

21 November 2024

# MORNING REPORT

Today's economic developments and market movements.

## Key themes

US equity markets were jittery ahead of NVIDIA's earnings announcement after the close this morning. Option market pricing points to the potential for significant swings should results surprise.

Attention remained focused on geopolitics following reports that Ukraine had fired British missiles at military targets in Russia for the first time and US and European embassies in Kyiv were shut over the threat of a 'significant' Russian attack.

The US dollar rallied against every G-10 peer, unwinding most of the sell-off from the past week.

Benchmark yields were modestly higher across the curve in the US with bonds selling off following a weak auction of 20-year treasuries.

Crude markets reversed the prior session's small gains in fluctuating trade as attention shifted between developments Russia-Ukraine and US inventory data.

## Data snapshot

FX Last 24 hrs	Current	Change	AUS Interest Rate Swaps	Last	Change
TWI	61.9	0.3%	30 day BBSY	4.37	0.00
AUD/USD	0.6503	-0.4%	90 day BBSY	4.47	0.00
AUD/JPY	101.13	0.1%	180 day BBSY	4.71	0.00
AUD/GBP	0.5142	-0.2%	1 year swap	4.25	0.02
AUD/NZD	1.1072	0.2%	2 year swap	4.09	0.03
AUD/EUR	0.6170	0.1%	3 year swap	4.05	0.03
AUD/CNH	4.7155	-0.2%	4 year swap	4.06	0.03
AUD/SGD	0.8736	0.0%	5 year swap	4.11	0.03
AUD/HKD	5.0615	-0.4%	6 year swap	4.17	0.03
AUD/CAD	0.9091	-0.3%	7 year swap	4.24	0.03
EUR/USD	1.0539	-0.5%	8 year swap	4.31	0.03
USD/JPY	155.51	0.5%	9 year swap	4.37	0.02
USD Index	106.70	0.5%	10 year swap	4.56	0.03

  

Equities	Close	Change	Government Bond Yields	Close	Change
S&P/ASX 200	8,326	-0.6%	Australia		
S&P 500	5,910	-0.1%	3 year bond	4.08	0.00
Japan Nikkei	38,352	-0.2%	10 year bond	4.56	-0.01
Hang Seng	19,705	0.2%	United States		
Euro Stoxx 50	4,730	-0.5%	3-month T Bill	4.41	0.01
UK FTSE100	8,085	-0.2%	2 year bond	4.31	0.03
VIX Index	17.4	6.4%	10 year bond	4.41	0.02
			Other (10 year yields)		
Commodities	Current	Change	Germany	2.35	0.01
CRB Index	286.24	0.4%	Japan	1.08	0.01
Gold	2648.49	0.6%	UK	4.47	0.03
Copper	9010.38	0.0%			
Oil (WTI futures)	68.87	-0.7%	Sydney Futures Exchange	Current	Change
Coal (coking)	203.00	0.7%	10 yr bond	4.59	0.02
Coal (thermal)	143.70	0.2%	3 yr bond	4.10	0.02
Iron Ore	101.40	-0.2%	3 mth bill rate	4.40	0.01
ACCU	42.25	-0.6%	SPI 200	8,366	0.1%

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.



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

## Share markets:

US equity markets were jittery ahead of NVIDIA's earnings announcement after the close this morning. Option market pricing points to the potential for significant swings should results surprise with the VIX volatility index spiking to its highest level since the US election. The S&P 500 and the NASDAQ are down 0.1% after staging late rallies to erase larger falls from earlier in the session.

The ASX 200 fell 0.6% yesterday after surging to a record high in the prior session. Futures traded flat overnight. Chinese equities eked out gains yesterday with both the CSI 300 and the Heng Sang up 0.2%, while Japan's Nikkei was down 0.2%.

## Interest rates:

Benchmark yields were modestly higher across the curve in the US with bonds selling off for the first time in a few sessions. Weak demand for an auction of 20-year treasuries dented sentiment. However, demand for the 20-year line has been far from impressive since the US Treasury re-introduced the bonds in 2020.

