

Morning Report

Tuesday, 23 January 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,477	0.7%			Last	Overnight Chg		Australia			
US Dow Jones	38,002	0.4%	10 yr bond		4.25	0.00		90 day BBSW	4.35	0.01	
Japan Nikkei	36,547	1.6%	3 yr bond		3.81	0.00		2 year bond	3.94	-0.02	
China Shanghai	2,890	-2.7%	3 mth bill rate		4.32	0.02		3 year bond	3.83	-0.03	
German DAX	16,683	0.8%	SPI 200		7,439.0	-5		3 year swap	4.00	-0.06	
UK FTSE100	7,488	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.23	-0.06	
Commodities (close & change)			TWI		61.5	-	-	61.5	United States		
CRB Index	267.0	1.6	AUD/USD		0.6588	0.6614	0.6566	0.6571	3-month T Bill	5.20	0.00
Gold	2,020.90	-8.6	AUD/JPY		97.68	97.89	97.24	97.28	2 year bond	4.38	0.00
Copper	8,289.50	-17.3	AUD/GBP		0.5189	0.5203	0.5170	0.5171	10 year bond	4.10	-0.02
Oil (WTI futures)	75.19	1.8	AUD/NZD		1.0774	1.0818	1.0768	1.0816	Other (10 year yields)		
Coal (thermal)	123.95	2.0	AUD/EUR		0.6048	0.6065	0.6035	0.6037	Germany	2.29	-0.05
Coal (coking)	335.00	0.5	AUD/CNH		4.7500	4.7599	4.7251	4.7277	Japan	0.66	-0.01
Iron Ore	130.90	1.9	USD Index		103.27	103.37	103.11	103.36	UK	3.90	-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: Markets carried over momentum from Friday's trade in the absence of any material data. US equities notched up a fresh record high but retraced slightly to finish only modestly higher. Treasury markets were quiet, while the US dollar edged higher.

Share Markets: US equities eked out gains on Fed rate cut bets and optimism that a soft-landing remains in prospect. The S&P 500 and the Dow Jones briefly touched fresh all-time highs before closing up 0.3% and 0.4%, respectively. The NASDAQ gained 0.4% after reaching a 2-year high. Meanwhile, earnings season heats up this week; Netflix, Tesla and Intel are all due to report their numbers.

The ASX 200 gained 0.7% yesterday, following the lead from the US on Friday night. The local bourse has jumped 2.1% in two sessions following last Thursday's low.

Chinese equities stuck out like a sore thumb, reacting sourly to the People's Bank of China (PBOC) decision to leave key lending rates on hold. The Hang Seng tumbling 2.3% yesterday and the CSI 300 shedding 1.6%. US listed Chinese equities, as measured by the NASDAQ Golden Dragon index, slipped 2.2% overnight.

Interest Rates: Moves in interest rate markets were muted overnight given the lack of top tier economic data. The US 2-year treasury yield was unchanged

at 4.38% after ranging between a low of 4.36% and a high of 4.42%. The 10-year yield fell 2 basis points to 4.10%, after ranging between a low of 4.07% and high of 4.14%.

The US yield curve has around 135 basis points of rate cuts priced in for this year, commencing from May. The probability of an earlier rate cut in March is sitting around 42%.

Activity in the German bund market was a touch livelier, with the 2-year and 10-year yields slipping 5 basis points to 2.68% and 2.29%, respectively.

Aussie bond futures were flat after physical yields slipped marginally in yesterday's trade. The 3-year (futures) yield closed at 3.81%, while the 10-year finished the session at 4.25%.

The market implied path of interest rates remains considerably more conservative in Australia relative to the US. Markets have ruled out the chance of another rate hike, but do not see a significant risk of a rate cut until at least August. A cut is not fully priced in until November's RBA meeting.

Foreign Exchange: The US dollar strengthened against a basket of major currencies. The DXY rose from a low of 103.11 to a high of 103.37 and is currently trading just slightly lower at 103.36.

The Aussie dollar underperformed, falling from a high of 0.6614 to a low of 0.6566. The AUD/USD was trading around 0.6571 at the time of writing.

The New Zealand dollar also underperformed, falling to a near 2-month low of 0.6074. The AUD/NZD cross firmed slightly to a high of 1.0818 – its highest level in almost three weeks.

Commodities: Commodity prices were broadly firmer overnight. The West Texas Intermediate (WTI) price of oil rose 1.8% to US\$75.19 per barrel.

Australia: There were no major economic data releases yesterday.

Today's key data and events:

AU NAB Business Survey Dec (11:30am)

Business Confidence prev -9

Business Conditions prev 9

UK Public Sector Borrowing Dec exp £11.4bn prev £13.4bn (6pm)

JN BoJ Policy Decision (TBC)

Policy Balance Rate exp -0.1% prev -0.1%

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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