

29 October 2024

MORNING REPORT

Today's economic developments and market movements.

Key themes

US equities were higher on the back of improved risk sentiment and ahead of key US economic data which will help determine the pace of future US rate cuts. Risk on tone also helped European markets finish in the green.

US bond yields continued to increase as investors assess the impact of the US election on fiscal policy and future inflationary pressures.

The US dollar index was broadly unchanged while the Yen continued to be sold off on the back of political instability. The Aussie was lower against the Greenback and remains vulnerable in the near term.

Oil fell sharply as tensions in the Middle East eased. Iron ore and coal were higher.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	61.8	-0.20%
AUD/USD	0.6585	-0.40%
AUD/JPY	100.94	0.30%
AUD/GBP	0.5076	-0.40%
AUD/NZD	1.1006	-0.40%
AUD/EUR	0.6089	-0.50%
AUD/CNH	4.7046	-0.20%
AUD/SGD	0.8705	-0.20%
AUD/HKD	5.1177	-0.30%
AUD/CAD	0.9145	-0.30%
EUR/USD	1.0814	0.10%
USD/JPY	153.29	0.60%
USD Index	104.3	0.00%

Equities	Close	Change
S&P/ASX 200	8,222	0.10%
S&P 500	5,824	0.30%
Japan Nikkei	38,606	1.80%
Hang Seng	20,599	0.00%
Euro Stoxx 50	4,970	0.50%
UK FTSE100	8,286	0.40%
VIX Index	19.8	-2.60%

Commodities	Current	Change
CRB Index	277.71	-2.40%
Gold	2742.42	-0.20%
Copper	9437.98	-0.80%
Oil (WTI futures)	67.38	-6.10%
Coal (coking)	207.5	1.00%
Coal (thermal)	146.5	-1.30%
Iron Ore	103.5	2.20%
ACCU	37.75	-0.30%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.45	0.01
180 day BBSY	4.63	-0.01
1 year swap	4.21	0.02
2 year swap	4.01	0.03
3 year swap	3.98	0.05
4 year swap	4	0.06
5 year swap	4.05	0.07
6 year swap	4.12	0.07
7 year swap	4.2	0.07
8 year swap	4.25	0.07
9 year swap	4.33	0.06
10 year swap	4.52	0.05

Government Bond Yields	Close	Change
Australia		
3 year bond	3.98	0.07
10 year bond	4.48	0.07
United States		
3-month T Bill	4.49	-0.03
2 year bond	4.14	0.03
10 year bond	4.28	0.04
Other (10 year yields)		
Germany	2.29	0.00
Japan	0.98	0.03
UK	4.25	0.02

Sydney Futures Exchange	Current	Change
10 yr bond	4.48	-0.01
3 yr bond	3.94	-0.02
3 mth bill rate	4.35	0.01
SPI 200	8,285	0.40%

Data as at 8:00am 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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Share markets:

US equities were higher ahead key economic data on the labour market and inflation which will help determine the pace of future rate cuts. The sharp fall in oil overnight was also supportive of valuations outside of the energy industry. Investors are also awaiting the earnings reports of major tech companies later this week, including the likes of Apple, Amazon and Meta.

The Dow Jones finished 0.7% in the green. The broad-based S&P 500 gained 0.3%, while the tech-rich Nasdaq also advanced 0.3%.

European stocks were also higher on the back of improved risk sentiment. The Euro Stoxx 50 and the FTSE 100 closed 0.5% higher. The DAX gained 0.4%.

In Asia, the Nikkei finished 1.8% higher as the continued slide in the Yen supported valuations. Japanese exporters, including Toyota Motor, were the biggest movers.

The ASX200 index rose 0.1%. Six of the eleven sectors finished in the green, led by materials stocks. Futures are pointing to a solid open this morning.

Interest rates:

US treasuries were sold off and yields increased across the curve as investors continue to assess the implications of the upcoming US election.

The US 2-year bond yield increased 3 basis points to 4.14%, while the 10-year bond yield increased 4 basis points to 4.28%.

Markets are much less certain about the prospect of ongoing Fed rate cuts. Interest-rate markets are pricing in around 42bps of cuts by the US Fed over the remainder of 2024 and 127 basis points by the end of 2025.

Australian yields were slightly lower overnight, following sharp increases in the 3-year and 10-year bond yields in yesterday's trade. The 3-year futures yield was 2 basis points lower at 3.94%, while the 10-year futures yield was 1 basis point lower at 4.48%.

Markets are pricing around 8 basis points of cuts by the end of 2024. The first full rate cut is now expected by May 2025, with only around 60 basis points of cuts expected over 2025 - half the amount compared to August this year.

Foreign exchange:

The US dollar index was broadly unchanged in a volatile session where the DXY moved from gains to losses. The US dollar reach its highest level (104.573) since late July before falling to a session low of 104.116. It is currently

Today's key data and events

Time	Event	Exp	Prev
10:30am	JN Job to Applicant ratio Sep		
12:00am	US FHFA House Prices Aug		0.1%
	US S&P CoreLogic House Prices Aug		
	US Consumer Confidence Index Oct		98.7

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.

trading at around 104.299.

The Aussie depreciated (-0.4%) against the Greenback, sliding to a low of 0.6580. It is trading at 0.6583 at time of writing. The near-term backdrop remains challenging for the AUD/USD pair: rising US yields, favourable Trump polling and geopolitical tensions pose downside risks.

The Japanese Yen continued to be sold off, with the USD/JPY (+0.6%) trading below 153 per US dollar. Political risk put pressure on the currency as investors mulled the implications of the failure of Japan's ruling coalition to win a majority. At a minimum, Japan faces an extended period of political instability, weighing on the Yen.

Commodities:

Oil crashed lower after the Israeli strikes on Iran avoided crude, nuclear and civilian infrastructure. The expiry of record amounts of December Brent options added to the size of the move. The West Texas Intermediate (WTI) futures declined 6.1% to US\$67.38 per barrel.

Metals were generally lower, with weakness in energy markets dragging on prices. Copper, aluminium and Nickel were all lower.

Iron ore futures were higher, trading at around US\$103.50 a tonne in Singapore. This was despite warnings from CISA about weak demand and "joint restructuring" in the steel industry.

Australia:

There were no major data releases/events in Australia.

United States:

The US' Dallas Fed manufacturing activity index rose to -3.0 in October against an expectation of little-to-no change from September's -9.0. October's result is the strongest result since April 2022. Production jumped in the month from -3.2 to 14.6 even though new orders only improved at the margin, from -5.2 to -3.7, and employment and hours worked actually deteriorated. The six-month outlook components showed optimism, likely as a result of rate cuts and continued strength in the economy.



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