

Morning Report

Tuesday, 17 May 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,093	0.3%			Last	Overnight Chg		Australia		
US Dow Jones	32,223	0.1%	10 yr bond		96.62	0.04		90 day BBSW	1.00	0.03
Japan Nikkei	26,547	0.5%	3 yr bond		97.06	0.02		2 year bond	2.56	0.01
China Shanghai	3,221	-0.3%	3 mth bill rate		98.70	-0.02		3 year bond	2.83	0.01
German DAX	13,964	-0.5%	SPI 200		7,100.0	23		3 year swap	3.14	0.00
UK FTSE100	7,465	0.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.38	-0.02
Commodities (close & change)*			TWI	61.8	-	-	61.8	United States		
CRB Index	315.6	7.0	AUD/USD	0.6931	0.6982	0.6873	0.6969	3-month T Bill	0.97	0.00
Gold	1,824.14	12.4	AUD/JPY	89.68	90.18	88.47	89.98	2 year bond	2.57	-0.01
Copper	9,255.50	70.5	AUD/GBP	0.5658	0.5670	0.5618	0.5657	10 year bond	2.88	-0.04
Oil (WTI futures)	114.20	3.7	AUD/NZD	1.1037	1.1073	1.1015	1.1047	Other (10 year yields)		
Coal (thermal)	350.00	14.0	AUD/EUR	0.6664	0.6687	0.6616	0.6679	Germany	0.94	-0.01
Coal (coking)	502.00	1.3	AUD/CNH	4.7117	4.7441	4.6824	4.7372	Japan	0.25	0.00
Iron Ore	128.95	-0.9	USD Index	104.56	104.64	104.14	104.23	UK	1.73	-0.01

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: Investors continued to mull growth prospects in the US and China, pushing US share markets and bond yields lower. The US dollar weakened, while oil jumped to a 7-week high.

Share Markets: US share markets failed to sustain early gains to extend Friday's rebound. The NASDAQ and the S&P 500 fell 1.2% and 0.4%, respectively. The Dow Jones bucked the trend, finishing 0.1% higher.

The ASX 200 rose 0.25% yesterday.

Interest Rates: The US 2-year treasury yield fell 1 basis point to 2.57%, while the 10-year yield dropped to 4 basis points to 2.88%.

Interest rate markets are fully pricing two consecutive 50 basis point rate hikes at the Fed's June and July meetings.

The Australian 3-year government bond yield (futures) eased 2 basis points to 2.94%. The 10-year bond yield (futures) dropped 4 basis points to 3.38%.

A 25 basis point hike in the cash rate is fully priced for the RBA's June meeting.

Foreign Exchange: The Aussie dollar strengthened overnight. The AUD/USD pair rose from a low of 0.6873 to a high of 0.6982, before settling around 0.6969.

The US dollar softened against a basket of its G-10 peers. The DXY index fell from a high of 104.64 to a

low of 104.14 and is currently trading around 104.23

Commodities: Commodities were broadly stronger overnight, led by oil, which jumped to a 7-week high of US\$114.2 per barrel. Gold and copper also rose, while iron ore softened.

Australia: There were no major economic data releases yesterday.

China: Retail sales plunged 11.1% over the year to April, following a 3.5% annual fall in March. The result is the biggest annual fall in sales since March 2020 and was softer than the 6.6% decline expected by consensus.

Industrial production also fell short of expectations in April, falling 2.9% in annual terms compared to consensus expectations of a 0.5% rise. This was the first monthly fall in industrial production since March 2020 and the largest fall in over 32 years.

Strict lockdowns across large parts of the country are weighing heavily on activity as China continues to target a COVID-zero strategy.

Eurozone: The trade deficit widened to a record €17.6 billion in March, from a revised €11.3 billion deficit in February. Surging prices for oil, gas and other commodities heavily imported into the euro area contributed to the record deficit.

United States: Fed member John Williams bolstered the Central Bank's commitment to rein in inflation,

suggesting the funds rate could move beyond neutral. However, Williams expects inflation will normalise “quite a bit” over 2023, suggesting the current front-loaded tightening may be sufficient.

The Federal Reserve Bank of New York’s Empire State manufacturing index declined to -11.6 in May, after rebounding to 24.6 in April. Consensus expectations pointed to a milder fall to 15.0. The result was driven by sharp declines in the new orders and shipments gauges.

Today’s key data and events:

AU RBA Board Meeting Minutes (11:30am)
UK ILO Unemploy. Rate Mar exp 3.8% prev 3.8% (4pm)
EZ GDP Q1 Prel. exp 0.2% prev 0.2% (7pm)
US Retail Sales Apr exp 1.0% prev 0.7% (10:30pm)
US Indust. Production exp 0.5% Apr prev 0.9% (11:15pm)
US Business Inventories Mar exp 1.9% prev 1.5% (12am)
US NAHB Housing Market Index May exp 75 prev 77 (12am)

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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