

Thursday, 9 June 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,121	0.4%			Last	Overnight Chg		Australia		
US Dow Jones	32,911	-0.8%	10 yr bond	96.43				90 day BBSW	1.46	0.23
Japan Nikkei	28,234	1.0%	3 yr bond	96.87				2 year bond	2.74	-0.06
China Shanghai	3,420	0.7%	3 mth bill rate	98.53				3 year bond	3.08	-0.05
German DAX	14,446	-0.8%	SPI 200	7,079.0				3 year swap	3.53	-0.03
UK FTSE100	7,593	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.55	-0.01
Commodities (close & change)*			TWI	63.3	-	-	63.3	United States		
CRB Index	329.1	2.0	AUD/USD	0.7232	0.7235	0.7176	0.7191	3-month T Bill	1.22	-0.02
Gold	1,853.36	1.0	AUD/JPY	95.91	96.88	95.75	96.52	2 year bond	2.77	0.05
Copper	9,741.30	37.0	AUD/GBP	0.5745	0.5758	0.5722	0.5735	10 year bond	3.02	0.05
Oil (WTI futures)	122.11	2.7	AUD/NZD	1.1141	1.1174	1.1140	1.1157	Other (10 year yields)		
Coal (thermal)	325.05	-1.0	AUD/EUR	0.6754	0.6763	0.6701	0.6711	Germany	1.35	0.06
Coal (coking)	405.33	-12.7	AUD/CNH	4.8231	4.8320	4.8017	4.8186	Japan	0.25	0.00
Iron Ore	145.30	0.6	USD Index	102.34	102.78	102.27	102.54	UK	2.25	0.03

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: Risk sentiment declined alongside renewed inflation and growth concerns. US equity markets snapped a two-day rally, while US bond yields rose. The 10-year treasury yield jumped over 3% and oil closed over US\$120 per barrel for the first time in 3 months.

Share Markets: US share markets ended a two-day rally, tumbling on inflation and growth concerns. The S&P 500 led the decline, falling 1.1%. The Dow Jones and the NASDAQ fell 0.8% and 0.7%, respectively.

The ASX 200 closed up 0.4% yesterday. Futures are pointing to a weak open this morning.

Interest Rates: The US 2-year treasury yield climbed 5 basis points to a 5-week high of 2.77%. The US 10-year treasury yield also jumped 5 basis points to 3.02%.

Interest rate markets are fully pricing two consecutive 50 basis point rate hikes at the Fed's June and July meetings.

The Australian 3-year government bond (futures) yield eased 1 basis point to 3.13%, while the 10-year (futures) yield rose 2 basis points to 3.57%.

Interest rate markets are currently pricing 35 basis points of rate hikes at the Reserve Bank's (RBA) July meeting.

Foreign Exchange: The Aussie dollar softened overnight. The AUD/USD pair traded from a high of

0.7235 to a low of 0.7176, before consolidating around 0.7191.

The US dollar strengthened against a basket of major currencies. The DXY index ranged between a low of 102.27 and a high of 102.78 and is now trading around 102.54.

Commodities: The West Texas Intermediate (WTI) price of oil rose to US\$122.11 per barrel overnight, marking the first close over US\$120 per barrel in three months. Concerns over a sharp rise in demand as the Chinese economy awakens from lockdown drove the shift.

Gold, copper and iron ore also rose, while coal softened.

Australia: There were no major economic data releases yesterday.

Eurozone: The European Central Bank (ECB) meets tonight. It is widely expected that the Bank's bond purchasing program will be dropped, paving the way for a hike in the policy rate at the following meeting. The remarks of ECB President Christine Lagarde will be a key focus in considering the likely size of the hike at the next meeting.

March quarter GDP growth was revised up at final figures. Activity expanded 0.6% in the first quarter, beating preliminary and consensus estimates of a 0.3% gain. Growth climbed to 5.4% in annual terms, up from 4.7% in the previous quarter. However, household consumption eased 0.7% as rising

inflation, exacerbated by the war in Ukraine, and weak confidence impacted spending.

German industrial production expanded 0.7% in April, following a revised 3.7% contraction in March. The result was weaker than the 1.2% rise in production expected by consensus and takes industrial production 2.2% lower in annual terms.

Japan: March quarter GDP growth was finalised at -0.1%, a slight improvement on the preliminary figure of -0.2% and stronger than the 0.3% contraction expected by consensus. The result follows a 1.0% rise in activity in the December quarter.

Meanwhile, the current account surplus narrowed drastically, contracting from ¥2.5 trillion in March, to ¥501.1 billion in April. This was the narrowest current account surplus in three months following a current account deficit in January.

World: The Organisation for Economic Co-operation and Development (OECD) joined the World Bank in cutting its forecast for global growth. World growth in 2022 was revised down to 3.0%, from 4.5% previously. The OECD said the world economy will pay a “hefty price” for the war in Ukraine. Meanwhile, inflation forecasts were doubled.

Today's key data and events:

CH Trade Bal. May exp US\$57.7bn prev US\$51.1bn (TBC)

CH Exports May y/y exp 8.0% prev 3.9% (TBC)

CH Imports May y/y exp 2.8% prev 0.0% (TBC)

EZ ECB Policy Decision (9:45pm)

Main Refinancing Rate exp 0.0% prev 0.0%

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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