

Morning Report

Monday, 22 April 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,567	-1.0%			Last	Overnight Chg		Australia			
US Dow Jones	37,986	0.6%	10 yr bond		4.32	0.05		90 day BBSW	4.36	0.00	
Japan Nikkei	37,068	-2.7%	3 yr bond		3.85	0.04		2 year bond	3.88	-0.04	
China Shanghai	3,214	-0.3%	3 mth bill rate		4.33	0.01		3 year bond	3.83	-0.04	
German DAX	17,737	-0.6%	SPI 200		7,621.0	27		3 year swap	4.07	-0.01	
UK FTSE100	7,896	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.26	-0.02	
Commodities (close & change)			TWI		61.3	-	-	61.3	United States		
CRB Index	298.2	2.5	AUD/USD		0.6422	0.6433	0.6363	0.6419	3-month T Bill	5.22	-0.03
Gold	2,391.93	12.9	AUD/JPY		99.28	99.41	97.78	99.19	2 year bond	4.99	0.00
Copper	9,819.74	143.7	AUD/GBP		0.5163	0.5192	0.5133	0.5188	10 year bond	4.62	-0.01
Oil (WTI futures)	83.26	0.1	AUD/NZD		1.0879	1.0912	1.0857	1.0894	Other (10 year yields)		
Coal (thermal)	146.25	-0.4	AUD/EUR		0.6034	0.6037	0.5995	0.6022	Germany	2.50	0.00
Coal (coking)	271.00	0.0	AUD/CNH		4.6562	4.6617	4.6190	4.6535	Japan	0.85	-0.02
Iron Ore	115.90	-0.5	USD Index		106.17	106.35	105.85	106.12	UK	4.23	-0.04

Data as at 8:30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Geopolitical concerns remained at the top of the minds of investors. The VIX index, a measure of volatility, rose further in Friday's session to 18.7. However, fears of retaliation in the Middle East dissipated a little on the back of remarks from Iran's government and that helped calm bond markets. The US 2-year yield continues to flirt piercing the psychological 5.0% rate.

Share Markets: A sell off in the big tech stocks drove the Nasdaq lower. The Nasdaq lost 2.1% at the close and the S&P 500 was 0.9% lower.

Interest Rates: US bond yields finished little changed after increases of 3-6 basis points in the previous trading session. The US 2-year yield finished unchanged at 4.99%, just shy of the psychological 5.0% mark. The US 10-year yield ended 1 basis point weaker to 4.62%.

Interest-rate markets are fully priced for a rate cut from the Fed in November and in December from the RBA.

Foreign Exchange: The AUD/USD fell to a 8-day low of 0.6363 on the back of heightened geopolitical uncertainty and a rise in risk aversion that accompanies rises in volatility. However, the AUD/USD recovered as some fears of a retaliation from Iran in the Middle East eased. AUD/USD rose back above 0.6420 but remains vulnerable to a further sell off from the rate-cut timing risks in Australia compared with the US. Inflation data in

Australia on Wednesday will be a key input into these market expectations.

Commodities: The price of gold rose and notably the price of copper jumped to a 22-month high.

Australia: There was no major economic data published on Friday. All eyes turn to the quarterly inflation report out this Wednesday.

Eurozone: European Central Bank (ECB) President Lagarde said "risks to the inflation outlook are two-sided". Lagarde notes that upside risks include heightened geopolitical tensions, as well as higher wage growth and more resilient profit margins than anticipated. On the flip side, she called out monetary policy dampening demand more than expected and a deterioration in world economic growth as downside risks.

Japan: Consumer prices excluding fresh food rose 2.6% in March from a year ago, cooling from February's 2.8% gain. The outcome compared with the consensus forecast of 2.7%. Another measure of inflation that strips out fresh food and energy prices cooled to 2.9%, falling under 3% for the first time since November 2022. Even with the slowdown, the pace of inflation has now stayed at or above the Bank of Japan's 2% target every month for two full years. This data comes ahead of a central bank meeting next week.

Middle East: Bloomberg reports that Iran's foreign

minister downplayed Israel's latest attack on Friday.

United Kingdom: Retail sales volumes including auto fuel were flat month on month in March, with the prior month being revised up to 0.1%. The monthly rate was below the consensus forecast for a 0.3% increase. Sales are likely to have been stronger were it not for the unseasonably wet weather, with department stores being hit particularly hard. There is growing evidence the economy exited a technical recession in the first quarter of 2024, but this data suggests the recovery is set to remain lacklustre.

United States: The Federal Reserve's Goolsbee said "progress on inflation has stalled". He added "you never want to make too much of any one month's data, especially inflation, which is a noisy series, but after three months of this, it can't be dismissed."

Today's key data and events:

UK Rightmove House Prices Apr prev 1.5% (9:01am)

US Chicago Fed Nat Activity Index Mar exp 0.09 prev 0.05 (10:30pm)

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.

Besa Deda, Chief Economist

Ph: +61 404 844 817

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
+61 404 844 817

Senior Economist

Jarek Kowcza
jarek.kowcza@banksa.com.au
+ 61 481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@banksa.com.au
+61 468 571 786

Economist

Jameson Coombs
jameson.coombs@banksa.com.au
+61 401 102 789

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