

Morning Report

Tuesday, 27 February 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,653	0.1%			Last	Overnight Chg		Australia			
US Dow Jones	39,092	-0.1%	10 yr bond		4.15	0.03		90 day BBSW	4.34	0.00	
Japan Nikkei	39,234	0.3%	3 yr bond		3.74	0.03		2 year bond	3.81	-0.06	
China Shanghai	3,121	-0.9%	3 mth bill rate		4.33	0.01		3 year bond	3.72	-0.07	
German DAX	17,423	0.0%	SPI 200		7,609.0	-2		3 year swap	3.96	0.00	
UK FTSE100	7,684	-0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.10	-0.10	
Commodities (close & change)			TWI		61.5	-	-	61.5	United States		
CRB Index	273.6	2.8	AUD/USD		0.6556	0.6574	0.6531	0.6541	3-month T Bill	5.25	0.00
Gold	2,032.72	-2.7	AUD/JPY		98.65	98.87	98.47	98.56	2 year bond	4.72	0.03
Copper	8,510.00	-24.5	AUD/GBP		0.5170	0.5182	0.5152	0.5156	10 year bond	4.28	0.03
Oil (WTI futures)	77.70	1.2	AUD/NZD		1.0589	1.0634	1.0584	1.0594	Other (10 year yields)		
Coal (thermal)	127.75	2.5	AUD/EUR		0.6058	0.6069	0.6022	0.6029	Germany	2.44	0.08
Coal (coking)	307.00	-3.0	AUD/CNH		4.7239	4.7329	4.7103	4.7178	Japan	0.69	-0.03
Iron Ore	114.10	-1.3	USD Index		103.96	104.02	103.71	103.77	UK	4.16	0.13

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.

Main Themes: Markets were in a holding pattern overnight ahead of the release of key US economic data and remarks from Fed officials later this week.

US equities drifted lower while the US dollar was little changed. Bond yields ticked up across the curve as investors prepare for large US treasury bond auctions. The price of oil drifted higher.

Share Markets: US equities lost steam, near record high levels, as investors prepare for a barrage of macroeconomic data, including the Fed's preferred inflation gauge, the PCE price index. A number of Fed officials are also due to talk this week, which will help shape the near-term outlook for interest rates.

The S&P 500 remained below 5,100 index points throughout the session to finish 0.3% lower. The Nasdaq lost 0.1% while the Dow Jones ended the day 0.2% lower.

The ASX 200 closed 0.1% higher yesterday. Six of eleven sectors finished in the green, led by financials stocks. Futures are pointing to a soft open today.

Interest Rates: Bond yields ticked up across the curve as investors prepare for large US treasury bond auctions.

The US 2-year treasury yield increased 3 basis points, to 4.72%.

The 10-year yield also increased 3 basis points to

4.28%.

Interest-rate markets are pricing a 70% chance of a cut in the June meeting, with a cut in the July meeting being fully priced. For 2024, markets are pricing around 80 basis points of cuts by the end of the year.

Australian bond yields largely followed the lead from US markets. The 3-year Australian government bond yield (futures) was 3 basis points higher, at 3.74%. The 10-year (futures) yield was also 3 basis points higher, at 4.15%.

Interest-rate markets are pricing a 85% chance of a cut by the Reserve Bank of Australia (RBA) in the August meeting, with a cut in the September meeting being fully priced. Markets are pricing around 42 basis points of cuts by the end of the year.

Foreign Exchange: The US dollar was little changed. The DXY Index traded in a narrow range between a low of 103.71 and a high of 104.02, before closing at 103.77.

The Aussie dollar also traded within a narrow range and ended the day slightly down. The AUD/USD traded between a low of 0.6531 and a high of 0.6574. It was trading at 0.6541 at the time of writing.

Commodities: The West Texas Intermediate (WTI) price of oil increased to US\$77.70 per barrel.

Gold, copper, coking coal, and iron ore were lower. Oil and thermal coal were higher.

copper fell on Friday. Coal and gold were higher, while iron ore remained at US\$120 per tonne.

Australia: There were no major data releases yesterday.

Eurozone: Christine Lagarde, European Central Bank (ECB) President, said the retreat in inflation is expected to continue but that the ECB needs to see more evidence that price growth is returning to their target before moving on rates.

ECB officials are concerned about labour costs, with Lagarde previously stating that slower pay growth in the fourth quarter 2023 was “encouraging,” but that bargaining rounds in the following period will be vital for decision-making on rates.

ECB member Stournaras said that he expects the first rate cut in June, pointing to substantial progress on inflation.

United Kingdom: The monthly retail sales indicator was stronger than expected increasing to -7 index points in February, from -50 points in January. This was the slowest fall in 10 months. with gains across wholesaling, motor sales and total distribution.

United States: US new home sales increased 1.5% in January to an annualized rate of 661k homes. This was lower than the 684k expected by the market.

The Dallas Fed index for manufacturing in Texas was stronger than expected increasing to -11.3 index points in February, from -27.4 points in January.

The production index rebounded 16 points to 1.0 index points, pointing to a solid improvement. The new orders index climbed 18 points to 5.2 index points, its first positive reading since May 2022. The future general business activity index increased 17 points to 6.2 index points, returning to positive territory after six months of negative readings.

Today's key data and events:

EZ M3 Money Supply Jan (8pm)
JN CPI Jan y/y prev 2.6% (10:30am)
UK Nationwide House Prices Feb
US Durable Goods Orders Jan (12:30am)
US FHFA House Prices Dec (1am)
US S&P CoreLogic CS House Prices Dec (1am)
US Richmond Fed index Feb (2am)
US Consumer Confidence Index Feb (2am)

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.

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