

Morning Report

Friday, 12 May 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,252	-0.1%			Last	Overnight Chg		Australia		
US Dow Jones	33,310	-0.7%	10 yr bond	3.35				90 day BBSW	3.87	0.00
Japan Nikkei	29,127	0.0%	3 yr bond	3.02				2 year bond	3.20	-0.06
China Shanghai	3,469	-0.3%	3 mth bill rate	3.91				3 year bond	3.07	-0.06
German DAX	15,835	-0.4%	SPI 200	7,244.0				3 year swap	3.37	-0.06
UK FTSE100	7,731	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.39	-0.06
Commodities (close & change)*			TWI		61.1	-	-	61.1	United States	
CRB Index	258.0	-4.2	AUD/USD	0.6777	0.6796	0.6689	0.6703	3-month T Bill	5.01	-0.08
Gold	2,014.41	-15.7	AUD/JPY	91.03	91.16	89.80	90.16	2 year bond	3.90	-0.01
Copper	8,137.45	-307.8	AUD/GBP	0.5369	0.5379	0.5340	0.5357	10 year bond	3.39	-0.06
Oil (WTI futures)	71.51	-1.1	AUD/NZD	1.0646	1.0648	1.0604	1.0640	Other (10 year yields)		
Coal (thermal)	160.10	-4.8	AUD/EUR	0.6172	0.6181	0.6128	0.6138	Germany	2.23	-0.06
Coal (coking)	239.50	-6.5	AUD/CNH	4.7026	4.7114	4.6558	4.6636	Japan	0.40	-0.03
Iron Ore	98.70	0.2	USD Index	101.41	102.15	101.30	102.07	UK	3.71	-0.09

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: New fees on the large banks in the US kept sentiment on edge.

Share Markets: US share markets retreated as regional bank concerns persisted. The Dow dropped 0.7% and the S&P 500 fell 0.2%, although the Nasdaq bucked the trend and rose 0.2%.

Interest Rates: US Treasury bond yields fell as US producer prices showed a slowing in the annual rate of growth. The US 2-year generic government bond yield fell 1 basis point and the 10-year generic yield dropped 6 basis points.

The Australian 3-year government bond yield (futures) fell from 3.08% to 2.96% and the 10-year yield fell from 3.43% to 3.30%. Markets currently price the Reserve Bank cash rate, currently 3.85%, to be 2 basis points higher at the next meeting on 6 June, with a peak of 3.90% priced for August. That is, markets do not see any further rate hikes materialising.

Foreign Exchange: The AUD/USD lost significant ground in the past 24 hours, dropping from around 0.6796 to just under 0.6690. For an extended time now, the AUD/USD has remained stuck in a trading range of around 0.6580 to 0.6800. Trading in the past 24 hours demonstrated that traders and investors are still reluctant to let the AUD/USD move outside of this range. The move lower in the AUD was driven by strong demand for the USD, in fact, the USD index is heading for its biggest daily

rise in around two months.

Commodities: Commodity prices were mostly lower after the UK's Bank of England hiked rates again.

United Kingdom: The Bank of England (BOE) hiked their refi rate by 25 basis points overnight. They also upgraded their growth outlook, erasing a previously forecast recession. BOE Governor Andrew Bailey said rate increases could be coming to a pause so long as inflation weakens.

United States: Producer prices rebounded modestly in April by 0.2%, leading to the smallest annual increase in producer inflation in more than two years, further evidence that inflation pressures were subsiding. Consensus forecasts were for a rise of 0.3%. In the twelve months through April, producer prices increased 2.3%. That was the smallest year-on-year rise since January 2021 and followed a 2.7% advance in March. The annual producer price index rate is slowing as last year's large increases fall out of the calculation.

Weekly initial jobless claims rose to 264k vs consensus estimates for an outcome of 245k. The previous outcome was 242k.

The Federal Deposit Insurance Corporation (FDIC) announced plans to increase fees on all large banks (assets over US\$50 billion) to help covering insured (and potentially uninsured) deposits. The proposals also indicated that holders of bank shares would not be protected.

Today's key data and events:

NZ BusinessNZ Mfg PMI Ap prev 48.1 (8am)
UK Industrial Production Mar exp 0.1% prev -0.2% (4pm)
UK Construction Output Mar exp -0.3% prev 2.4% (4pm)
UK GDP Q1 exp 0.1% prev 0.1% (4pm)
UK Trade Balance Mar exp -\$5.0bn prev -\$4.8bn (4pm)
US Import Price Index Apr exp 0.3% prev -0.6% (10:30pm)
US Export Price Index Apr exp 0.2% prev -0.3% (10:30pm)
US UoM Cons. Sentiment May exp 63.0 prev 63.5 (12am)

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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