



12 November 2024

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were a lot quieter overnight with Remembrance and Veteran day commemorations.

The US Treasury market was closed but futures continued to trade and were 3-4 basis points higher in yield across the curve.

US equities rose for a fifth straight session to fresh record highs. However, post-election momentum has slowed significantly.

The US dollar rose to a fresh 4-month high after gaining against every G-10 counterpart.

Bitcoin rose by over 10% to above US\$88,000 and is now over 30% above where it traded before the US election.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	62.1	-0.5%
AUD/USD	0.6572	-0.2%
AUD/JPY	101.00	0.5%
AUD/GBP	0.5108	0.2%
AUD/NZD	1.1025	-0.1%
AUD/EUR	0.6167	0.4%
AUD/CNH	4.7502	0.2%
AUD/SGD	0.8767	0.4%
AUD/HKD	5.1103	-0.2%
AUD/CAD	0.9151	-0.1%
EUR/USD	1.0656	-0.6%
USD/JPY	153.67	0.7%
USD Index	105.50	0.5%

Equities	Close	Change
S&P/ASX 200	8,266	-0.3%
S&P 500	6,000	0.1%
Japan Nikkei	39,533	0.1%
Hang Seng	20,427	-1.5%
Euro Stoxx 50	4,854	1.1%
UK FTSE100	8,125	0.7%
VIX Index	15.01	0.5%

Commodities	Current	Change
CRB Index	278.92	-1.0%
Gold	2622.86	-2.3%
Copper	9201.21	-1.3%
Oil (WTI futures)	68.21	-3.1%
Coal (coking)	210.50	0.1%
Coal (thermal)	145.40	0.2%
Iron Ore	101.25	-1.9%
ACCU	39.88	-2.1%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.00
90 day BBSY	4.46	-0.01
180 day BBSY	4.71	0.00
1 year swap	4.28	0.03
2 year swap	4.12	0.05
3 year swap	4.08	0.05
4 year swap	4.08	0.04
5 year swap	4.13	0.05
6 year swap	4.19	0.04
7 year swap	4.26	0.04
8 year swap	4.33	0.04
9 year swap	4.39	0.04
10 year swap	4.59	0.04

Government Bond Yields	Close	Change
Australia		
3 year bond	4.10	0.02
10 year bond	4.58	0.00
United States		
3-month T Bill	4.42	closed
2 year bond	4.25	closed
10 year bond	4.30	closed
Other (10 year yields)		
Germany	2.33	-0.04
Japan	1.00	0.00
UK	4.43	-0.01

Sydney Futures Exchange	Current	Change
10 yr bond	4.58	-0.01
3 yr bond	4.11	0.01
3 mth bill rate	4.39	0.00
SPI 200	8,287	0.0%

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 rose for a fifth straight session, scaling fresh record highs. But post-election momentum has slowed considerably. The S&P 500 and the NASDAQ are just 0.1% higher, while Dow Jones rose 0.7%.

European equities finished in the green. The Euro Stoxx 50 gained 1.1%, the FTSE 100 rose 0.7% in the UK, while the German Dax was 1.2% higher.

The ASX 200 opened flat yesterday but struggled to gain momentum, drifting lower throughout the session to close down 0.4%. Futures were flat overnight.

The broader Asian session was mixed yesterday. The Japanese Nikkei eked out a 0.1% increase while Chinese benchmarks were mixed. The CSI 300 rose 0.7%, keeping a mild uptrend in tact, while the Hang Seng fell 1.5% but held within its consolidation range following stimulus announcements at the start of October.

Interest rates:

The US Treasury market was closed to commemorate Veterans Day but futures continued to trade and were 3-4 basis points higher in yield across the curve.

Expectations for the federal funds rate were little change with just shy of a 50% probability attached to a December Fed rate cut and around 75 basis points of cuts expected by the end of 2025.

