

Tuesday, 7 June 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,206	-0.4%			Last	Overnight Chg		Australia		
US Dow Jones	32,916	0.0%	10 yr bond	96.50		0.00	90 day BBSW	1.24	0.01	
Japan Nikkei	27,916	0.6%	3 yr bond	96.92		-0.03	2 year bond	2.62	0.02	
China Shanghai	3,391	1.3%	3 mth bill rate	98.72		-0.02	3 year bond	2.98	0.02	
German DAX	14,654	1.3%	SPI 200	7,207.0		-5	3 year swap	3.41	-0.01	
UK FTSE100	7,608	1.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.48	0.00
Commodities (close & change)*			TWI	63.3	-	-	63.3	United States		
CRB Index	326.8	3.5	AUD/USD	0.7211	0.7232	0.7187	0.7195	3-month T Bill	1.16	0.01
Gold	1,841.43	-9.8	AUD/JPY	94.40	95.00	93.77	94.94	2 year bond	2.73	0.07
Copper	9,504.50	53.0	AUD/GBP	0.5773	0.5773	0.5735	0.5742	10 year bond	3.04	0.11
Oil (WTI futures)	118.50	-0.4	AUD/NZD	1.1079	1.1091	1.1056	1.1082	Other (10 year yields)		
Coal (thermal)	394.35	3.6	AUD/EUR	0.6727	0.6747	0.6704	0.6729	Germany	1.32	0.05
Coal (coking)	415.00	5.0	AUD/CNH	4.7940	4.8083	4.7836	4.7886	Japan	0.25	0.01
Iron Ore	144.55	0.7	USD Index	102.17	102.47	101.85	102.40	UK	2.25	0.09

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: US stocks crept higher and US bond yields rose in the absence of fresh news for markets. The AUD/USD slipped lower. The Reserve Bank meets today. A 25-basis point rate hike is fully priced in with a bigger hike partly priced (67% for 40 basis points and 54% for 50 basis points).

Share Markets: US stocks generally edged modestly higher, partly offsetting declines from the previous session. The S&P 500 edged up 0.3%, the Dow finished unchanged and the Nasdaq rose 0.4%. The ASX 200 slipped 0.4%.

Interest Rates: The Reserve Bank meets today and will deliver a rate hike for a second consecutive month, although economists are split on the size of the hike. A survey of economists conducted by Bloomberg on Friday revealed the median expectation is for a hike of 25 basis points, but 3 forecasters expect 50 basis points and 11 expect 40 basis points.

Interest-rate markets are fully priced for a hike of 25 basis points from the RBA today and have a probability of 67% attached to a move of 40 basis points. The probability is 54% for a 50 basis point move.

The US 10-year treasury yield jumped 11 basis points to 3.04% – touching a one-month high of 3.05% during the session. The 2-year yield increased 7 basis points to 2.73%, also hitting a one-month high.

Markets are fully priced for the Fed to hike 50 basis points at both the June and July meetings.

The Australian 10-year (futures) yield was unchanged at 3.50% while the 3-year yield rose 2 basis points to 3.08%.

Foreign Exchange: The AUD/USD traded within a narrow range, moving from 0.7211 to finish slightly lower at 0.7194, while the US dollar strengthened.

Commodities: Industrial metals rose across the board as China relaxed its virus curbs further. West Texas Intermediate crude oil (futures) slipped to around \$118. Gold edged lower.

Australia: Inflation expectations, as measured by the Melbourne Institute, climbed 1.1% in May, the fastest monthly pace on record. In annual terms, inflation expectations jumped to a record 4.8%, up from 3.4% in May.

Job advertisements rose 0.4% in May, following a revised 2.0% decline in April. Job ads are 17.4% higher in annual terms and remain elevated relative to historical levels.

China: The Caixin services purchasing managers' index (PMI) rose to 41.4 in May, from 36.2 in April. The result was weaker than expected by consensus, although indicates that the services sector may be starting to repair from the impacts of harsh lockdowns.

United Kingdom: British Prime Minister Boris

Johnson survived a vote of no confidence in his leadership, spearheaded by rebel members of parliament who believed he had become a liability to his party. Johnson won the secret ballot with 211 votes in his favour and 148 against.

Today's key data and events:

AU RBA Board Meeting (2:30pm)

Cash Rate Target exp 0.75% prev 0.35%

EZ Ger. Factory Orders Apr exp 0.3% prev -4.7% (4pm)

EZ Sentix Investor Conf. Jun exp -21.2 prev -22.6 (6:30pm)

UK Markit Serv. PMI May Final exp 51.8 prev 51.8 (6:30pm)

US Trade Bal. Apr exp -\$89.5bn prev -\$109.8bn (10:30pm)

US Cons. Credit Apr exp \$35.0bn prev \$52.4bn (5am)

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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