

Tuesday, 30 January 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,578	0.3%			Last	Overnight Chg		Australia		
US Dow Jones	38,333	0.6%	10 yr bond	4.16				90 day BBSW	4.36	0.00
Japan Nikkei	36,027	0.8%	3 yr bond	3.68				2 year bond	3.85	-0.05
China Shanghai	3,023	-0.9%	3 mth bill rate	4.29				3 year bond	3.76	-0.05
German DAX	16,942	-0.1%	SPI 200	7,580.0				3 year swap	3.88	-0.07
UK FTSE100	7,633	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.22	-0.03
Commodities (close & change)			TWI	61.5	-	-	61.5	United States		
CRB Index	270.9	-2.7	AUD/USD	0.6577	0.6616	0.6570	0.6612	3-month T Bill	5.21	0.00
Gold	2,031.60	10.8	AUD/JPY	97.44	97.70	97.29	97.50	2 year bond	4.31	-0.04
Copper	8,479.05	-29.0	AUD/GBP	0.5179	0.5204	0.5175	0.5202	10 year bond	4.08	-0.06
Oil (WTI futures)	76.97	-1.0	AUD/NZD	1.0783	1.0812	1.0766	1.0779	Other (10 year yields)		
Coal (thermal)	115.90	-2.3	AUD/EUR	0.6063	0.6107	0.6059	0.6104	Germany	2.24	-0.06
Coal (coking)	332.00	0.0	AUD/CNH	4.7259	4.7542	4.7222	4.7516	Japan	0.72	0.01
Iron Ore	135.20	-0.2	USD Index	103.51	103.82	103.40	103.48	UK	3.88	-0.09

Data as at 8:00am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: US Bond yields declined across the curve as the US Government reduced its borrowing guidance. Further, US partial activity data was softer than expected, supporting the case for rate cuts and lower yields. Lower yields supported higher stock valuation, which saw equities finish firmly in the green. The US dollar was broadly unchanged.

Share Markets: US ended firmly in the green, with valuations supported by lower bond yields. Prior to the US Government's updated borrowing guidance, equities had been trading in a tight range as investors wait for the outcome of the Fed's first meeting of 2024 and quarterly earnings reports. Over the next two days, Microsoft, Apple, Alphabet, Amazon, and Meta Platforms will be reporting.

The S&P 500 was 0.8% higher, the Dow Jones was 0.6% higher and the NASDAQ ended 1.1% higher.

The ASX 200 rose for the sixth straight day, finishing 0.3% higher, led by financial and technology stocks. Eight out of eleven sectors ended the day in the green. Futures are pointing to a positive open this morning.

Interest Rates: US bond yields were lower across the curve as the US Government reduced its fiscal borrowing guidance for the March quarter to \$760 billion, from \$816 billion. The 2-year yield declined 4 basis points to 4.31% and the 10-year fell 7 basis points to 4.07%.

Interest rate markets are pricing a 50/50 chance of a rate cut at the Fed's March meeting and are fully pricing five rate cuts in 2024, totalling around 135 basis points of rate cuts.

Australian bond yields were also lower. The Australian 3-year government bond (futures) yield declined 5 basis point to 3.68%, while the 10-year (futures) yield fell 7 basis points to 4.16%.

Interest rate markets are pricing close to two rate cuts in 2024 – for a total of around 50 basis points. The first-rate cut is expected in August. Markets have attached virtually no chance of another hike, including when the Reserve Bank meets for the first time this year in February.

Foreign Exchange: The Aussie dollar was higher after breaking key resistance at 0.6610. The AUD/USD pair increased from a low of 0.6570 to a high of 0.6616, before settling at 0.6612.

The US dollar was broadly unchanged against a basket of major currencies. After hitting a high of 103.82, the dollar declined to a low of 103.40, before settling at 103.48.

Commodities: The West Texas Intermediate (WTI) price of oil declined to US\$76.97 per barrel, after increasing to a touch under US\$80.0 per barrel on the back of the conflict in the Red Sea. Reports suggest that OPEC+ are making a slow start to planned oil cuts, supporting supply, and therefore taking pressure of the global oil price.

More broadly, copper, coal and iron ore were lower, while gold was higher.

Australia: There were no major economic data releases on Friday.

New Zealand: The trade deficit narrowed to around NZ\$323 million in December, from a deficit of NZ\$1.25 billion in November. Exports declined by 0.2% over December, due to lower sales of milk powder, butter, and cheese, casein and caseinates and wood pulp and wastepaper. Imports declined by 13% over the month on the back of declines aircraft, vehicles, parts, and electrical machinery and equipment. In annual terms the trade deficit was \$13.6 billion in 2023, down from the \$14.6 billion deficit recorded in 2022.

United States: The Federal Reserve Bank of Dallas business activity index for manufacturing declined 17 points to -27.4 index points in January, the lowest read in eight months. This shows that the contraction in manufacturing is accelerating, with large falls recorded in the production and capacity utilisation sub-indices. The production sub index dropped 17 points to -15.4 index points, the lowest read since mid-2020. The capacity utilization index dropped to a multiyear low of -14.9 index points. The new orders index ticked down -12.5 index points from -10.1 index points in January. On the price front, wage and input costs continued to increase this month, while selling prices were flat.

Today's key data and events:

AU Retail Sales Dec exp -1.7% prev 2.0% (11:30am)

EZ Consumer Confidence Jan final (9:00pm)

EZ Economic Confidence Jan (9:00pm)

EZ GDP Q4 (9:00pm)

JN Job to Applicant ratio Dec (10:30am)

UK Nationwide House Prices Jan

US FHFA House Prices Nov (1:00am)

US S&P CoreLogic CS House Prices Nov (1:00am)

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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