

Wednesday, 28 June 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,118	0.6%			Last	Overnight Chg		Australia		
US Dow Jones	33,927	0.6%	10 yr bond		3.93		0.00	90 day BBSW	4.30	-0.02
Japan Nikkei	32,538	-0.5%	3 yr bond		3.88		0.01	2 year bond	4.10	-0.01
China Shanghai	3,343	1.2%	3 mth bill rate		4.56		-0.01	3 year bond	3.93	-0.02
German DAX	15,847	0.2%	SPI 200		7,095.0		26	3 year swap	4.22	0.02
UK FTSE100	7,461	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.93	-0.02
Commodities (close & change)*			TWI	61.8	-	-	61.8	United States		
CRB Index	259.7	-3.7	AUD/USD	0.6674	0.6721	0.6670	0.6686	3-month T Bill	5.12	0.03
Gold	1,913.69	-9.6	AUD/JPY	95.76	96.50	95.67	96.30	2 year bond	4.76	0.01
Copper	8,372.00	-35.0	AUD/GBP	0.5250	0.5280	0.5238	0.5244	10 year bond	3.76	0.04
Oil (WTI futures)	67.70	-1.7	AUD/NZD	1.0830	1.0875	1.0826	1.0844	Other (10 year yields)		
Coal (thermal)	142.00	2.5	AUD/EUR	0.6121	0.6151	0.6093	0.6100	Germany	2.36	0.05
Coal (coking)	229.67	0.7	AUD/CNH	4.8357	4.8503	4.8226	4.8301	Japan	0.37	0.01
Iron Ore	113.20	0.6	USD Index	102.74	102.80	102.32	102.51	UK	4.38	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: Stronger-than-expected economic data in the US bolstered expectations for further rate hikes from the Fed, while Christine Lagarde joined the chorus of central bankers expecting rates to remain higher for longer. US equities finished in the green while treasury yields edged higher, and the US dollar softened.

Share Markets: US equities took strong economic data in their stride, led by gains in tech. The S&P 500 advanced 1.2%, while the Dow Jones and the NASDAQ gained 0.6% and 1.7%, respectively.

The ASX 200 advanced 0.6% yesterday, alongside a broader improvement in risk sentiment. Futures are pointing to further momentum this morning.

Interest Rates: The 2-year treasury yield finished up 1 basis point at 4.76% after recovering from an initial fall to 4.65%. The 10-year yield rose 4 basis points to 3.76% via a low of 3.69%.

Interest rate markets are pricing in a 75% chance of another hike from the Fed in July.

Cash rate futures imply a 25% chance the Reserve Bank (RBA) hikes again in July. These expectations will be sensitive to today's release of the monthly inflation indicator.

Foreign Exchange: The Aussie dollar finished slightly higher after trading between a low of 0.6670 and a high of 0.6721. The AUD/USD pair is currently trading around 0.6686.

The US dollar was broadly weaker but held within a narrow range. The DXY index eased from a high of 102.80 to a low of 102.32, before retracing slightly to finish around 102.51.

Commodities: Gold, copper and oil were all weaker. Iron ore and coal bucked the trend, firming on the day.

Australia: There were no major economic data releases yesterday.

Eurozone: European Central Bank (ECB) President, Christine Lagarde, spoke overnight and warned that inflation had entered a new phase which could linger for some time. Lagarde warned "it is unlikely that in the near future the central bank will be able to state with full confidence that the peak rates have been reached". It was also hinted that policy was expected to remain restrictive for an extended period, Lagarde noted "this will ensure that hiking rates does not elicit expectations of a too-rapid policy reversal and will allow the full impact of our past action to materialise".

United States: Durable goods orders rose 1.7% in May, beating consensus expectations for a 0.9% fall. This followed an upwardly revised 1.2% gain in April. However, much of the strength was attributable to strong aircraft orders. When excluding transportation, durable goods orders rose 0.6% - still surpassing expectations of a flat reading. This followed an equivalent 0.6% decline in April.

The FHFA and CoreLogic house price indices showed an increase in dwelling prices through April. The FHFA index rose 0.7% in the month, accelerating from a 0.5% gain in April. Meanwhile, the CoreLogic measure recorded a stronger 0.9% increase, beating expectations for a more modest 0.4% gain.

New home sales jumped 12.2% in May, notching up a third consecutive monthly increase. There were 763k sales recorded in the month - the highest since February last year.

The consumer confidence index improved in June, rising to 109.7 from 102.5 in May. The reading was stronger than expected by economists and was the strongest reading since January last year. The assessment of the current economic situation and expectations for the outlook both improved.

The Richmond Fed manufacturing index, improved in June but remains negative. The index jumped to -7 from -15 in May, beating expectations for a reading of -12.

Today's key data and events:

AU Monthly CPI May y/y exp 6.1% prev 6.8% (11:30am)

EZ M3 Money Supply May y/y exp 1.5% prev 1.9% (6pm)

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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