

Tuesday, 26 September 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,077	0.1%			Last	Overnight Chg		Australia		
US Dow Jones	34,007	0.1%	10 yr bond	4.43		0.10	90 day BBSW	4.14	-0.01	
Japan Nikkei	32,679	0.9%	3 yr bond	4.06		0.06	2 year bond	4.03	-0.03	
China Shanghai	3,267	-0.5%	3 mth bill rate	4.31		0.01	3 year bond	4.00	-0.03	
German DAX	15,405	-1.0%	SPI 200	7,111.0		-7	3 year swap	4.23	0.00	
UK FTSE100	7,624	-0.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.31	-0.03
Commodities (close & change)*			TWI	60.6	-	-	60.6	United States		
CRB Index	284.9	-1.1	AUD/USD	0.6443	0.6447	0.6404	0.6424	3-month T Bill	5.31	-0.01
Gold	1,915.92	-9.3	AUD/JPY	95.57	95.72	95.18	95.61	2 year bond	5.12	0.02
Copper	8,110.50	-88.3	AUD/GBP	0.5264	0.5266	0.5243	0.5261	10 year bond	4.53	0.10
Oil (WTI futures)	89.84	0.2	AUD/NZD	1.0812	1.0816	1.0757	1.0768	Other (10 year yields)		
Coal (thermal)	163.60	1.2	AUD/EUR	0.6053	0.6071	0.6027	0.6064	Germany	2.80	0.06
Coal (coking)	302.00	2.0	AUD/CNH	4.7025	4.7044	4.6855	4.6992	Japan	0.74	-0.01
Iron Ore	115.30	-0.8	USD Index	105.54	106.10	105.52	105.96	UK	4.32	0.07

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: US bond yields hit new multi-year highs and Moody's sounded a warning a US government shutdown would threaten the country's triple A credit rating. US share markets appeared to shrug off this warning.

Share Markets: US share markets managed to snap a four-day losing streak. A Moody's warning about the impact from a looming US government shutdown failed to resonate. The Dow closed 0.1% higher and the S&P 500 finished up 0.4%. The Nasdaq increased 0.5% on the day.

Interest Rates: US bond yields hit new multi-year highs as the Fed's higher-for-longer theme continued to reverberate. The US 10-year yield jumped 10 basis points to 4.53% - a level last reached in 2007. The US 2-year yield lifted 2 basis points to 5.12%.

Foreign Exchange: The US dollar leapt higher alongside the upward shift in the US yield curve. The USD index rose to 106.10, its highest level since November 2022, before retracing slightly to trade around 105.99 at the time of writing. The British pound slipped to a 6-month low of 1.2194 against the US dollar. The euro also slipped to its lowest level since March at 1.0576 vs the greenback. The Japanese yen remained under pressure, following the Bank of Japan meeting last week. The USD/JPY pair rose to 148.89, its highest level since October 2022.

Meanwhile, the Aussie dollar softened on the back of USD strength, but remained comfortably within its recent trading range. The AUD/USD pair fell from a high of 0.6451 to a low of 0.6404, before recovering to finish around 0.6420. AUD/NZD fell from 1.0805 to a two-month low of 1.0765.

Commodities: Oil edged slightly higher and remains near US\$90 a barrel.

Australia: The Federal government released its Employment White Paper after a year-long consultation period, outlining a policy road map for jobs, skills, and what successful full employment looks like in Australia.

China: Evergrande's crisis deepened after its mainland unit defaulted on a 4 billion yuan (US\$547 million) bond, adding a new layer of uncertainty as a restructuring plan with the developer's offshore creditors teeters.

Eurozone: The Ifo business index in Germany fell to 85.7 in September, from 85.8 in August. Consensus forecasts centred on a result of 85.2. The report underscored the likelihood of a contraction in Q3.

United States: The Chicago Fed national activity index fell to minus 0.16 in August, from 0.07 in July. The outcome was below consensus expectations for a result of 0.10.

The Dallas Fed manufacturing activity index also deteriorated in the latest month, September. It fell

to minus 18.1, from minus 14.0 in August. Again, the result was worse than consensus expectations (minus 13.0).

Federal Reserve member Goolsbee said the US can avoid a recession. He said he has been calling it the “golden path,” although he warned there are a “lot of risks and the path is long and winding”.

Credit ratings agency Moody’s sounded a warning overnight on a potential US government shutdown. Moody’s said, “while government debt service payments would not be impacted and a short-lived shutdown would be unlikely to disrupt the economy, it would underscore the weakness of US institutional and governance strength relative to other Aaa-rated sovereigns that we have highlighted in recent years.” Moody’s also said a government shutdown would demonstrate the significant constraints that intensifying political polarisation continue to put on US fiscal policymaking during a period of declining fiscal strength, driven by persistent fiscal deficits and deteriorating debt affordability.

Today’s key data and events:

US Phil. Fed Non Mfg Index Sep prev -13.1 (10:30pm)

US FHFA House Price Index Jul exp 0.4% prev 0.4% (11pm)

US S&P CoreLogic CS 20-City House Prices Jul exp 0.70% prev 0.92% (11pm)

US New Home Sales Aug exp -2.2% prev 4.4% (12am)

US Conf. Board Consumer Confidence Sep exp 105.5 prev 16.1 (12am)

US Richmond Fed Index Sep exp -7 prev -7 (12am)

US Dallas Fed Services Index Sep prev -2.7 (12:30pm)

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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The Detail

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