

Morning Report

Tuesday, 31 January 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)				Interest rates (close & change)			
	Last	Overnight Chg	Australia							
S&P/ASX 200	7,482	-0.2%								
US Dow Jones	33,762	-0.6%	10 yr bond	3.59	0.05	90 day BBSW	3.38	0.00		
Japan Nikkei	27,433	0.2%	3 yr bond	3.24	0.04	2 year bond	3.13	-0.02		
China Shanghai	3,427	0.1%	3 mth bill rate	3.63	0.02	3 year bond	3.19	-0.02		
German DAX	15,126	-0.2%	SPI 200	7,425.0	-2	3 year swap	3.67	0.02		
UK FTSE100	7,785	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.53	-0.03
Commodities (close & change)*			TWI	63.0	-	-	63.0	United States		
CRB Index	277.7	-1.9	AUD/USD	0.7102	0.7120	0.7051	0.7057	3-month T Bill	4.54	-0.02
Gold	1,923.22	-4.8	AUD/JPY	92.12	92.66	91.61	92.11	2 year bond	4.26	0.06
Copper	9,200.35	-55.4	AUD/GBP	0.5735	0.5744	0.5708	0.5717	10 year bond	3.55	0.04
Oil (WTI futures)	77.72	-2.0	AUD/NZD	1.0958	1.0958	1.0898	1.0910	Other (10 year yields)		
Coal (thermal)	257.00	-0.5	AUD/EUR	0.6535	0.6550	0.6490	0.6507	Germany	2.32	0.08
Coal (coking)	332.50	-6.8	AUD/CNH	4.7983	4.8037	4.7641	4.7674	Japan	0.48	-0.01
Iron Ore	126.60	-1.5	USD Index	101.90	102.31	101.66	102.30	UK	3.34	0.01

Data as at 7:00am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Equities currently are down and bond yields higher as markets prepare for the key central bank meetings this week, kicking off with the US Federal Reserve.

Share Markets: US share markets have undergone a further sell off ahead of a US Federal Reserve meeting where more tightening is expected. Tech shares have also sold off ahead of more earnings reports. Currently, the Dow is down 0.6%, the S&P 500 is off 1.1% and the Nasdaq has declined 1.7%.

Interest Rates: US bond yields are currently up across the curve with the 2-year up 4 basis points and the 10-year 6 basis points higher. Markets are widely expecting the Fed to raise rates by 25 basis points this week.

The Australian 3-year government bond yield (futures) rose from 3.20% to 3.25%, while the 10-year yield rose from 3.54% to 3.60%. Markets currently have a probability of 74% attached to a rate hike of 25 basis points from the Reserve Bank next week. The peak for the cash rate is priced in for August at 3.78%.

Currencies: AUD/USD reached a 7½-month high of 0.7142 on Friday night but has subsequently come under selling pressure as the Fed meeting approaches and as traders consolidate the AUD's recent sharp move higher in the wake of last week's strong domestic prices data. AUD/USD is currently trading near its overnight low of around 0.7050 and

the risks are that it treads lower in Asia trade today.

Commodities: Oil and gold both retreated.

Australia: There was no major economic data published yesterday domestically.

Europe: The three confidence indicators released last night for the euro area economy each improved for the month of January. The indicators also beat consensus forecasts. The economic confidence index rose 2.8 points to 99.9, the industrial confidence index rose 0.7 points to 1.3 and the services confidence index lifted 3 points to 10.7.

GDP in the Euro zone's largest economy, Germany, dropped 0.2% in Q4. The result was worse than consensus forecasts that centred on a flat outcome. On a year ago, Germany's GDP is up just 1.1%, from 1.4% in Q3.

New Zealand: A trade deficit of \$0.5 billion was recorded in December, the lowest in seven months, and following a trade deficit of \$2.2 billion in November.

United Kingdom: The Lloyds business barometer improved to 22 in January, from 17 in December.

United States: The Dallas Fed manufacturing index improved to -8.4 in January, from a downwardly revised outcome of -20.0 in December. The result was better than consensus anticipated.

Expectations about future manufacturing activity were mixed in the Dallas survey. The future

production index improved further to 16.1, signalling that respondents expect output growth over the next six months. But the future general business activity index remained negative, printing at -9.1.

Today's key data and events:

JN Jobless Rate Dec exp 2.5% prev 2.5% (10:30am)
JN Retail Sales Dec y/y exp 3.2% prev 2.5% (10:50am)
JN Ind. Production Dec exp -1.0% prev 0.2% (10:50am)
AU Retail Sales Dec exp -0.3% prev 1.4% (11:30am)
AU Priv Sector Credit Dec exp 0.5% prev 0.5% (11:30am)
CH Composite PMI Jan prev 42.6 (12:30pm)
CH Manufacturing PMI Jan exp 50.1 prev 47.0 (12:30pm)
CH Non Mfg PMI Jan exp 52.0 prev 41.6 (12:30pm)
CH Industrial Profits Dec YTD y/y prev -3.6% (12:30pm)
UK Net Consumer Credit Dec exp £1.1bn prev £1.5bn
(8:30pm)
EZ GDP Q4 A (9pm)
q/q exp -0.1% prev 0.3%
y/y exp 1.7% prev 2.3%
US Employ. Cost Index Q4 exp 1.1% prev 1.2% (12:30am)
US FHFA House Price Index Nov exp -0.5% prev 0.0%
(1am)
US S&P CoreLogic CS 20-City Nov exp -0.7% prev -0.5%
(1am)
US Chicago PMI Jan exp 45.1 prev 45.1 (1:45am)
US CB Cons. Confidence Jan exp 109.0 prev 108.3 (2am)

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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