

Friday, 10 February 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,490	-0.5%			Last	Overnight Chg		Australia		
US Dow Jones	33,700	-0.7%	10 yr bond	3.72		0.04	90 day BBSW	3.46	0.01	
Japan Nikkei	27,584	-0.1%	3 yr bond	3.42		0.07	2 year bond	3.32	0.07	
China Shanghai	3,428	1.2%	3 mth bill rate	3.72		0.03	3 year bond	3.34	0.07	
German DAX	15,523	0.7%	SPI 200	7,391.0		-26	3 year swap	3.83	0.14	
UK FTSE100	7,911	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.67	0.06
Commodities (close & change)*			TWI	62.2	-	-	62.2	United States		
CRB Index	270.5	-0.5	AUD/USD	0.6924	0.7011	0.6922	0.6932	3-month T Bill	4.61	0.02
Gold	1,861.35	-14.1	AUD/JPY	90.99	91.59	90.93	91.25	2 year bond	4.48	0.06
Copper	8,955.50	83.7	AUD/GBP	0.5737	0.5763	0.5720	0.5722	10 year bond	3.66	0.05
Oil (WTI futures)	77.61	-0.9	AUD/NZD	1.0979	1.0985	1.0952	1.0966	Other (10 year yields)		
Coal (thermal)	191.50	-37.5	AUD/EUR	0.6463	0.6498	0.6456	0.6460	Germany	2.30	-0.06
Coal (coking)	359.33	3.3	AUD/CNH	4.7062	4.7510	4.7040	4.7125	Japan	0.50	0.00
Iron Ore	124.20	0.2	USD Index	103.48	103.55	102.64	103.26	UK	3.29	-0.02

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: Investor sentiment soured in New York trade, as fears over a US recession grew. The US 2-10-year spread widened to its widest since the 1980s. The risk tone was also impacted by rising US-China geopolitical tensions.

Share Markets: US share markets were a sea of red in contrast to the sea of green over in Europe. The US Dow fell 0.7%, the S&P 500 0.9% and the Nasdaq shed 1.0%.

Interest Rates: US bond yields rose across the curve – the 2-year yield rose 6 basis points and the 10-year yield lifted 5 basis points. The 2-10-year spread inverted further, widening to as much as 86 basis points during intraday trade – the largest margin since the early 1980s. At the close, the spread was at 82 basis points. It's a sign of flagging confidence in the ability of the US economy to withstand more Fed hike.

Locally, interest rate markets in the wake of the RBA decision and statement earlier this week have moved to price in a peak in the cash rate of nearly 4.10% by July this year.

Currencies: The AUD/USD rose to a high yesterday of 0.7011, but fell back towards 0.6920, as the risk tone was undermined by rising US-China tensions and concerns about a US recession. The AUD/USD is likely, however, to remain within recent trading ranges in the near term of 0.6850-0.7160.

Commodities: Oil and gold declined.

Australia: There were no major economic data releases yesterday.

Europe: Sweden's central bank, the Risksbank, raised borrowing costs by 50 basis points last night. It was a widely expected decision. The new Riskbank Governor signalled another rate hike in April is likely, but of 25 basis points. He also unexpectedly pledged to start bond sales and declared it wants a stronger Swedish krona.

Germany's annual inflation rate slowed to a three-month low in January, helped by government support packages that reduced household energy bills. Headline inflation in the year to January slowed to 8.7%, down from the peak of 10.4% in October 2022.

Bank of France Governor Francois Villeroy de Galhau said French inflation should peak in the first half and start to ease from the middle of the year.

United States: Applications for US unemployment benefits rose for the first time in six weeks, but remained historically low, which highlights the resilience of the job market. Initial unemployment claims rose by 13,000 to 196,000 in the week ended February 4. The consensus forecast was for a result of 190,000.

Federal Reserve Bank of Richmond President Thomas Barkin said it's important for the central bank to continue to raise interest rates to ensure it brings inflation back to the 2% target.

Today's key data and events:

NZ BusinessNZ Mfg PMI Jan prev 47.2 (8:30am)

AU RBA Statement on Monetary Policy (11:30am)

CH CPI Jan y/y exp 2.1% prev 1.8% (12:30pm)

CH PPI Jan y/y exp -0.5% prev -0.7% (12:30pm)

UK GDP Q4 exp 0.0% prev -0.3% (6pm)

US UoM Cons. Sent. Feb Prel exp 65.0 prev 64.9 (2am)

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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