

Morning Report

Tuesday, 24 January 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,457	0.1%			Last	Overnight Chg		Australia			
US Dow Jones	33,629	0.8%	10 yr bond		3.49	0.03		90 day BBSW	3.29	0.02	
Japan Nikkei	26,906	1.3%	3 yr bond		3.09	0.04		2 year bond	2.97	0.04	
China Shanghai	3,422	0.8%	3 mth bill rate		3.46	0.02		3 year bond	3.04	0.04	
German DAX	15,103	0.5%	SPI 200		7,426.0	25		3 year swap	3.51	0.00	
UK FTSE100	7,785	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.45	0.05	
Commodities (close & change)*			TWI		61.4	-	-	61.9	United States		
CRB Index	280.3	1.8	AUD/USD		0.6968	0.7040	0.6961	0.7027	3-month T Bill	4.54	0.00
Gold	1,930.78	4.7	AUD/JPY		90.21	91.93	90.12	91.83	2 year bond	4.24	0.07
Copper	9,319.76	12.3	AUD/GBP		0.5620	0.5688	0.5613	0.5679	10 year bond	3.52	0.05
Oil (WTI futures)	81.69	0.0	AUD/NZD		1.0792	1.0854	1.0757	1.0833	Other (10 year yields)		
Coal (thermal)	273.75	-7.9	AUD/EUR		0.6411	0.6475	0.6393	0.6464	Germany	2.21	0.03
Coal (coking)	336.00	3.7	AUD/CNH		4.7243	4.7697	4.7216	4.7625	Japan	0.39	0.01
Iron Ore	125.70	0.0	USD Index		101.90	102.28	101.59	102.08	UK	3.36	-0.02

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: It was a risk positive day with US equity markets making solid gains. Risk sensitive currencies like the Aussie dollar advanced. Bond yields edged higher. It was a thin trading day as markets await the release of numerous Purchasing Managers' Indices overnight, and key inflation data for Australia and the US this week.

Share Markets: US share markets continued to rally led by tech stocks. Investors are positioning ahead of the upcoming earnings reports from tech companies. Microsoft, Tesla, and Intel will all report this week. The S&P 500 and NASDAQ are testing new highs, finishing 1.1% and 2.0% higher, respectively. The Dow Jones underperformed given the focus on tech shares but managed to record a 0.8% gain on the day.

The ASX 200 inched 5.10 points higher to 7,457, the highest level since April 2021. Tech, energy and consumer staples stocks recorded gains made gains. The ASX 200 has continued its strong start to the year, advancing 5.7% over January.

Interest Rates: Bond yields across the US curve rose, encouraged by the improvement in risk sentiment. The US 2-year yield rose by 7 basis points to 4.24% and the 10-year yield jumped 5 basis points to 3.53%.

Interest rate markets are expecting the US Fed to hike by a further 25 basis points at its next meeting in early February. The US Fed Funds rate is expected

to peak at around 4.9% in June 2023.

The Australian 3-year government bond yield (futures) rose by 4 basis points to 3.09% and the 10-year yield rose by 3 basis points to 3.49%.

Australian interest-rate markets are currently attaching a 60% probability to a rate hike of 25 basis points when the Reserve Bank (RBA) meets in a few weeks. Markets are pricing in a peak of 3.6% in August 2023.

Foreign Exchange: Risk sensitive currencies like the Aussie dollar outperformed. The AUD/USD pair is trading around 0.7027. Strong commodity prices, China's reopening, and improved risk sentiment are all providing a tailwind for the Aussie. The pair traded from a low of 0.6961 to a high of 0.7040.

The US dollar index ended broadly unchanged. The DXY index fell to a low of 101.59, before lifting to an intra-day high of 102.28. The US dollar is currently sitting around 102.08.

Commodities: Commodities were broadly stronger. The West Texas Intermediate (WTI) futures contract remained at USD81.69. Gold, copper, coking coal and iron ore were higher. While thermal coal softened but remained elevated.

Australia: There was no major economic data published yesterday.

United States: The Conference Board Leading Economic Index declined by 1% in December to

110.5. This was a larger decline than the 0.7% fall expected by markets. It follows a 1.1% decline in November. There was widespread weakness among the components of the Index, pointing to deteriorating conditions for labour markets, manufacturing, housing construction, and financial markets in the months ahead.

Today's key data and events:

AU NAB Business Survey Dec (11:30am)

Conditions prev 20

Confidence prev -4

EZ Markit Mfg PMI Jan prev 47.8 (8:00pm)

EZ Markit Services PMI Jan prev 49.8 (8:00pm)

JN Nikkei PMI Mfg Jan prev 48.9 (11:30am)

JN Nikkei Services PMI Jan prev 52.1 (11:30am)

UK Markit Manufacturing PMI Jan prev 45.3 (8:30pm)

UK Markit/CIPS Services PMI Jan prev 49.9 (8:30pm)

US Markit Manufacturing PMI Jan prev 46.2 (1:45am)

US Markit Services PMI Jan prev 44.7 (1:45am)

US Richmond Fed index Jan prev -14 (2:00am)

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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