.26	-0.01
Gold	1,949.88	-19.6	AUD/JPY	96.78	97.10	96.63	96.68	2 year bond	4.93	0.01
Copper	8,112.00	-57.3	AUD/GBP	0.5233	0.5252	0.5209	0.5211	10 year bond	4.51	-0.05
Oil (WTI futures)	75.66	-1.7	AUD/NZD	1.0839	1.0863	1.0828	1.0835	Other (10 year yields)		
Coal (thermal)	122.50	2.4	AUD/EUR	0.6015	0.6035	0.5977	0.5980	Germany	2.62	-0.04
Coal (coking)	325.00	-5.0	AUD/CNH	4.6810	4.6929	4.6609	4.6660	Japan	0.86	-0.03
Iron Ore	125.25	0.5	USD Index	105.55	105.87	105.45	105.54	UK	4.24	-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: Long-term bond yields continued their recent declines during a day with little in the way of major economic data. Equity markets ground out gains but ended not far from where they opened. The US dollar swung between gains and losses but ended broadly flat against major currencies. The Aussie dollar fell despite a sideways move in the US dollar.

Share Markets: The S&P 500 managed to eke out a 0.1% gain by the end of the session after trading lower for most of the day. The rise extends its run of gains to eight consecutive days. The Nasdaq also finished 0.1% higher, while the Dow Jones slipped 0.1%.

The ASX 200 rose 0.3% yesterday. Nine of 11 sectors finished in the green. IT, real estate, and industrials were the best performers, each gaining over 1%. Materials and energy were the only sectors to decline. Futures are pointing to a positive open today.

Interest Rates: Long-term bond yields continued their recent declines, as the 10-year yield fell 5 basis points, to 4.51%. A \$40 billion bond auction added to supply and contributed to the move. 30-yields fell more sharply, dropping to 4.61% – the lowest level since late September. The US 2-year yield was broadly unchanged, rising 1 basis point to 4.93%. Interest-rate markets have a less than 20% chance

of one more hike from the Fed in this cycle – most likely in January 2024. Four cuts are fully priced out to January 2025.

Australian government bond yield (futures) mimicked moves in the US. The 10-year (futures) yield fell 7 basis points, to 4.52%. The 3-year yield was 1 basis point lower, at 4.16%. Interest-rate markets expect the RBA to be on hold in December but have a slightly less than 40% chance of one more hike by May 2024. Cuts are not fully priced in 2024.

Foreign Exchange: The US dollar ended the session broadly unchanged after swinging between gains and losses. The USD Index ranged between a low of 105.45 and a high of 105.87, before closing at 105.54.

The AUD/USD pair declined, continuing the falls over recent days. The pair fell from a high of 0.6449 and briefly breached the 0.6400 level with a low of 0.6397. It continued to trade around this level and was at 0.6403 at the time of writing.

Commodities: Oil prices declined as the West Texas Intermediate (WTI) futures prices fell to US\$75.66 per barrel – its lowest level since July. Copper, gold, and coking coal were also weaker. Thermal coal rose, while iron ore was slightly higher.

Australia: There were no major data releases yesterday.

New Zealand: Businesses two-year ahead inflation expectations declined to their lowest level in two years, according to a quarterly survey from the Reserve Bank of New Zealand. Two-year Inflation expectations slowed to 2.76% in the December quarter, from 2.83% in the September quarter. Expectations have been trending lower since peaking at 3.62% in the December quarter of 2022. While near-term inflation expectations fell, 10-year inflation expectations rose to 2.28%, from 2.22%.

Eurozone: Retail sales contracted for the third consecutive month in September, falling 0.3% in the month. Retail spending has now contracted for six of the nine months of 2023. The result was slightly below consensus expectations of a 0.2% contraction. However, the August reading was revised to -0.7%, from an initially reported -1.2% outcome. In annual terms, sales fell 2.9% to September. The fall was not as large as the 3.1% drop expected by consensus as previous data was revised higher. In monthly terms, all major subcategories were lower, with the exception of food, drink & tobacco.

German CPI was finalised as unchanged from its preliminary reading. The CPI was flat in the month of October and prices rose 3.8% over the year. This was the lowest level of inflation since July 2021. The outcome was driven by a 3.2% fall in energy prices, as base effects impacted the annual number. The core measure (ex. food and energy) slowed to 4.3% in October, from 4.5% in September. On an EU harmonised basis, prices slipped 0.2% in the month and rose 3.0% over the year.

United States: Consumer credit rose \$9.1 billion in September, following a \$15.8 billion contraction in August. The outcome was slightly below consensus expectations of \$9.5 billion. Revolving credit (e.g. credit cards) rose \$3.1 billion, or 2.9%, while non-revolving credit (e.g. car and education loans) was \$5.9 billion higher, or 1.9%. Interest payments restarted in September for federal student loans, impacting payments in the month.

Today's key data and events:

CH CPI Oct y/y exp -0.1% prev 0.0% (12:30pm)

CH PPI Oct y/y exp -2.7% prev -2.5% (12:30pm)

JP Current Account Sep exp ¥3.0tr prev ¥2.3tr (10:50am)

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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