



9 May 2024

MORNING REPORT

Today's economic developments and market movements.

Key themes

US equities were broadly unchanged as markets start to question the sustainability of May's early rally.

There was modest demand for a \$34bn treasury auction overnight. Yields edged higher across the treasury curve, led by the long end.

The US dollar firmed, gaining on the Aussie, Euro, British Pound and Japanese Yen. The Yen continued to grind lower, further eroding the impacts of last week's suspected intervention.

Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	62.4	-0.2%	30 day BBSY	4.35	-0.02
AUD/USD	0.6579	-0.3%	90 day BBSY	4.43	-0.04
AUD/JPY	102.34	0.3%	180 day BBSY	4.68	-0.06
AUD/GBP	0.5265	-0.2%	1 year swap	4.40	0.02
AUD/NZD	1.096	-0.3%	2 year swap	4.25	0.03
AUD/EUR	0.612	-0.2%	3 year swap	4.17	0.06
AUD/CNH	4.7564	-0.2%	4 year swap	4.13	0.06
AUD/SGD	0.8919	-0.2%	5 year swap	4.16	0.06
AUD/HKD	5.143	-0.3%	6 year swap	4.21	0.06
AUD/CAD	0.9030	-0.3%	7 year swap	4.26	0.06
EUR/USD	1.0749	-0.1%	8 year swap	4.32	0.06
USD/JPY	155.54	0.5%	9 year swap	4.37	0.06
USD Index	105.50	0.1%	10 year swap	4.54	0.04

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	7,804	0.1%	Australia		
S&P 500	5,188	0.0%	3 year bond	3.94	0.02
Japan Nikkei	38,202	-1.6%	10 year bond	4.29	-0.01
Hang Seng	18,314	-0.9%	United States		
Euro Stoxx 50	5,038	0.4%	3-month T Bill	5.23	-0.02
UK FTSE100	8,354	0.5%	2 year bond	4.84	0.01
VIX Index	13	-1.7%	10 year bond	4.49	0.04
			Other (10 year yields)		
Commodities	Current	Change	Germany	2.46	0.04
CRB Index	289.01	-0.2%	Japan	0.88	0.01
Gold	2310.14	-0.2%	UK	4.14	0.01
Copper	9776.10	-1.3%			
Oil (WTI futures)	79.23	0.8%	Sydney Futures Exchange	Current	Change
Coal (thermal)	254.00	0.4%	10 yr bond	4.33	0.03
Coal (coking)	145.40	-0.8%	3 yr bond	3.97	0.04
Iron Ore	116.40	-3.0%	3 mth bill rate	4.39	0.00
ACCU	33.38	0.2%	SPI 200	7,806	-0.2%

Data as at 8:10am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

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Jameson Coombs
 Economist, Westpac Group
 P: +61 401 102 789
 E: jameson.coombs@westpac.com.au

Share markets:

US equities were little changed overnight as traders were reluctant to keep piling in after a solid rally over the start of May. The S&P 500 was flat while the NASDAQ slipped 0.2%.

The ASX 200 rose 0.1% yesterday, while futures were 0.2% lower overnight.

Interest rates:

Treasury yields rose as a \$42bn bond auction received only modest demand. The 2-year yield rose 1 basis point to 4.84%, while the 10-year yield rose 4 basis points to 4.49%.

Fed rate cut pricing was little changed with a rate cut fully priced by November and around a 70% chance of a second by year-end.

The Aussie 3-year futures yield rose 4 basis points to 3.97%, while the 10-year futures yield rose 3 basis points to 4.33%.

Foreign exchange:

The US dollar index firmed from a low of 105.39 to a high of 105.64 and is currently trading around 105.50.

The Aussie dollar slipped further, cementing itself below the 66 cent level. The AUD/USD traded from a high of 0.6600 to a low of 0.6558 before regaining some ground to trade around 0.6579 at the time of writing.

The Japanese Yen resumed its grind lower, further eroding the boost from last week's suspected intervention. The USD/JPY rose back above 155 and is currently trading at 155.54.

Commodities:

Commodity prices were broadly weaker overnight. Gold (-0.2%), copper (-1.2%) and iron ore (-3.0%) all slipped, while the price of oil bucked the trend rising 0.8% to US\$79.23 per barrel.

Today's key data and events

Time	Event	Exp	Prev
9pm	UK Bank of England Bank Rate	5.25%	5.25%
TBC	CH Exports Apr y/y	1.3%	-7.5%
	CH Imports Apr y/y	4.7%	-1.9%
	CH Trade Balance Apr	US\$81.0b	US\$58.6b

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.

Australia:

There were no major economic data releases yesterday.

Euro Zone:

German industrial production fell 0.4% in March, beating expectations for a larger 0.7% fall. This followed a revised 1.7% gain in February. In annual terms production was down 3.3%.

United States:

The Fed's Susan Collins cautioned that reaching the 2% inflation target may take longer than expected. Collins noted that "a slowdown in activity will be needed to ensure that demand is better aligned with supply for inflation to return durably" to the target.



Authors

Westpac Economics

Besa Deda

M: +61 404 844 817

E: besa.deda@westpac.com.au

Pat Bustamante

M: +61 434 856 909

E: pat.bustamante@westpac.com.au

Jarek Kowcza

M: +61 481 476 436

E: jarek.kowcza@westpac.com.au

Jameson Coombs

M: +61 401 102 789

E: jameson.coombs@westpac.com.au



 westpaciq.com.au

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