Yields in Europe moved in the other direction. 2-year yields were down 1 and 5 basis points in the UK and Germany, while 10-year yields were down 1 and 4 basis points, respectively.

Aussie bond futures were mixed. The 3-year futures yield was 1 basis point higher at 4.11%, while the 10-year futures yield was down 1 basis point at 4.58%.

Expectations for RBA rate cuts have been pushed out further with a 25-basis point cut now not fully priced until July next year. The odds of a move in May are sitting around 87%, while a February cut is only 30% priced-in.

Foreign exchange:

The US dollar remained well bid, rising to a fresh 4-month high of 105.71. 2024's high of 106.52 in April is now within striking distance. However, expectations for rate cuts have now been pared significantly and there are question marks against how long the sell-off in bond markets can continue while the Fed is simultaneously cutting rates. The greenback is likely to need a fresh catalyst to push meaningfully higher from here with pullbacks likely as the sharp move higher is consolidated.

The Aussie dollar continued to sell off, retesting support around 0.6560. The promising spike in the Aussie late last week has now been fully unwound and there's little clear

Today's key data and events

Time	Event	Exp	Prev
8:45am	NZ Retail Card Spending Oct		0.0%
10:30am	AU WBC-MI Consumer Sentiment Nov		89.8
11:30am	AU NAB Business Confidence Oct		-2
	AU NAB Business Conditions Oct		7
6pm	EZ Ger. CPI Oct Final	2.0%	2.0%
	UK Avg. Weekly Earnings y/y Sep	3.9%	3.8%
	UK ILO Unemployment Rate Sep	4.1%	4.0%
	UK Employment Chg. 3m/3m Sep	287k	373k
9pm	EZ Zew Expectations Nov		20.1
10pm	US NFIB Small Business Optimism Oct	92.0	91.5
3am	US NY Fed 1-Yr Inflation Expect. Oct	2.97%	3.00%
6am	US Senior Loan Officer Opinion Survey		

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.

source of near-term upside after China's fiscal announcements on Friday failed to provide any fresh support. That said, a patient RBA is keeping yields at solid levels in outright terms and on a cross-country basis, which should help establish a floor in the AUD and cap any significant downside from here.

The euro crashed through 1.0700 yesterday on its way to a 6-month low of 1.0629 and is now down five and half big figures since the start of October. Near-term direction for the euro is likely to rest with the US dollar leg, significant medium-term economic headwinds should keep the direction of monetary policy in Europe pretty clear, while many other central banks grapple with limitations on how quickly they can withdraw policy restriction.

The Japanese Yen continued to drift lower. The USD/JPY rose from 152.64 to a high of 153.95 and is currently trading around 153.67. JPY sellers are wary of intervention risks as the USD/JPY approaches 155, though this looks like the likely direction of travel near-term as the US dollar remains elevated and tariff from a Trump Presidency are likely directed forcefully towards South-East Asia.

Commodities:

Crude markets fell again with the strong US dollar, likelihood for increased trade tension, weak Chinese inflation data and expectations of soft demand all weighing on prices. West Texas Intermediate futures are down 3.1% at US\$68.22.

Metals slid again as the dollar strengthened and the Chinese stimulus package underwhelmed. Copper fell 1.3% to close at a fresh 2 month low at US\$9,201 while aluminium fell by 1.9% to \$2,572.

Iron ore markets softened with trade down to \$100 as traders were disappointed by the Chinese fiscal package announcement over the weekend. Futures are down 1.9% at US\$101.30

Australia:

There were no major economic data releases yesterday.



Corporate Directory

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group

E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Jameson Coombs
Economist
E: jameson.coombs@westpac.com.au

Neha Sharma
Economist
E: neha.sharma1@westpac.com.au

Westpac Economics / New Zealand

Auckland
Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold
Chief Economist NZ

E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist

E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist

E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist

E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist

E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand

Senior Economist
E: shamal.chand@westpac.com.au



westpaciq.com.au

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