

Morning Report

Monday, 29 January 2024



Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,555	0.5%			Last	Overnight Chg		Australia		
US Dow Jones	38,109	0.2%	10 yr bond	4.26		0.02		90 day BBSW	4.35	0.00
Japan Nikkei	35,751	-1.3%	3 yr bond	3.76		0.02		2 year bond	3.90	0.00
China Shanghai	3,051	0.1%	3 mth bill rate	4.31		0.00		3 year bond	3.80	0.00
German DAX	16,961	0.3%	SPI 200	7,553.0		14		3 year swap	3.95	-0.01
UK FTSE100	7,635	1.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.24	0.00
Commodities (close & change)			TWI	61.3	-	-	61.3	United States		
CRB Index	273.6	1.2	AUD/USD	0.6583	0.6610	0.6573	0.6577	3-month T Bill	5.20	0.00
Gold	2,020.84	6.9	AUD/JPY	97.24	97.66	97.10	97.41	2 year bond	4.35	0.06
Copper	8,479.05	-29.0	AUD/GBP	0.5181	0.5192	0.5174	0.5179	10 year bond	4.14	0.02
Oil (WTI futures)	78.01	0.7	AUD/NZD	1.0773	1.0804	1.0770	1.0783	Other (10 year yields)		
Coal (thermal)	118.15	2.7	AUD/EUR	0.6073	0.6087	0.6056	0.6063	Germany	2.30	0.01
Coal (coking)	332.00	0.0	AUD/CNH	4.7276	4.7469	4.7222	4.7259	Japan	0.72	-0.03
Iron Ore	136.75	1.7	USD Index	103.53	103.73	103.15	103.47	UK	3.96	-0.02

Data as at 8:20am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Encouraging US inflation data was digested cautiously as activity measures surprised to the upside and household consumption proved resilient. US equities were mixed, treasury yields moved higher, and the US dollar softened.

Share Markets: US equities were mixed on Friday. The S&P 500 fell 0.1%, the Dow Jones gained 0.2% and the NASDAQ slipped 0.4%.

Futures point to a positive open for the ASX 200 this morning.

Interest Rates: US treasury yields drifted higher despite pleasing inflation data as economic activity also remained robust. The 2-year yield rose 6 basis points to 4.35% and the 10-year rose 2 basis points to 4.14%.

Interest rate markets are pricing a 50/50 chance of a rate hike at the Fed's March meeting.

Yields were higher on Aussie bond futures. The 2-and-10-year futures yields rose 2 basis points to 3.76% and 4.26%, respectively.

Foreign Exchange: The Aussie dollar softened after again testing resistance at 0.6610. The AUD/USD pair slid to a low of 0.6573 and closed only slightly higher.

The US dollar finished slightly lower after striking a relatively wide range between a low of 103.15 and a high of 103.73.

Commodities: The West Texas Intermediate (WTI)

price of oil rose to US\$78.01 per barrel, its highest level since late November.

Australia: There were no major economic data releases on Friday.

Eurozone: The European Central Bank (ECB) left policy settings unchanged at Thursday's meeting. During the press conference ECB President Christine Lagarde said, "The consensus around the table was that it was premature to discuss rate cuts", noting that "We need to be further along the disinflation process to be confident that inflation will be at target - sustainably so".

M3 money supply expanded 0.1% in December, the first monthly increase since June. This was considerably stronger than consensus expectations which centred on a 0.7% fall.

United Kingdom: The GfK consumer sentiment index unexpectedly fell in February to -29.7. This was the weakest reading since March 2022 and followed a reading of -25.4 in January.

United States: Personal income rose 0.3% in December, meeting expectations. This followed a 0.4% increase in November. Meanwhile, personal spending came in stronger than expected, rising 0.7% in December, compared to expectations for a 0.5% gain. This was an acceleration on November's reading which itself was revised up from 0.2% to 0.4%.

The core personal consumption expenditure (PCE)

deflator rose 2.9% over the year to December, coming in slightly softer than expected. This was the slowest inflation read since March 2021. In six-month annualised terms the core PCE measure came in at 1.9%, below the Fed's 2% inflation target. The strong disinflation progress sets the stage for a likely Fed rate cut in the first half of this year.

GDP growth surprised to the upside again in the December quarter, clocking a robust 3.3% annualised increase. This was a moderation from September quarter's rapid 4.9% annualised gain but was well above the 2.0% rise expected by consensus. The combination for above-trend growth and disinflation progress point to a near 'goldilocks' soft-landing scenario.

Today's key data and events:

NZ Trade Balance Dec prev -\$1.2bn (8:45am)

US Dallas Fed Index Jan exp -11.8 prev -9.3 (1:30am)

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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