

Tuesday, 21 November 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,058	0.1%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	35,151	0.6%	10 yr bond		4.49	-0.03		90 day BBSW	4.38	0.00
Japan Nikkei	33,388	-0.6%	3 yr bond		4.14	0.01		2 year bond	4.19	0.03
China Shanghai	3,217	0.5%	3 mth bill rate		4.40	0.02		3 year bond	4.13	0.04
German DAX	15,901	-0.1%	SPI 200		7,102.0	20		3 year swap	4.36	0.05
UK FTSE100	7,496	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.51	0.04
<b>Commodities (close &amp; change)</b>			TWI		60.6	-	-	60.6	<b>United States</b>	
CRB Index	276.6	3.0	AUD/USD	0.6509	0.6565	0.6494	0.6562	3-month T Bill	5.24	0.01
Gold	1,977.50	-3.3	AUD/JPY	97.46	97.73	97.02	97.33	2 year bond	4.91	0.03
Copper	8,212.25	45.8	AUD/GBP	0.5226	0.5259	0.5214	0.5246	10 year bond	4.42	-0.02
Oil (WTI futures)	77.60	1.7	AUD/NZD	1.0866	1.0890	1.0845	1.0865	<b>Other (10 year yields)</b>		
Coal (thermal)	126.35	-1.3	AUD/EUR	0.5965	0.6007	0.5954	0.5997	Germany	2.61	0.02
Coal (coking)	313.00	-10.0	AUD/CNH	4.7008	4.7099	4.6887	4.7003	Japan	0.75	-0.01
Iron Ore	132.35	1.3	USD Index	103.88	103.97	103.38	103.45	UK	4.13	0.02

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:** There was little in the way of major economic news to drive market direction last night. Long-term bond yields declined, while shorter term yields were higher. The US dollar declined against a basket of major currencies. A weaker US dollar helped the Aussie rise to its highest level since the first half of August.

**Share Markets:** Equities extended their sharp November rally ahead of the release of important earnings results. The S&P 500 closed 0.7% higher, the Nasdaq gained 1.1% and the Dow Jones rose 0.6%. The S&P 500 closed at its highest level since early August.

The ASX 200 managed a slight gain yesterday, rising 0.1%. Three sectors finished in the green, including energy, consumer discretionary, and financials. Seven of 11 sectors declined on the day and one was flat. Futures are pointing to a positive open today.

**Interest Rates:** The 2-10-year yield curve inversion deepened to almost -50 basis points, from around -44 basis points at the open as short-term bond yields were higher, while long-term yields declined. The 2-year treasury yield rose 3 basis points, to 4.91%. The 10-year yield was 2 basis points lower, at 4.42%. Interest rate markets continue to expect no further hikes from the Fed in this cycle. A little over 3.5 cuts are priced to the end of 2024 and almost 4.2 by January 2025.

Australian bond yields mimicked moves in the US. The 3-year government bond yield (futures) rose 1 basis point, to 4.14%. The 10-year (futures) yield was 3 basis points lower, at 4.49%. Interest-rate markets are pricing around a 1 in 4 chance of another hike from the RBA by the middle of 2024.

**Foreign Exchange:** The US dollar lost ground against major currencies and fell to its lowest level since early September. The USD Index fell from a high of 103.97 to a low of 103.38, before recovering slightly to trade at 103.45.

A weaker US dollar provided support to the Aussie. The AUD/USD pair rose from a low of 0.6494 to a high of 0.6565. It was trading at 0.6562 at the time of writing.

**Commodities:** Oil prices jumped as traders reacted to news reports noting that OPEC+ member countries may cut production further following a meeting next week. The West Texas Intermediate (WTI) futures prices rose to US\$77.60 per barrel. Copper and iron ore were also higher. Gold and coal declined.

**Australia:** There were no major data releases yesterday.

**United States:** The Conference Board Leading Index fell to -0.8% in October to 103.9. This followed a -0.7% outcome in September and was below expectations of a similar result. The index has been contracting for every month since April 2022.

Looking at the sub-indices, average consumer expectations, ISM new orders, and stock prices were the biggest drags on the index in the month. Only four of the 10 sub-indices made positive contributions, led by building permits.

**Today's key data and events:**

AU RBA's Gov. Bullock Panel (10:00am)

AU RBA's Schwartz Speech (10:45am)

AU RBA Board Meeting Minutes (11:30am)

NZ Trade Balance Oct prev -\$2.3bn (8:45am)

UK Public Sector Borrowing Oct exp £17.8bn prev £13.5bn  
(6:00pm)

US Chicago Fed Nat Act Index Oct exp 0.00 prev 0.02  
(12:30am)

US Existing Home Sales Oct exp -1.5% prev -2.0% (2:00am)

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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