

Tuesday, 14 June 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	closed				<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	30,517	-2.8%	10 yr bond	96.06		-0.16	90 day BBSW	closed		
Japan Nikkei	26,987	-3.0%	3 yr bond	96.51		-0.22	2 year bond	closed		
China Shanghai	3,411	-0.9%	3 mth bill rate	96.97		-0.19	3 year bond	closed		
German DAX	13,427	-2.4%	SPI 200	6,631.0		-183	3 year swap	closed		
UK FTSE100	7,206	-1.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond		
Commodities (close & change)*			TWI	63.7	-	-	63.3	<b>United States</b>		
CRB Index	321.4	-4.4	AUD/USD	0.7096	0.7041	0.6912	0.6925	3-month T Bill	1.51	0.19
Gold	1,871.60	23.6	AUD/JPY	95.36	94.99	92.62	93.09	2 year bond	3.35	0.29
Copper	9,448.00	-174.1	AUD/GBP	0.5679	0.5736	0.5698	0.5708	10 year bond	3.36	0.20
Oil (WTI futures)	120.93	0.3	AUD/NZD	1.1116	1.1099	1.1050	1.1058	<b>Other (10 year yields)</b>		
Coal (thermal)	321.85	-7.3	AUD/EUR	0.6683	0.6707	0.6643	0.6653	Germany	1.63	0.12
Coal (coking)	385.00	8.5	AUD/CNH	4.7550	4.7483	4.6889	4.6958	Japan	0.26	0.00
Iron Ore	133.75	-0.8	USD Index	103.30	105.29	104.25	105.20	UK	2.53	0.08

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:** Risk sentiment declined sharply as investors continued to weigh the implications of elevated inflation, following a stronger-than-expected US inflation report on Friday. Global equity markets plunged, bond yields surged and the US dollar strengthened against major currencies.

**Share Markets:** Global equity markets plunged on growth and inflation fears. The S&P 500 tumbled 3.9% on the day. The S&P 500 is down by more than 20% since the beginning of 2022 and has moved into a bear market. The tech-heavy Nasdaq plummeted 4.7%, the largest one-day fall in over a month. The Dow Jones also dropped 2.8%.

**Interest Rates:** Bond yields surged as expectations around interest rate hikes by the US Fed at the upcoming June meeting were increased.

The 10-year treasury yield surged by 20 basis points, to 3.36%. This was the highest level since April 2011. The 2-year yield jumped by 29 basis points, to 3.35%. This was the highest level since November 2007.

Markets are currently pricing around 72 basis points of interest rate increases at this week's Federal Reserve meeting. Several analysts now expect the Fed to deliver a 75-basis-point hike at the meeting and some analysts are even suggesting that a 100-basis-point hike is a possibility.

The Australia 10-year government bond yield (futures) jumped to 3.95%, after markets were closed yesterday. The 3-year government bond

yield (futures) jumped to 3.49%.

**Foreign Exchange:** The US dollar rose against a basket of major currencies. The USD Index rose from a low of 104.25 to a high of 105.29, its highest level since December 2002. The index was trading at 105.20 at the time of writing.

The AUD/USD pair declined to its lowest level in almost a month, in line with a fall in risk sentiment. The pair fell from a high of 0.7041 to a low of 0.6912, before recovering to trade at 0.6925 at the time of writing.

**Commodities:** Copper and iron ore were down on the day. Gold rose, while iron ore prices remained around US\$120 a barrel.

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

**New Zealand:** Monthly net migration fell to -80 in April, following a revised 926 gain in March. In annual terms, net overseas migration declined by 8,668 people over the year to April. This follows a decline of 9,446 people over the year to March.

**United Kingdom:** The economy contracted for a second consecutive month, as monthly GDP fell by 0.3% in April. This followed a 0.1% fall in March. The major sectors of services, production and construction all contributed to the monthly decline for the first time since January 2021. The outcome was below consensus expectations of a 0.1% gain.

Industrial production fell by 0.6% in April, down

from the 0.2% decline in March. This was below consensus expectations of a 0.3% gain.

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

AU NAB Business Survey May (11:30am)

Conditions prev 20

Confidence prev 10

JN Indust. Production Apr Final prev -1.3% (2:30pm)

UK ILO Unemploy. Rate Apr exp 3.7% prev 3.7% (4pm)

EZ EU ZEW Expectations Jun prev -29.5 (7pm)

EZ Industrial Production Apr prev -1.8% (7pm)

US PPI May y/y exp 10.8% prev 11.0% (10:30pm)

Times are AEDT. 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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