

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.

Besa Deda, Chief Economist

Ph: +61 404 844 817

Contact Listing

Chief Economist

Besa Deda
dedab@stgeorge.com.au
+61 404 844 817

Senior Economist

Jarek Kowcza
jarek.kowcza@stgeorge.com.au
+ 61 481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@stgeorge.com.au
+61 468 571 786

Economist

Jameson Coombs
jameson.coombs@stgeorge.com.au
+61 401 102 789

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom St. George has a contract to supply Information, the supply of the Information is made under that contract and St. George's agreed terms of supply apply. St. George does not represent or guarantee that the Information is accurate or free from errors or omissions and St. George disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to St. George products and details are available. St. George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. St. George owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St. George.