

Monday, 6 June 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,176	-0.8%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	33,248	1.3%	10 yr bond	96.48			-0.01	90 day BBSW	1.22	0.03
Japan Nikkei	27,414	-0.2%	3 yr bond	96.93			-0.01	2 year bond	2.64	0.11
China Shanghai	3,348	0.4%	3 mth bill rate	98.67			-0.01	3 year bond	2.99	0.09
German DAX	14,485	1.0%	SPI 200	7,245.0			77	3 year swap	3.41	0.03
UK FTSE100	7,533	-1.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.50	0.08
Commodities (close & change)*			TWI	63.3	-	-	63.3	<b>United States</b>		
CRB Index	323.1	3.1	AUD/USD	0.7265	0.7270	0.7141	0.7265	3-month T Bill	1.10	-0.01
Gold	1,868.58	22.0	AUD/JPY	94.35	94.38	92.85	94.34	2 year bond	2.63	-0.01
Copper	9,504.50	53.0	AUD/GBP	0.5776	0.5781	0.5727	0.5776	10 year bond	2.91	0.00
Oil (WTI futures)	117.37	0.5	AUD/NZD	1.1078	1.1097	1.1053	1.1077	<b>Other (10 year yields)</b>		
Coal (thermal)	390.75	0.5	AUD/EUR	0.6759	0.6765	0.6704	0.6759	Germany	1.24	0.05
Coal (coking)	410.00	0.0	AUD/CNH	4.8366	4.8399	4.7925	4.8383	Japan	0.24	0.00
Iron Ore	141.95	1.6	USD Index	101.76	102.62	101.74	101.82	UK	2.16	0.05

Data as at 8:30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

**Main Themes:** A strong US jobs report on Friday kept expectations alive for the US Federal Reserve to maintain an aggressive approach to tightening policy. US share markets slumped and demand for the US dollar lifted, knocking the Aussie dollar off a one-month high. Australian markets are awaiting the Reserve Bank decision tomorrow. A rate hike of 25 basis points is fully priced in with a bigger-sized hike partially priced (72% for 40 basis points and nearly 60% for 50 basis points).

**Share Markets:** US share markets slumped after a strong US jobs report suggested the Fed will stay on track for aggressive rate hikes. The S&P 500 sunk 68 points (or -1.6%), the Dow dropped 349 points (or -1.1%) and the Nasdaq fell 304 points (or -2.5%).

**Interest Rates:** The US 2-year bond yield declined 1 basis point to 2.63% and the 10-year bond yield ended unchanged at the close at 2.91%.

Interest-rate markets are fully priced for a hike of 25 basis points from the RBA tomorrow and have a probability of 72% attached to a move of 40 basis points. The probability is 57% for 50 basis points.

In a Bloomberg survey published Friday, the median among economists centres on a hike tomorrow of 40 basis points. However, of the 23 forecasters, 3 expect a bigger-sized move of 50 basis points and 9 expect 25 basis points.

**Foreign Exchange:** The AUD/USD rose to a 1-month high of 0.7283 in late Asian trading on Friday, but

then retreated towards 0.7200 on Friday night. Strong US jobs data underpinned demand for the USD, spurring a sell off in the AUD/USD exchange rate.

**Commodities:** Commodity prices firmed on Friday night, including oil and gold.

**Australia:** The value of new housing loan commitments fell 6.4% in April, following a rise of 2.1% in the previous month. The decline was led by owner-occupier lending; the value of new housing loan commitments fell 7.3% for owner-occupier lending, while investor lending fell 4.8%. These were the largest monthly falls since May 2020.

The falls were due to a softening housing market, as well as the close proximity of Easter and ANZAC day public holidays, which softened borrower demand and limited loan processing more than would usually occur in the month of April.

**China:** Beijing will roll back limits on Monday as Covid ebbs, resuming public transport in most districts, and allowing workers to return to offices and restaurants to resume dining-in.

**United States:** The US economy added 390,000 jobs in May, better than consensus expected despite fears of an economic slowdown and with a roaring pace of inflation. At the same time, the unemployment rate held at 3.6%, just above the lowest level since December 1969. Consensus expected non-farm payrolls to expand by 328,000

and the unemployment rate to edge lower to 3.5%. May's total represented a pullback from the upwardly revised 436,000 in April and was the lowest monthly gain since April 2021.

Average hourly earnings increased 0.3% from April, slightly lower than the 0.4% estimate by consensus. The year-over-year increase for wages slowed to 5.2%, from 5.5% the month before. It is the second straight month the annual rate has eased, although it remains at an elevated pace.

The ISM services index declined to 55.9 in May, from 57.1 in April, but remains above 50 and in expansionary territory.

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

AU Melb Inst. Inflation Gauge May y/y% prev 3.4% (11am)

CH Caixin Composite PMI May prev 37.1 (11:45am)

CH Caixin Services PMI May exp 46 prev 36.2 (11:45am)

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.

**Besa Deda, Chief Economist**

Ph: (02) 8254 3251

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## Contact Listing

**Chief Economist**

Besa Deda  
dedab@bankofmelbourne.com.au  
(02) 8254 3251

**Economist**

Matthew Bunny  
matthew.bunny@bankofmelbourne.com.au  
(02) 8254 0023

**Senior Economist**

Jarek Kowcza  
jarek.kowcza@bankofmelbourne.com.au  
0481 476 436

**Associate Economist**

Jameson Coombs  
jameson.coombs@bankofmelbourne.com.au  
0401 102 789

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