The 2-year yield was up 3 basis points to 4.31%, while the 10-year yield is up 2 basis points at 4.41%, both trading comfortably within the range of the last fortnight. Near-term rate cut expectations were trimmed marginally with swaps pricing implying around a 33% chance of a Fed rate cut in December.

Yields in the UK initially rose in response to the stronger-than-expected inflation report with traders trimming scale of rate cuts from the Bank of England (BoE) next year. However, the moves were later unwound throughout the session with rate expectations finishing little changed on the previous day and 2-year yields closing a basis point lower.

Aussie bond futures yields are 2 basis points higher this morning in both the 3-and-10-year tenors at 4.10% and 4.59%, respectively. Market expectations for RBA rate cuts have been pushed out to July and a move in May is around 90% priced in.

## Foreign exchange:

The US dollar rallied, unwinding most of its slide over the last week with recent price action pointing more firmly towards a bullish consolidation rather than a sharp reversal in the US dollar's post-election rally. The DXY index rose from a low of 106.11 to a high of 106.92 and is currently sitting around 106.70.

The Aussie dollar touched an intra-day high of 0.6545 and was on-track to continue its upswing before selling off sharply to briefly dip back below 65 cents. The Aussie did broadly outperform most of the G-10 on the sell-off but directionally remains largely at the whim of the US dollar.

The Japanese Yen came under selling pressure with the

## Today's key data and events

Time	Event	Exp	Prev
6pm	UK Public Sector Net Borrowing Oct	£12.9b	£6.6b
7pm	AU RBA Gov. Bullock Speech		
12:30pm	US Philadelphia Fed Biz Outlook Nov	8.0	10.3
	US Initial Jobless Claims w/e Nov 16	220k	217k
2am	EZ Consumer Confidence Nov Prel.	-12.4	-12.5
	US Leading Index Oct	-0.3%	-0.5%
	US Existing Home Sales Oct	2.9%	-1.0%
3am	US Kansas City Fed Mfg Activity Nov	-5	-4

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.

USD/JPY breaking through 155 on its way to an intraday high of 155.89 and into territory where market participants will be weary of the chances of intervention from Japanese policymakers.

The British Pound also sold off against the US dollar but outperformed the broader G-10. The euro traded a full one cent range, initially testing resistance around 1.0610 before falling sharply towards the bottom of the last week's range.

## Commodities:

Crude markets reversed the prior session's small gains in fluctuating trade as attention shifted between the developments in the Russia-Ukraine conflict and the Energy Information Administration (EIA) inventory report. West Texas Intermediate contracts are down 0.7% at \$68.87.

Press reported that Ukraine had fired British Storm Shadow missiles at military targets in Russia for the first time. This follows the use of US long range Atacms missiles on Russian soil on Tuesday. US and European embassies in Kyiv were shut over the threat of a 'significant' Russian attack. However, the EIA inventory report was deemed to be bearish by the market with US crude inventory rising for the third consecutive week due to heavy imports into the Gulf coast. Crude inventories rose by 545k barrels, and gasoline stocks rose by 2.05m barrels. Crude production fell by 199k barrels per day to 13.2m barrels per day with storms playing a large part in the hefty drop.

Metals turned modestly lower as the US dollar rose. Copper is very slightly lower at US\$9,082 though aluminium fell by 0.6% to US\$2,630.

Iron ore markets marked time above US\$100 with futures in Singapore down 0.2% at US\$101.40. The focus remains on the Chinese Politburo meeting which is typically held in early December and then the Central Economic Work Conference which would be due to take place around the middle of December.

## Australia:

The six-month annualised growth rate in the Westpac-Melbourne Institute Leading Index, which indicates the likely pace of economic activity relative to trend three to nine months into the future, moved into positive territory in the latest month, lifting from -0.20% in September to +0.26% in October.

## **China:**

As widely expected, China left its 1-year and 5-year loan prime rates unchanged in November at 3.1% and 3.6%, respectively. This followed 35 basis points of cuts to both prime rates since June and a broader easing in monetary policy settings, in addition to recent policy announcements to help deleverage local governments and bolster the residential property sector.

## **United Kingdom:**

Inflation came in above expectations in October with the consumer price index (CPI) lifting 0.6% in the months to be 2.3% higher through the year. The step up from September's 1.7% annual rate was largely a consequence of a jump in electricity prices as government assistance expired.

