

Thursday, 22 June 2023

| Equities (close & % change) | | | Sydney Futures Exchange (last & change) | | | | | Interest rates (close & change) | | |
|-------------------------------|----------|-------|---|--------|-------------|----------------------|---------|---------------------------------|----------------------|-------|
| S&P/ASX 200 | 7,315 | -0.6% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 33,952 | -0.3% | 10 yr bond | | 3.93 | -0.05 | | 90 day BBSW | 4.28 | -0.03 |
| Japan Nikkei | 33,575 | 0.6% | 3 yr bond | | 3.87 | -0.02 | | 2 year bond | 4.11 | -0.04 |
| China Shanghai | 3,352 | -1.3% | 3 mth bill rate | | 4.57 | 0.01 | | 3 year bond | 3.95 | -0.04 |
| German DAX | 16,023 | -0.5% | SPI 200 | | 7,274.0 | -10 | | 3 year swap | 4.21 | 0.01 |
| UK FTSE100 | 7,559 | -0.1% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 3.98 | -0.04 |
| Commodities (close & change)* | | | TWI | | 62.6 | - | - | 62.6 | United States | |
| CRB Index | 270.6 | 3.2 | AUD/USD | 0.6786 | 0.6805 | 0.6741 | 0.6795 | 3-month T Bill | 5.12 | 0.07 |
| Gold | 1,932.55 | -3.9 | AUD/JPY | 95.96 | 96.47 | 95.78 | 96.39 | 2 year bond | 4.72 | 0.03 |
| Copper | 8,615.25 | 64.0 | AUD/GBP | 0.5316 | 0.5334 | 0.5292 | 0.5322 | 10 year bond | 3.72 | 0.00 |
| Oil (WTI futures) | 72.50 | 0.0 | AUD/NZD | 1.1003 | 1.1017 | 1.0941 | 1.0954 | Other (10 year yields) | | |
| Coal (thermal) | 133.65 | -0.9 | AUD/EUR | 0.6217 | 0.6227 | 0.6178 | 0.6186 | Germany | 2.44 | 0.03 |
| Coal (coking) | 231.00 | -3.0 | AUD/CNH | 4.8755 | 4.8929 | 4.8461 | 4.8771 | Japan | 0.38 | -0.01 |
| Iron Ore | 111.00 | 0.3 | USD Index | 102.51 | 102.71 | 102.02 | 102.09 | UK | 4.41 | 0.07 |

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: The Federal Reserve Chair Powell warned of more rate hikes to come, leading to a sell off in share markets and lifting volatility in bond markets.

Share Markets: US share market indexes fell after Fed Chair Powell issued warnings about further rate hikes. Tech shares were particularly hit as AI names weakened. The Dow closed 0.3% lower, the S&P slid 0.5% and the Nasdaq shed 1.2%.

Interest Rates: The US 2-year treasury yield was volatile, initially jumping from 4.69% to 4.74% following strong UK inflation data and later testing 4.75% during Fed Chair Powell's testimony. But then it retraced and at the close was 3 basis points higher at 4.72%. The US 10-year yield round tripped from 3.73% to 3.79% and closed unchanged at 3.72%. Interest-rate markets are almost fully priced for a rate hike when the Fed next meets on 27 July.

Foreign Exchange: The US dollar index was sold off modestly in the overnight session. That saw EUR/USD rise from 1.0910 to a one-month high of 1.0990. USD/JPY round tripped from 141.70 to a 7-month high of 142.36 and back. Meanwhile, AUD/USD roundtripped from 0.6800 to 0.6741 and back.

Commodities: Gold was weaker and oil unchanged.

Australia: There was no major economic data out yesterday.

United Kingdom: Inflation remained higher than

expected for a fourth month, shortening market odds that the Bank of England will raise interest rates to nearly 6%. The consumer price index (CPI) rose 0.7% in May, above consensus forecasts for a rise of 0.5%. In year-on-year terms, headline CPI stayed steady at 8.7%.

Core inflation, which excludes food and energy, accelerated unexpectedly from 6.8% in April to a 31-year high of 7.1%.

The Office of National Statistics (ONS) noted that services inflation continued to rise, with gains in recreation and culture at 30-year highs.

United States: Federal Reserve Chair Jerome Powell signalled the Fed will raise rates twice more this year, calling that "a pretty good guess." He told a House panel that officials can now move at a more moderate pace to bring down inflation.

Powell also said the Fed is running down its balance sheet at a pace of about \$1 trillion a year. Lawmakers pressed him on plans to strengthen supervision of regional and big banks.

Please see over the page for the calendar of events over the next 24 hours

Today's key data and events:

NZ Trade May prev \$427mn (8:45am)

UK Bank of England Meeting exp 4.75% prev 4.50% (9pm)

US Chicago Fed Index May exp -0.10 prev 0.07 (10:30pm)

US Current Account Q1 exp \$-218.0bn prev -\$206.8bn
(10:30pm)

US Initial Jobless Claims Jun 17 exp 259k prev 262k
(10:30pm)

US Kansas Fed Index Jun exp -5 prev -1 (1am)

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@bankofmelbourne.com.au
+61 404 844 817

Senior Economist

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

Senior Economist

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

Economist

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

The Detail

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 Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne's agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne 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 Bank of Melbourne products and details are available. Bank of Melbourne 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. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
