

Morning Report

Thursday, 4 April 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,783	-1.3%			Last	Overnight Chg		Australia		
US Dow Jones	39,127	-0.1%	10 yr bond	4.15	0.00	90 day BBSW	4.35	0.01		
Japan Nikkei	39,452	-1.0%	3 yr bond	3.69	0.01	2 year bond	3.76	0.06		
China Shanghai	3,218	-0.2%	3 mth bill rate	4.30	0.01	3 year bond	3.71	0.06		
German DAX	18,368	0.5%	SPI 200	7,855.0	26	3 year swap	3.91	0.00		
UK FTSE100	7,937	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.14	0.07
Commodities (close & change)			TWI	61.3	-	-	61.3	United States		
CRB Index	295.2	1.0	AUD/USD	0.6518	0.6570	0.6503	0.6565	3-month T Bill	5.20	0.00
Gold	2,300.00	19.3	AUD/JPY	98.79	99.65	98.59	99.58	2 year bond	4.67	-0.02
Copper	9,171.53	264.3	AUD/GBP	0.5182	0.5194	0.5172	0.5189	10 year bond	4.35	0.00
Oil (WTI futures)	85.43	0.3	AUD/NZD	1.0915	1.0938	1.0903	1.0925	Other (10 year yields)		
Coal (thermal)	131.40	-2.6	AUD/EUR	0.6051	0.6064	0.6038	0.6059	Germany	2.40	0.00
Coal (coking)	235.00	-2.8	AUD/CNH	4.7284	4.7636	4.7218	4.7594	Japan	0.80	0.05
Iron Ore	97.80	-1.7	USD Index	104.77	104.84	104.23	104.25	UK	4.06	-0.03

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

Main Themes: US Federal Reserve Chair's comments dominated market sentiment overnight.

Share Markets: US share markets ended mixed. The S&P 500 rose 0.1% whilst the Dow lost 0.1%. The Nasdaq continued to add ground, closing 0.2% higher. Asian share markets, including Australia's, were sold off sharply yesterday.

Interest Rates: Bond prices rebounded from session lows (i.e. yields fell) after US Federal Reserve Chair Powell reiterated the Fed's wait-and-see approach. The US 2-year yield closed 2 basis points lower whilst the 10-year yield ended unchanged.

Foreign Exchange: The US dollar sold off against other major currencies except for the Japanese yen. The sell off in the USD spurred the AUD/USD higher. The AUD/USD lifted off a support level of just under 0.6500 to an overnight high of 0.6570 – near where resistance lies. The AUD/USD may struggle in the near term to push sustainably above 0.6590.

Commodities: Oil extended a rally after OPEC+ ministers affirmed current supply cuts and a US report showed crude stockpiles at the Cushing hub fell the most since January.

Australia: There was no major economic data published in Australia yesterday.

China: The Caixin composite measure for the purchasing managers' index (PMI) rose from 52.5 in February to 52.7 in March. The services PMI also

lifted by the same amount in the month.

Eurozone: Core consumer prices rose at an annual rate of 2.9% in March, preliminary figures showed overnight. This is slower than the annual rate of 3.1% in February and below the consensus forecast of 3.0%.

The unemployment rate in the euro area economy remained unchanged in March at 6.5%.

United States: Services sector growth eased in March for a second month while the gauge of input costs slumped to a four-year low. The ISM index unexpectedly fell 1.2 points to 51.4, largely reflecting a drop in supplier deliveries. The index of prices paid by businesses for inputs dropped to a 4-year low of 53.4, which bodes well for the inflation outlook.

Government data overnight showed there were 1.36 job openings for every unemployed person in February compared to 1.43 in January.

With the labour market still tight, employers continue to seek opportunities to boost their wages. The ADP National Employment Report on Wednesday showed the median wage for workers switching jobs jumped 10% on a year-on-year basis in March after increasing 7.6% in February. Wages for workers staying in their jobs rose 5.1% after a similar gain in February. Meanwhile, private payrolls increased by 184,000 jobs in March month after advancing 155,000 in February.

Federal Reserve Chair Powell reiterated the Fed's wait-and-see approach. Powell didn't break any major new ground. Markets focussed on his comments that said inflation figures did not "materially change" the overall picture. Powell also reaffirmed that it will likely be appropriate to begin lowering rates "at some point this year."

Fed member Raphael Bostic expects just one trim this year, in the fourth quarter. Adriana Kugler sees price pressures easing without a big cost to jobs, setting the stage for "some" cuts.

Today's key data and events:

NZ Bldg Permits Feb prev -8.8% (8:45am)
AU Bldg Approvals Feb exp 3.0% prev -1.0% (11:30am)
EZ PPI Feb exp -0.6% prev -0.9% (8pm)
US Challenger Job Cuts Feb y/y prev 8.8% (10:30pm)
US Trade Bal. Feb exp -\$67.6bn prev -\$67.4bn (11:30pm)
US Initial Jobless Claims w/e 30 Mar exp 214k prev 210k (11:30am)

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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