

Morning Report

Tuesday, 9 April 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,789	0.2%			Last	Overnight Chg		Australia			
US Dow Jones	38,893	0.0%	10 yr bond		4.19	-0.01		90 day BBSW	4.35	-0.01	
Japan Nikkei	39,347	0.9%	3 yr bond		3.73	0.00		2 year bond	3.81	0.07	
China Shanghai	3,195	-0.7%	3 mth bill rate		4.31	0.01		3 year bond	3.76	0.08	
German DAX	18,319	0.8%	SPI 200		7,866.0	36		3 year swap	3.96	0.00	
UK FTSE100	7,943	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.20	0.10	
Commodities (close & change)			TWI		62.0	-	-	62.0	United States		
CRB Index	297.5	-0.1	AUD/USD		0.6573	0.6610	0.6560	0.6603	3-month T Bill	5.22	0.00
Gold	2,339.03	9.3	AUD/JPY		99.66	100.32	99.52	100.25	2 year bond	4.79	0.04
Copper	9,223.50	-34.1	AUD/GBP		0.5204	0.5227	0.5199	0.5219	10 year bond	4.42	0.02
Oil (WTI futures)	86.43	-0.5	AUD/NZD		1.0941	1.0952	1.0923	1.0948	Other (10 year yields)		
Coal (thermal)	130.20	-0.1	AUD/EUR		0.6066	0.6093	0.6059	0.6081	Germany	2.44	0.04
Coal (coking)	229.00	3.0	AUD/CNH		4.7656	4.7864	4.7534	4.7823	Japan	0.80	0.01
Iron Ore	105.30	1.0	USD Index		104.36	104.44	104.10	104.15	UK	4.09	0.02

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: US bond yields continued to rise ahead of the US inflation release later this week, with 10-year yields hitting the highest levels since November 2022. Markets now see just two cuts by the US Fed this year, with the possibility of a third. US equities were little changed and the US dollar lost ground. Oil declined while gold continued to soar.

Interest Rates: US equities were little changed. The Nasdaq, S&P 500 and Dow Jones Industrial Average closed essentially flat. Investors were in a holding pattern ahead of the US inflation report later this week.

European markets ended firmly in the green. This was fuelled by positive economic data, including a pickup in German industrial production. The German DAX closed 0.8% higher, the Euro Stoxx 50 finished 0.6% higher and UK's the FTSE 100 was 0.4% higher.

The ASX 200 closed 0.2% higher, led by materials stocks. Nine of eleven industries finished in the green. Futures are pointing to a positive open.

Interest Rates: US bond yields increased across the curve, with 10-year yields hitting the highest levels since November 2022.

The US 2-year treasury yield jumped 4 basis points, to 4.79%. The 10-year yield was up 2 basis points, to 4.42%.

Interest rate markets are pricing a 52% chance of a cut at the June meeting and are now fully pricing in a rate cut by September. Markets now see just two cuts by the US Fed this year, with the possibility of a third – a stark change from the seven full rate cuts expected late last year.

Australian government bond yields (futures) were broadly unchanged. The 3-year remained went sideways to be at 3.73%. The 10-year bond yield (futures) declined by 1 basis point, to 4.19%.

Interest-rate markets are fully pricing a cut from the RBA by November, with an 60% chance of a September cut. For 2024, markets are pricing 35 basis points of cuts.

Foreign Exchange: The US dollar declined against a basket of major currencies. The DXY Index declined from a high of 104.414 to a low of 104.10, before settling at around 104.15.

The Aussie outperformed with the AUD/USD pair increasing from a low of 0.6560 to a high of 0.6610 before settling at 0.6603. The fall in the US dollar helped spark the rebound in the Aussie, lifting the AUD/USD pair above the 0.6600 barrier. The tick up in the price of iron ore and coal also supported the upward momentum in the Aussie.

Commodities: Commodities were mixed. Oil, copper, and thermal coal were down. Gold, iron ore and coking coal were higher. The West Texas Intermediate (WTI) futures is currently sitting at

around US\$86 per barrel.

Australia: New housing loan commitments increased 1.5% in February to be 13.3% higher in annual terms. New loans for owner occupiers increased 1.6% while new loans for investors grew 1.2% in February. Total refinancing activity grew by 3.0% in February but was down by almost 18% in annual terms. Despite the recent pickup in new loan commitments for housing, the value of loans is almost 25% lower than the peak recorded in January 2022. The run of data is consistent with a pickup in housing market activity.

Japan: The current account surplus increased to JPY 2,644.2b in from JPY 2,200.3b one year earlier. The outcome was softer than the surplus of JPY 3,078.7b the market was expecting. It was the thirteenth straight month of surpluses on the current account.

Eurozone: German industrial production rose 2.1% in February, accelerating from the 1.3% recorded in January and exceeding the gain of 0.3% expected by the market. The outcome was boosted by construction activity and output in the automotive and chemicals industries.

United States: The NY Fed's survey of consumer expectations one-year-ahead inflation expectations remained unchanged at 3.0% in March. The three-year-ahead inflation expectations increased to 2.9% from 2.7% in February and the five-year-ahead decreased to 2.6% from 2.9% the previous month.

Today's key data and events:

AU Westpac Consumer Sentiment Index Apr prev 84.4
(10:30am)

AU NAB Business Survey Mar (11:30am)

Business Confidence Mar prev 0.3

Business Conditions Mar prev 9.7

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.

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