

Morning Report

Friday, 16 April 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	7,059	0.5%			Last	Overnight Chg		Australia			
US Dow Jones	34,036	0.9%	10 yr bond		98.31	0.04		90 day BBSW	0.04	0.00	
Japan Nikkei	29,643	0.1%	3 yr bond		99.75	0.01		2 year bond	0.08	0.00	
China Shanghai	3,563	-0.5%	3 mth bill rate		99.95	0.00		3 year bond	0.28	0.01	
German DAX	15,255	0.3%	SPI 200		7,051.0	15		3 year swap	0.33	0.00	
UK FTSE100	6,984	0.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.77	0.02	
Commodities (close & change)*			TWI		64.1	-	-	64.4	United States		
CRB Index	193.9	1.4	AUD/USD		0.7727	0.7761	0.7706	0.7754	3-month T Bill	0.01	-0.01
Gold	1,763.95	27.5	AUD/JPY		84.17	84.41	83.88	84.32	2 year bond	0.16	0.00
Copper	9,082.00	178.8	AUD/GBP		0.5607	0.5629	0.5597	0.5625	10 year bond	1.58	-0.06
Oil (WTI)	63.46	0.3	AUD/NZD		1.0819	1.0826	1.0793	1.0805	Other (10 year yields)		
Coal (thermal)	90.60	0.8	AUD/EUR		0.6448	0.6481	0.6437	0.6478	Germany	-0.29	-0.03
Coal (coking)	118.17	1.0	AUD/CNH		5.0468	5.0680	5.0422	5.0602	Japan	0.09	0.00
Iron Ore	172.06	5.6	USD Index		91.7	91.7	91.5	91.7	UK	0.74	-0.07

Data as at 8:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Strong economic data sent US equities to new records while US bond yields eased. The US announced sweeping sanctions on Russia. In Australia, employment numbers snapped back to pre-COVID levels in March.

Share Markets: US stocks jumped to new highs with retail sales and jobless claims data signalling an accelerating recovery. The increase was led by the real estate, health care and technology sectors. Financial stocks declined even though Citigroup and Bank of America posted better than expected trading revenue. The Dow jumped 0.9%.

In Europe, the Dax climbed 0.3%. The ASX 200 rose 0.5%.

Interest Rates: US Treasury yields dropped despite the solid US data. Yields on the 10-year fell 6 basis points to 1.58%, touching 1.53% in intraday trade, the lowest level in over a month.

Australian 10-year government bond yields crept up 2 basis points to 1.77%.

Foreign Exchange: The Australian dollar rose from 0.7727 to 0.7754 while the US dollar was little changed.

Commodities: Oil edged up while gold spiked. Iron ore rose.

Australia: Employment grew 70.7k in March, a robust result, particularly given February was strong month with 88.7k jobs added. We also hit a milestone – there are now more people employed

in Australia than before the pandemic ravaged the labour market.

The unemployment rate declined to 5.6% from 5.8% in February. This is only 0.5 percentage points higher than in February 2020.

The RBA has indicated the unemployment rate will likely need to be in the high 3s or low 4s to get inflation sustainably back in the 2-3% target band. In other words, we are still a long way off meeting the conditions necessary for the RBA to increase the cash rate.

Western Australia saw the strongest gains in employment, up 32.6k, reflecting its recovery from the lockdown in the first week of February. Queensland was in second, adding 23.3k jobs.

Looking ahead, leading indicators of employment are surging. Job vacancies hit a record high in February, suggesting there are plenty more jobs coming down the pipeline.

Next month's data will give us the first glimpse of the impact of JobKeeper's expiry on the economy. Some disruption to jobs is still likely, but not enough to prevent the unemployment rate ending the year at a lower rate.

United States: Retail sales crushed expectations, surging 9.8% in March, the strongest growth in almost a year. Spending was supported by the latest round of stimulus checks, the unwinding of the February freeze and the more general economic

reopening.

Initial jobless claims also beat forecasts, falling to 576k (700k expected) and down on 744k last week.

Industrial production rose 1.4% in March after a 2.2% decline in February, reflecting a bounce back from severe winter storms which disrupted production.

The Philadelphia Fed's general activity index rose to 50.2 in April, its strongest level since 1973. The New York Fed's manufacturing index was the strongest since 2018 in April, at 26.3, alongside increased orders and shipments. A reading above zero indicates improving conditions.

The NAHB housing index, a measure of confidence amongst homebuilders, rose to 83 from 82 in April, as strong demand helped to offset concerns about rising material costs and supply chain issues. A print above 50 indicates a favourable outlook for home sales.

Elsewhere, the US imposed new sanctions on Russia, including restrictions on buying sovereign debt, in retaliation for alleged misconduct including disruptions to the US election.

Today's key data and events:

NZ BusinessNZ Manufacturing Mar (8:30am)
CH GDP Q1 exp 1.4% prev 2.6% (12pm)
CH Indus. Prod'n Mar YTD y/y exp 26.5% prev 35.1% (12pm)
CH Retail Sales Mar YTD y/y exp 31.7% prev 33.8% (12pm)
CH Prop. Invest. Mar YTD y/y exp 30.0% prev 38.3% (12pm)
EZ Core CPI Mar Final y/y exp 0.9% prev 0.9% (7pm)
EZ Trade Balance Feb exp €22.0bn prev €24.2bn (7pm)
US Housing Starts Mar exp 1611k prev 1421k (10:30pm)
US UoM Consumer Sent. Mar exp 89.0 prev 84.9 (12am)

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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