

Morning Report

Tuesday, 20 June 2023



Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,295	0.6%			Last	Overnight Chg		Australia		
US Dow Jones	34,299	closed	10 yr bond	4.05		0.08		90 day BBSW	4.32	0.01
Japan Nikkei	33,370	-1.0%	3 yr bond	4.01		0.06		2 year bond	4.17	-0.02
China Shanghai	3,413	-0.5%	3 mth bill rate	4.67		0.02		3 year bond	4.00	-0.02
German DAX	16,201	-1.0%	SPI 200	7,281.0		12		3 year swap	4.35	0.00
UK FTSE100	7,588	-0.7%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.97	-0.05
Commodities (close & change)*			TWI	63.1	-	-	63.1	United States		
CRB Index	270.9	4.0	AUD/USD	0.6879	0.6883	0.6834	0.6849	3-month T Bill	5.07	closed
Gold	1,950.48	-7.5	AUD/JPY	97.55	97.68	96.73	97.21	2 year bond	4.71	closed
Copper	8,555.75	-1.3	AUD/GBP	0.5363	0.5365	0.5333	0.5351	10 year bond	3.76	closed
Oil (WTI futures)	71.29	-0.5	AUD/NZD	1.1035	1.1054	1.1008	1.1049	Other (10 year yields)		
Coal (thermal)	132.80	-0.3	AUD/EUR	0.6288	0.6291	0.6249	0.6272	Germany	2.52	0.04
Coal (coking)	229.50	2.5	AUD/CNH	4.9043	4.9218	4.8892	4.9070	Japan	0.40	-0.01
Iron Ore	113.00	-0.8	USD Index	102.31	102.55	102.25	102.48	UK	4.49	0.08

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: Volume was thin as US markets were closed for a national holiday. Hawkish commentary from European Central Bank (ECB) members led market sentiment, contributing to rises in European bond yields. The US dollar advanced against major currencies in line with a slide in risk sentiment.

Share Markets: US share markets were closed for the Juneteenth public holiday. However, futures markets continued to trade. S&P 500 futures traded lower but closed broadly flat on the day, down less than 0.1%.

European markets were lower on the day as bond yields were higher in the region. The Euro Stoxx 50 declined 0.7%, the Dax was down 1.0% and the FTSE 100 slipped 0.7%.

The ASX 200 closed 0.6% higher yesterday. Futures are pointing to a positive open this morning.

Interest Rates: US physical bond markets were closed for the day. Futures continued to trade and implied a 2-basis-point increase for the 2-year yield and a broadly flat outcome for the 10-year yield.

Germany yields closed higher, with the 10-year bund yield rising 4 basis points, to 2.52%. The UK 10-year yield increased 8 basis points, to 4.49%.

The 10-year Australian government bond yield (futures) rose 8 basis points, to 4.05%. The 3-year government bond yield (futures) was 6 basis points higher, at 4.01%. Interest-rate markets are pricing

in a 52% chance of a hike at the RBA's July meeting and expect the cash rate to peak at around 4.60% by November.

Foreign Exchange: The US dollar rose against a basket of major currencies as risk sentiment waned. The USD Index rose from a low of 102.25 to a high of 102.55, before pulling back to 102.48.

The AUD/USD pair lost some ground, marking the second day of declines after six straight days of gains. The pair fell from a high of 0.6883 to a low of 0.6834. It was trading at 0.6849 at the time of writing.

Commodities: Most commodities were weaker on the day, with coking coal bucking the trend and rising.

Australia: There were no major data releases published yesterday.

Europe: Several ECB members spoke overnight and discussed the need to hike rates further. The hawkish comments helped lift bond yields. Kazimir noted that another hike was necessary in July and that the September meeting was live. He viewed inflation as a greater threat than higher rates. Schnabel noted that it was advisable to increase rates further rather than not enough while also being data dependent. On the other hand, Lane was less certain about the need for another hike in September but referred to a July hike as being

“appropriate”.

New Zealand: Services activity moved further into expansionary territory in May. The performance of services index rose to 53.3 in the month, from a revised 50.1 in April. The April outcome was revised higher from an initial contractionary reading of 49.8. The result means that services sector activity has expanded for 15 consecutive months. The reading was slightly below the long-run average of 53.6. Looking further into the details, all five sub-indices reported outcomes above 50, indicating expansion.

United Kingdom: House prices were unchanged in June, after rising 1.8% in May. In annual terms, prices increased 1.1% over the year to June, down from the 1.5% increase over the year to May. Average prices were £372,812 across the UK and £685,241 in London. Prices in London slipped 1.6% in the month but were 0.5% over the year.

United States: Homebuilder sentiment rose to close to a one-year high in June. The NAHB housing market index increased to 55 in June, following a 50 reading in May. This was above expectations of a 51 outcome. The result marks the second month of readings above 50, after the index was in contractionary territory for nine consecutive months. Looking at the details, all sub-indices rose and expectations of the hiking cycle coming to a close were helping sentiment. In a positive sign for the Fed, builders were reducing prices to increase sales.

Today's key data and events:

AU RBA Board Meeting Minutes (11:30am)
AU RBA's Kent Panel Participation (11:35am)
AU RBA's Bullock Speech (1:30pm)
JN Indust. Production Apr Final prev -0.4% (2:30pm)
US Housing Starts May exp -0.1% prev 2.2% (10:30pm)
US Building Permits May exp 0.6% prev -1.4% (10:30pm)

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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