

Tuesday, 28 June 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,706	1.9%			Last	Overnight Chg		Australia		
US Dow Jones	31,438	-0.2%	10 yr bond	96.10				90 day BBSW	1.77	0.03
Japan Nikkei	26,871	1.4%	3 yr bond	96.40				2 year bond	2.81	0.06
China Shanghai	3,542	0.9%	3 mth bill rate	97.19				3 year bond	3.28	0.07
German DAX	13,186	0.5%	SPI 200	6,593.0				3 year swap	3.82	0.03
UK FTSE100	7,258	0.7%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.78	0.06
Commodities (close & change)*			TWI	61.8	-	-	61.9	United States		
CRB Index	298.8	0.2	AUD/USD	0.6942	0.6959	0.6907	0.6923	3-month T Bill	1.61	-0.02
Gold	1,822.85	-4.0	AUD/JPY	93.84	94.07	92.98	93.77	2 year bond	3.12	0.06
Copper	8,430.25	38.3	AUD/GBP	0.5658	0.5662	0.5629	0.5644	10 year bond	3.20	0.07
Oil (WTI futures)	109.57	2.0	AUD/NZD	1.0991	1.1003	1.0960	1.0990	Other (10 year yields)		
Coal (thermal)	375.90	4.4	AUD/EUR	0.6578	0.6583	0.6536	0.6550	Germany	1.55	0.11
Coal (coking)	373.50	-4.0	AUD/CNH	4.6411	4.6541	4.6197	4.6324	Japan	0.25	0.02
Iron Ore	117.55	-2.3	USD Index	104.19	104.21	103.67	103.95	UK	2.39	0.09

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: Portfolio rebalancing in the final days of the quarter prompted a softening in US equities and an uptick in treasury yields. The US dollar was weaker and oil firmed.

Share Markets: US share markets oscillated between gains and losses to finish the session in the red. The NASDAQ shed 0.7%, while the S&P 500 and the Dow Jones eased 0.3% and 0.2%, respectively.

The ASX 200 rose 1.9% yesterday, posting its biggest one-day gain in over six weeks.

Interest Rates: The US 2-year treasury yield rose 6 basis points overnight to 3.12%, while the 10-year yield jumped 7 basis points to 3.20%.

Interest rate markets are attaching a 95% probability to another 75 basis point rate hike at the Fed's July meeting.

The Australian 3 and 10-year government bond (futures) yields rose 6 basis points to 3.61% and 3.91%, respectively.

Interbank cash rate futures imply an 83% probability of a 50 basis point rate hike at the Reserve Bank's (RBA) July meeting.

Foreign Exchange: The Aussie dollar softened after a volatile session. The AUD/USD pair ranged between a high of 0.6959 and a low of 0.6907, before settling around 0.6923.

The US dollar weakened against a basket of its G-10 peers. The DXY index fell from a high of 104.21 to a

low of 103.67 and is currently trading around 103.95.

Commodities: The West Texas Intermediate (WTI) price of oil firmed overnight. WTI briefly rose above US\$110 per barrel, before easing slightly to close around US\$109 per barrel.

Gold and iron ore softened, while copper firmed.

Australia: There were no major economic data releases yesterday.

China: Industrial profits fell 6.5% over the year to May, following an 8.5% annual decline in April. The result comes despite the recent easing of COVID-19 restrictions in parts of the country.

Meanwhile, People's Bank of China (PBOC) Governor, Yi Gang, said the Bank will maintain supportive monetary policy to aid the economic recovery. Yi described the inflation outlook as stable and noted real interest rates are "pretty low". He didn't express any concern about the yuan's recent depreciation.

United States: Durable goods orders rose 0.7% in May, beating market expectations of a 0.1% gain. This follows a revised 0.4% increase in orders in April and points to an upbeat investment outlook.

Pending home sales unexpectedly rose in May, edging up 0.7%. This was the first monthly gain in seven months, as rising interest rates continue to temper the housing market. In annual terms,

pending home sales were 12.0% lower in May.

The Dallas Fed manufacturing index plunged to its lowest level since May 2020. The June reading came in at -17.7, down from -7.3 previously and well below market expectations of -6.5. The strongly negative reading may be an early indication that aggressive policy tightening from the Fed is starting to dampen economic activity.

Today's key data and events:

US FHFA House Prices Apr exp 1.6% prev 1.5% (11pm)

US S&P CoreLogic CS House Prices Apr exp 1.9% prev 2.4% (11pm)

US Cons. Conf. Index Jun exp 100.0 prev 106.4 (12am)

US Richmond Fed Index Jun exp -5 prev -9 (12am)

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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The Detail

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