

Morning Report

Tuesday, 17 January 2023



Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,388	0.8%			Last	Overnight Chg		Australia		
US Dow Jones	34,303	Closed	10 yr bond	3.61		0.01		90 day BBSW	3.35	0.03
Japan Nikkei	25,822	-1.1%	3 yr bond	3.25		0.01		2 year bond	3.15	0.00
China Shanghai	3,383	1.0%	3 mth bill rate	3.54		0.00		3 year bond	3.22	0.00
German DAX	15,134	0.3%	SPI 200	7,320.0		-18		3 year swap	3.64	0.01
UK FTSE100	7,860	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.59	0.00
Commodities (close & change)*			TWI	61.7	-	-	61.7	United States		
CRB Index	275.9	2.1	AUD/USD	0.6977	0.7019	0.6941	0.6952	3-month T Bill	4.46	Closed
Gold	1,916.03	-4.2	AUD/JPY	89.19	89.59	89.08	89.35	2 year bond	4.23	Closed
Copper	9,088.19	-81.8	AUD/GBP	0.5716	0.5719	0.5697	0.5700	10 year bond	3.50	Closed
Oil (WTI futures)	78.85	-1.0	AUD/NZD	1.0935	1.0943	1.0885	1.0896	Other (10 year yields)		
Coal (thermal)	284.35	-6.6	AUD/EUR	0.6440	0.6457	0.6424	0.6427	Germany	2.18	0.01
Coal (coking)	314.50	6.0	AUD/CNH	4.6811	4.7063	4.6754	4.6904	Japan	0.53	0.02
Iron Ore	118.35	-1.1	USD Index	102.26	102.56	101.77	102.40	UK	3.38	0.02

Data as at 7:30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Markets were quiet overnight as US spot markets were closed for a holiday and a lack of new data provided limited direction for traders. European equities gained, while futures point to softer US equities and a rise in Treasury yields. The US dollar firmed slightly, while the Aussie dollar fell from a 5-month high.

Share Markets: US spot markets were closed for a holiday, however, futures continued to trade. Futures on the three major US stock indices all moved lower.

European bourses all posted gains overnight. The Euro Stoxx 50 rose 0.2%, while the UK's FTSE 100 and the German DAX gained 0.2% and 0.3%, respectively.

The ASX 200 gained 0.8% yesterday, led by healthcare, energy and consumer staples stocks. This was the fourth consecutive increase in the benchmark, taking it to its highest level since May. Futures are pointing to a weak open this morning.

Interest Rates: The yield on the 2-year US Treasury future rose 8 basis points to 4.48%, while the 10-year futures yield climbed 14 basis points to 4.19%.

Interest rate markets are predicting a slowdown in the pace of rate hikes to 25 basis points as the most likely option at the Feds policy meeting next month. A 25-basis point hike is fully priced, with around a 50% probability attached to a 50 basis point hike. This is down from around 60% last week.

The Australian 3-year government bond (futures) yield gained 1 basis point to 3.25%. The 10-year (futures) yield also rose 1 basis point to 3.61%.

Interest rate markets see a 65% probability of another 25-basis point rate hike from the Reserve Bank (RBA) in February. This is up from around 60% at the start of last week before the hotter-than-expected inflation and retail sales figures.

Foreign Exchange: The Aussie dollar finished slightly lower after staging a rally early in Asian trade. The AUD/USD pair rose to a 5-month high of 0.7019, before falling to an intra-day low of 0.6941 on the back of some USD strength. The pair has since recovered some ground and is trading around 0.6952.

The US dollar finished slightly higher against a basket of major currencies. The DXY index fell to 101.77 in early trade, its lowest level since June, before rallying to 102.56. The index is currently trading slightly below that level at around 102.40.

The Euro hit a 9-month high of 1.0874, while the Japanese Yen reached a 7-month high against the US dollar.

Commodities: Commodity prices were broadly lower overnight. The West Texas Intermediate (WTI) price of oil closed down 1.3% at US\$78.85 per barrel.

Australia: The Melbourne Institute's monthly inflation gauge advanced 0.2% in December. This

was the softest monthly increase since August. Despite this, the inflation measure was unchanged at 5.9% in annual terms, equalling the fastest pace on record going back to 2003.

World: The World Economic Forum kicked off overnight in Davos. Corporate executives and economists warned of a worldwide recession this year, contrasting the fast start to 2023 across global markets.

Today's key data and events:

AU WBC-MI Cons. Sentiment Jan prev 80.3 (10:30am)
CH Indust. Production Dec y/y exp 0.2% prev 2.2% (1pm)
CH Retail Sales Dec y/y exp -9.0% prev -5.9% (1pm)
CH GDP Q4 y/y exp 1.6% prev 3.9% (4pm)
EZ Ger. CPI Dec Final exp -0.8% prev -0.8% (6pm)
EZ ZEW Expectations Jan prev -23.6 (9pm)
UK ILO Unemploy. Rate Nov exp 3.7% prev 3.7% (6pm)
US NY Empire Mfg Jan exp -8.6 prev -11.2 (12:30am)

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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