Annual core inflation edged up from 3.2% to 3.3% as services inflation remained sticky at an elevated level, up from 4.9% to 5.0% in annual terms. The strong inflation reading will keep the BoE on a very gradual easing path as policymakers remain concerned by the persistence of services inflation.

## **United States:**

Comments from Federal Reserve Governor's overnight supported a patient easing cycle. Michelle Bowman said she wants to move cautiously on further rate cuts because progress in curbing inflation has slowed while Lisa Cook said risks remain "roughly in balance."



# Corporate Directory

## Westpac Economics / Australia

Sydney  
Level 19, 275 Kent Street  
Sydney NSW 2000  
Australia

E: [economics@westpac.com.au](mailto:economics@westpac.com.au)

Luci Ellis  
Chief Economist Westpac Group

E: [luci.ellis@westpac.com.au](mailto:luci.ellis@westpac.com.au)

Matthew Hassan  
Head of Australian Macro-Forecasting  
E: [mhassan@westpac.com.au](mailto:mhassan@westpac.com.au)

Elliot Clarke  
Head of International Economics  
E: [eclarke@westpac.com.au](mailto:eclarke@westpac.com.au)

Justin Smirk

Senior Economist  
E: [jsmirk@westpac.com.au](mailto:jsmirk@westpac.com.au)

Pat Bustamante  
Senior Economist  
E: [pat.bustamante@westpac.com.au](mailto:pat.bustamante@westpac.com.au)

Mantas Vanagas  
Senior Economist  
E: [mantas.vanagas@westpac.com.au](mailto:mantas.vanagas@westpac.com.au)

Ryan Wells

Economist  
E: [ryan.wells@westpac.com.au](mailto:ryan.wells@westpac.com.au)

Illiana Jain

Economist  
E: [illiana.jain@westpac.com.au](mailto:illiana.jain@westpac.com.au)

Jameson Coombs  
Economist  
E: [jameson.coombs@westpac.com.au](mailto:jameson.coombs@westpac.com.au)

Neha Sharma  
Economist  
E: [neha.sharma1@westpac.com.au](mailto: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](mailto:economics@westpac.co.nz)

Kelly Eckhold  
Chief Economist NZ

E: [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

Michael Gordon  
Senior Economist

E: [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

Darren Gibbs  
Senior Economist

E: [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

Satish Ranchhod  
Senior Economist

E: [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

Paul Clark  
Industry Economist

E: [paul.clarke@westpac.co.nz](mailto:paul.clarke@westpac.co.nz)

## Westpac Economics / Fiji

Suva  
1 Thomson Street  
Suva, Fiji

Shamal Chand

Senior Economist  
E: [shamal.chand@westpac.com.au](mailto:shamal.chand@westpac.com.au)



 [westpaciq.com.au](https://westpaciq.com.au)

©2024 Westpac Banking Corporation ABN 33 007 457 141 (including where acting under any of its Westpac, St George, Bank of Melbourne or BankSA brands, collectively, "Westpac"). References to the "Westpac Group" are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

### Things you should know

We respect your privacy: You can view our [privacy statement at Westpac.com.au](#). Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

This information, unless specifically indicated otherwise, is under copyright of the Westpac Group. None of the material, nor its contents, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior written permission of the Westpac Group.

### Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

**Conflicts of Interest:** In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a

client in any financial instrument which may impact the performance of that financial instrument.

**Author(s) disclaimer and declaration:** The author(s) confirms that no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material. The author(s) also confirms that this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate.

**Further important information regarding sustainability-related content:** This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

### Additional country disclosures:

**Australia:** Westpac holds an Australian Financial Services Licence (No. 233714). You can access Westpac's [Financial Services Guide](#) here or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

**New Zealand:** In New Zealand, products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address [www.westpac.co.nz](http://www.westpac.co.nz).

**Singapore:** This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

**U.S:** Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ("the Exchange Act") and

Disclaimer continues overleaf ►

member of the Financial Industry Regulatory Authority ('FINRA'). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments. The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

**UK and EU:** The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

Westpac Europe GmbH ("WEG") is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order); (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and

"professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found [here](#). Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.