

Morning Report

Monday, 14 August 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,340	-0.2%			Last	Overnight Chg		Australia		
US Dow Jones	35,281	0.3%	10 yr bond	4.16		0.06	90 day BBSW	4.17	0.00	
Japan Nikkei	32,474	0.8%	3 yr bond	3.86		0.04	2 year bond	3.87	0.04	
China Shanghai	3,343	-2.0%	3 mth bill rate	4.22		0.01	3 year bond	3.82	0.05	
German DAX	15,832	-1.0%	SPI 200	7,251.0		-30	3 year swap	4.13	0.09	
UK FTSE100	7,524	-1.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.11	0.06
Commodities (close & change)*			TWI	60.7	-	-	60.7	United States		
CRB Index	279.7	-0.2	AUD/USD	0.6517	0.6534	0.6486	0.6497	3-month T Bill	5.26	-0.01
Gold	1,913.76	1.3	AUD/JPY	94.30	94.59	94.02	94.18	2 year bond	4.89	0.05
Copper	8,257.25	-95.0	AUD/GBP	0.5140	0.5150	0.5112	0.5117	10 year bond	4.15	0.05
Oil (WTI futures)	83.19	0.4	AUD/NZD	1.0820	1.0871	1.0819	1.0851	Other (10 year yields)		
Coal (thermal)	151.50	2.5	AUD/EUR	0.5934	0.5946	0.5923	0.5934	Germany	2.62	0.10
Coal (coking)	252.33	3.7	AUD/CNH	4.7192	4.7379	4.7107	4.7165	Japan	0.58	0.00
Iron Ore	102.00	-0.8	USD Index	102.62	102.91	102.42	102.85	UK	4.53	0.16

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: Stronger than expected producer prices data in the US pushed US bond yields and the US dollar higher.

Share Markets: US share markets finished Friday night mixed. The Dow rose 0.3% but the S&P 500 index and Nasdaq fell, by 0.1% and 0.7%, respectively.

Interest Rates: US bond yields rose after stronger-than-expected producer prices data was published. The US 2-year bond yield and the US 10-year bond yield each rose by 5 basis points at the close. The probability of a rate hike from the US Federal Reserve next month remains very small.

In Australia, the chance attached to a rate hike next month from the Reserve Bank by swap markets also is very small.

Foreign Exchange: The Australian dollar continues to remain under selling pressure amid the possibility the Reserve Bank has completed hiking the cash rate. The AUD/USD traded in a very narrow range on Friday night but edged lower to a low of 0.6486, which comes within a whisker of the 0.6485 rate reached on 1 June. The AUD/USD is likely to continue trading a narrow range today with a lack of domestic and international data to steer direction.

Commodities: Commodity prices were mostly firmer in Friday night trading.

Australia: There was no major data released on Friday.

United Kingdom: The UK economy grew faster than expected in the second quarter of this year after growth was boosted by a recovery in car manufacturing and a surprisingly strong June. GDP increased by 0.2% in April to June, up from 0.1% in the previous three months and the best quarterly reading in more than a year, according to the Office for National Statistics. The result was above the consensus forecast of 0.0%. However, the UK economy still remains 0.2% smaller than it was in the final quarter of 2019, before the onset of the coronavirus pandemic triggered the deepest recession on record.

United States: Producer prices increased slightly more than expected in July, as the cost of services rebounded at the fastest pace in nearly a year. However, the trend remained consistent with a moderation in inflationary pressures. The producer price index (PPI) for final demand increased 0.3% in July. Data for June was revised lower to show the PPI was unchanged instead of nudging up by the previously reported 0.1%. Consensus forecasts had expected the PPI to gain 0.2%.

In the 12 months through July, the PPI increased 0.8% after gaining 0.2% in June, boosted by a lower base of comparison last year.

The University of Michigan's survey showed consumer sentiment dipped slightly in August to 71.2, from 71.6 in July. The outcome was in line with consensus expectations. The current conditions sub index improved while the expectations sub index deteriorated.

The survey also showed consumers' one-year inflation expectations slipped to 3.3% in August from 3.4% in July. They have been stable for three consecutive months. The five-year inflation outlook fell to 2.9% from 3.0% in the prior month, remaining in the narrow 2.9%-3.1% range for 24 of the last 25 months.

Today's key data and events:

NZ Performance of Services Index Jul prev 50.1 (8:30am)

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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