

Morning Report

Tuesday, 10 May 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,121	-1.2%			Last	Overnight Chg		Australia		
US Dow Jones	32,246	-2.0%	10 yr bond	96.45		0.06		90 day BBSW	0.94	0.02
Japan Nikkei	26,319	-2.5%	3 yr bond	96.92		0.10		2 year bond	2.76	0.00
China Shanghai	3,148	0.1%	3 mth bill rate	98.67		0.02		3 year bond	3.04	0.02
German DAX	13,381	-2.1%	SPI 200	7,003.0		-99		3 year swap	3.26	-0.03
UK FTSE100	7,217	-2.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.56	0.09
Commodities (close & change)*			TWI	63.0	-	-	62.4	United States		
CRB Index	299.5	-11.9	AUD/USD	0.7068	0.7070	0.6945	0.6951	3-month T Bill	0.79	-0.04
Gold	1,854.17	-29.6	AUD/JPY	92.25	92.34	90.46	90.65	2 year bond	2.59	-0.14
Copper	9,414.00	-94.5	AUD/GBP	0.5726	0.5729	0.5632	0.5638	10 year bond	3.03	-0.09
Oil (WTI futures)	103.09	-6.7	AUD/NZD	1.1032	1.1053	1.0985	1.0995	Other (10 year yields)		
Coal (thermal)	329.15	-12.5	AUD/EUR	0.6704	0.6704	0.6576	0.6585	Germany	1.10	-0.04
Coal (coking)	511.33	1.3	AUD/CNH	4.7403	4.7485	4.6912	4.6977	Japan	0.25	0.00
Iron Ore	126.90	-2.4	USD Index	103.66	104.19	103.39	103.74	UK	1.96	-0.04

Data as at 7:30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Risk aversion continued to grow as markets worried about slowing global growth alongside central bank rate hikes, the Ukraine war and lockdowns in China. US stocks and bond yields fell. The AUD/USD declined to its lowest level since July 2020.

Share Markets: US stocks sank for the third consecutive day. The S&P 500 was down 3.2%, hitting its lowest level in 13 months. The Dow declined 2.0% and the Nasdaq fell 4.3%.

Meanwhile, the ASX 200 slipped 1.2%.

Interest Rates: The US 2-year treasury yield dropped 14 basis points to 2.59% while the 10-year treasury yield fell 9 basis points to 3.03%.

Markets are fully priced for a 50 basis point rate hike at the next Federal Reserve meeting in June.

The Australian 3-year (futures) yield fell 10 basis points to 3.09% and the 10-year futures yield declined 6 basis points to 3.55%.

Cash rate futures are currently pricing the Reserve Bank's cash rate to be around 25 basis points higher at the June meeting.

Foreign Exchange: The AUD/USD declined for the third consecutive day, hitting its lowest level since July 2020. The pair declined from 0.7068 to 0.6951. Meanwhile, the US dollar strengthened, touching its highest level since December 2002.

Commodities: West Texas Intermediate crude oil

fell below \$103. Gold, copper and iron ore declined.

Australia: There were no major economic data releases yesterday.

China: The trade surplus widened to US\$51.1bn in April, from \$47.4bn in March. Exports rose 3.9% over the year to April, down from a 14.7% annual rise in March. This is the slowest annual rate of export growth since June 2020. Annual import growth was flat in April, following a 0.1% decline in March. COVID-19 lockdowns across large parts of China are weighing heavily on economic activity, which is feeding into import and export volumes.

Eurozone: The Sentix investor confidence index declined to -22.6 in May, from -18.0 in April. The result marks the third consecutive decline, with confidence now at its lowest level since June 2020, alongside the ongoing Ukraine war.

United Kingdom: Bank of England Monetary Policy Committee member Saunders underscored the central bank's worries about inflation and the risk of recession. He noted failure to act quickly could necessitate a sharper adjustment in monetary policy later, and result in a more severe squeeze on living standards.

United States: Federal Open Markets Committee member Bostic favours continuing to hike in half-point increments, noting it "is already a pretty aggressive move... I don't think we need to be moving even more aggressively". He later added

while he thinks a 75 basis point hike is unlikely, he is not “taking anything off the table”.

Today's key data and events:

NZ Card Spending Retail Apr Prev -1.3% (8:45am)

AU Retail Sales Vol. Q1 exp 0.5% prev 8.2% (11:30am)

AU NAB Business Survey (11:30am)

Conditions Apr prev 18

Confidence Apr prev 16

EZ EU ZEW Expectations May prev -43 (7pm)

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.

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