

Morning Report

Thursday, 1 April 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,791	0.8%			Last	Overnight Chg		Australia		
US Dow Jones	32,982	-0.3%	10 yr bond	98.17			-0.02	90 day BBSW	0.04	0.00
Japan Nikkei	29,179	-0.9%	3 yr bond	99.71			0.00	2 year bond	0.08	0.01
China Shanghai	3,608	-0.4%	3 mth bill rate	99.94			-0.01	3 year bond	0.12	0.01
German DAX	15,008	0.0%	SPI 200	6,785.0			19	3 year swap	0.35	0.02
UK FTSE100	6,714	-0.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.79	0.00
Commodities (close & change)*			TWI	64.2	-	-	63.9	United States		
CRB Index	185.0	0.1	AUD/USD	0.7596	0.7637	0.7588	0.7592	3-month T Bill	0.02	0.00
Gold	1,707.40	22.2	AUD/JPY	83.83	84.48	83.76	84.08	2 year bond	0.16	0.01
Copper	8,793.00	13.0	AUD/GBP	0.5528	0.5543	0.5508	0.5508	10 year bond	1.74	0.04
Oil (WTI)	59.33	-1.2	AUD/NZD	1.0877	1.0903	1.0864	1.0874	Other (10 year yields)		
Coal (thermal)	90.45	1.7	AUD/EUR	0.6484	0.6502	0.6473	0.6475	Germany	-0.29	-0.01
Coal (coking)	117.67	3.0	AUD/CNH	4.9926	5.0080	4.9830	4.9843	Japan	0.10	0.00
Iron Ore	155.50	-1.1	USD Index	93.3	93.4	93.0	93.2	UK	0.85	0.02

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

Main Themes: US President Biden outlined his plan for more stimulus spending and the World Trade Organisation revised up its forecast for world trade this year to be the biggest increase since 2010.

Share Markets: The prospect of more stimulus spending from the US government propelled the US S&P 500 and Nasdaq share market indexes higher. The S&P 500 added 14 points (or +0.4%) and the Nasdaq rose 201 points (or +1.5%). However, the Dow lost 85 points (or -0.3%).

Interest Rates: The US government yield curve steepened. The US 2-year yield added 1 basis point while the US 10-year yield added 4 basis points.

Foreign Exchange: The Australian dollar fell to an overnight low of 0.7588, which is still above the critical support level of 0.7560 where the AUD brushed near on February 25. The AUD/USD is lifting off the 0.7588 level at the time of writing this report. The AUD bear howls are getting louder with the AUD/USD exchange rate around these levels, but we are still of the view that the AUD can stretch to 80 US cents again by the middle of this year.

Commodities: OPEC oil ministers meet later today. Most investors are anticipating they will opt to keep existing output curbs in place.

COVID-19: Brisbane residents will learn today if the snap 3-day lockdown will be lifted or extended. It is due to expire at 5pm today.

Pfizer said its vaccine was 100% effective in a final-stage trial with kids ages 12 to 15. The more contagious

France will start a four-week lockdown on Saturday. The European Union met a delivery target of 100 million vaccines in the March quarter.

Australia: Building approvals bounced up 22.0% in February, following a 19.4% decline in January. This marks the highest monthly growth in approvals since 2013. HomeBuilder has driven volatility in the data over recent months.

Private sector house approvals increased 15.0% in February to reach a new record high. Over the year, private sector housing approvals are up an extraordinary 57.1%. The bumper growth has been driven by a combination of record low interest rates, government support and the shift towards houses and away from apartments.

Credit to the private sector grew 0.2% in February. This was in line with growth in January and gives an annual growth rate of just 1.6%. In the year to January, credit growth was running at 1.7%.

Business credit growth was zero in February and follows nine successive months of declines. Over the year, business credit declined 0.2%, the lowest annual growth rate since August of 2011.

Credit extended for housing investment purposes grew by just 0.1% for an annual pace of only 0.2%.

China: The outlook for the Chinese economy picked up in March with its services purchasing managers' index (PMI) lifting to 56.3, from 51.4 in February. While marginally below the level seen in November 2020, it is close to its highest level since 2012. The manufacturing PMI rose modestly from 50.6 in February to 51.9 in March. Combined, the PMI's point to solid economic growth in China over at least the next six months.

Europe: European Central Bank (ECB) President Christine Lagarde signalled she'll stay the course on monetary stimulus, however much bond investors push up yields. Lagarde said "They can test us as much as they want" and when the ECB decides to wind down its pandemic bond-buying program it'll give enough warning to "avoid the anxiety, the tantrum."

The core annual inflation rate slowed to 0.9% in March from 1.1% in February, defying consensus expectations for an outcome of 1.1%. The headline inflation print disappointed expectations too, accelerating to 1.3% from 0.9% but lagging forecasts for 1.4%.

United Kingdom: The final result for Q4 GDP was revised up to growth of 1.3%, from the preliminary estimate of 1.0%. This upward revision left the contraction in economic activity over 2020 a bit smaller but still very large at 7.3%.

United States: A jobs recovery in the US is continuing. Private companies added 517,000 jobs in March, according to last night's ADP report. It was the biggest gain since September, led by the service and hospitality sector. February's result was also revised higher to 176,000.

The Chicago PMI rose from 59.5 in February to 66.3 in March – the highest level since July 2018.

Pending home sales fell 10.6% in February to the lowest level since May. The fall in February was much deeper than market expectations. Sales were down in all four regions with a combination of low inventories and declining affordability at play.

US Federal Reserve member Kaplan said he expected a rise in inflation soon, partly due to base effects. He expects a moderation in 2022 and 2023. Kaplan also confirmed that he was one of the four members projecting a rate hike in 2022. Kaplan is not a voter this year.

US President Joe Biden outlined his well flagged \$2.25 trillion infrastructure spending spree, which is in addition to the \$1.9 trillion economic relief bill passed last month. It is a four-part, eight-year plan to be paid for by a hike in the corporate tax rate to

28% from 21% and a 21% minimum tax on global corporate earnings. It dedicates \$620 billion for transportation, \$650 billion for initiatives tied to improving quality of life at home and \$580 billion for strengthening manufacturing. However, the package — which rolls back half of Donald Trump's 2017 tax cut — faces a rough road in Congress.

World: The World Trade Organisation (WTO) raised its projection for growth in global trade this year to 8% — the biggest increase since 2010. The rebound marks a significant bounce from 2020, when the pandemic led global trade to contract by 5.3%. The group warned that Covid-19 continues to pose the greatest threat to the outlook.

Today's key data and events:

AU AiG Perf of Mfg Mar prev 58.8 (8:30am)
 AU CoreLogic Dwelling Prices Mar exp 2.5% prev 2.0% (10am)
 AU Trade Balance Feb exp \$9.9bn prev \$10.1bn (11:30am)
 AU Retail Sales Feb exp -1.1% % prev 0.5% (11:30am)
 Housing Finance Feb (11:30am)
 Total exp 2.0% prev 10.5%
 Owner Occupier exp 1.5% prev 10.9%
 Investor exp 5.0% prev 9.4%
 CH Caixin Mfg PMI Mar exp 51.4 prev 50.9 (12:45pm)
 US Markit Manufacturing PMI Mar Final (12:45am)

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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