

Morning Report

Tuesday, 28 November 2023

| Equities (close & % change) | | | Sydney Futures Exchange (last & change) | | | | | Interest rates (close & change) | | | |
|---|----------|-------|---|------|-------------|----------------------|---------|---------------------------------|-------------------------------|-------|-------|
| S&P/ASX 200 | 6,988 | -0.8% | | | Last | Overnight Chg | | Australia | | | |
| US Dow Jones | 35,333 | -0.2% | 10 yr bond | | 4.50 | -0.08 | | 90 day BBSW | 4.38 | 0.00 | |
| Japan Nikkei | 33,448 | -0.5% | 3 yr bond | | 4.15 | -0.08 | | 2 year bond | 4.21 | -0.07 | |
| China Shanghai | 3,178 | -0.3% | 3 mth bill rate | | 4.41 | 0.01 | | 3 year bond | 4.14 | -0.08 | |
| German DAX | 15,966 | -0.4% | SPI 200 | | 7,014.0 | 6 | | 3 year swap | 4.35 | -0.01 | |
| UK FTSE100 | 7,461 | -0.4% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 4.49 | -0.08 | |
| Commodities (close & change) | | | TWI | | 61.1 | - | - | 61.1 | United States | | |
| CRB Index | 270.5 | -1.5 | AUD/USD | | 0.6577 | 0.6614 | 0.6567 | 0.6607 | 3-month T Bill | 5.25 | -0.02 |
| Gold | 2,014.13 | 13.3 | AUD/JPY | | 98.29 | 98.50 | 97.81 | 98.19 | 2 year bond | 4.89 | -0.06 |
| Copper | 8,364.75 | 19.3 | AUD/GBP | | 0.5222 | 0.5235 | 0.5211 | 0.5231 | 10 year bond | 4.39 | -0.08 |
| Oil (WTI futures) | 74.86 | -0.7 | AUD/NZD | | 1.0831 | 1.0855 | 1.0818 | 1.0832 | Other (10 year yields) | | |
| Coal (thermal) | 127.50 | -0.4 | AUD/EUR | | 0.6013 | 0.6039 | 0.6001 | 0.6030 | Germany | 2.55 | -0.09 |
| Coal (coking) | 326.33 | 6.3 | AUD/CNH | | 4.7019 | 4.7344 | 4.7004 | 4.7307 | Japan | 0.78 | 0.00 |
| Iron Ore | 131.80 | -0.9 | USD Index | | 103.42 | 103.53 | 103.19 | 103.19 | UK | 4.21 | -0.07 |

Data as at 8.30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: The bond market extended its rally overnight after a treasury auction received decent buying demand and expectations firmed that the Fed has finished hiking. Yields slipped across the curve. US equities gyrated but finished in the red and the US dollar weakened.

Share Markets: The S&P 500 closed 0.2% lower, while the Dow Jones and the NASDAQ finished down 0.2% and 0.1%, respectively.

The ASX 200 tumbled 0.75% yesterday. Futures were muted overnight.

Interest Rates: US treasuries rallied pushing yields lower across the curve. Solid demand for a treasury auction boosted sentiment alongside firming expectations that the Fed is done hiking. The 2-year yield fell 6 basis points to 4.89%, while the 10-year yield fell 8 basis points to 4.39%.

Interest rate markets have almost zero chance of another rate hike from the Fed and are pricing 300 basis points of cuts in 2024.

Aussie bond futures followed the lead from the US. The 3-year (futures) yield fell 8 basis points to 4.15%, while the 10-year (futures) yield fell 8 basis points to 4.50%.

Interest rate markets are pricing a 75% chance of another hike from the RBA by June next year. There are no cuts yet priced in for next year.

Foreign Exchange: The USD dollar softened

alongside falling bond yields. The DXY index fell from a high of 103.53 to a low of 103.19. The DXY was trading around 103.19 at the time of writing.

The Aussie dollar strengthened on the back of the weaker US dollar. The AUD/USD pair rose from a low of 0.6567 to a 3-month high of 0.6614. The pair closed above key resistance around the 0.6600 level. Domestic data this week will decide whether the Aussie can consolidate recent gains, provided the economic narrative in the US remains steady.

Commodities: Oil slipped as traders wrestle with the prospects of deeper production cuts from OPEC+. Reports suggest Saudi Arabia is meeting resistance against requests for other group members to reduce their supply quotas.

Australia: There were no major data releases yesterday.

China: Industrial profits grew by 2.7% over the year to October. This follows an annual increase of 11.9% in September and 17.2% in August. Despite the positive signs, over the first ten months of the calendar year, profits are 7.8% lower than the same period a year ago. This suggests that activity remains subdued but is moving in the right direction.

United States: The Dallas Fed's business activity index for manufacturing in Texas declined to -19.9 index points in November 2023. This was the lowest

read since July and was weaker than the -16.1 points the market was expecting. The production index declined to -7.2 index points in November, from 5.2 in October. The new orders index dropped to -20.5 index points in November from -8.8 points in October. On the price front, material cost growth remained below average and selling prices fell.

Sales of new single-family houses fell by 5.6% to an annualized rate of 679k in October. This was lower than the 721k the market was expecting. New housing inventory ticked up for a third month to the highest level since January. The soft sales numbers reflect high mortgage rates, which peaked at around 8% last month.

Today's key data and events:

AU Retail Sales Oct prev 0.9% (11:30am)

EZ Eur. M3 Money Supply Oct y/y prev -1.2% (8:00pm)

US FHFA House Prices Sep (1:00am)

US S&P CoreLogic CS House Prices Sep (1:00am)

US Consumer Confidence Index Nov (2:00am)

US Richmond Fed index Nov (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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