bankSA

Morning Report

Thursday, 21 April 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,569	0.1%		Last		Overnight Chg		**Australia**		
US Dow Jones	35,161	0.7%	10 yr bond	96.89		0.05		90 day BBSW	0.39	0.03
Japan Nikkei	27,218	0.9%	3 yr bond	97.28		0.01		2 year bond	2.20	0.07
China Shanghai	3,303	-1.3%	3 mth bill rate	99.13		-0.01		3 year bond	2.55	0.08
German DAX	14,362	1.5%	SPI 200	7,570.0		30		3 year swap	2.77	0.00
UK FTSE100	7,629	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.11	0.04
Commodities (close & change)*			TWI	63.6	-	-	64.1	**United States**		
CRB Index	307.2	0.3	AUD/USD	0.7376	0.7458	0.7373	0.7451	3-month T Bill	0.80	-0.02
Gold	1,957.77	7.7	AUD/JPY	95.07	95.75	94.75	95.45	2 year bond	2.58	-0.02
Copper	10,205.50	-83.0	AUD/GBP	0.5675	0.5717	0.5665	0.5704	10 year bond	2.83	-0.10
Oil (WTI futures)	102.16	0.0	AUD/NZD	1.0956	1.0977	1.0936	1.0949	**Other (10 year yields)**		
Coal (thermal)	326.35	5.4	AUD/EUR	0.6838	0.6872	0.6836	0.6867	Germany	0.86	-0.05
Coal (coking)	516.67	6.7	AUD/CNH	4.7354	4.8125	4.7359	4.8039	Japan	0.25	0.01
Iron Ore	153.00	1.5	USD Index	100.97	101.04	100.22	100.39	UK	1.92	-0.05

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: US equity markets were mixed, US bond yields retreated and the US dollar was sold off. More US Fed officials suggested the Fed needs to move faster with rate hikes.

Share Markets: US share markets ended mixed amid corporate earnings results and the prospect of higher interest rates. The Dow 0.7% but the S&P 500 slid 0.1%. The Nasdaq dropped 1.2% after a heavy sell off in Netflix, which posted its first subscriber decline in over a decade.

Interest Rates: US bond yields retreated overnight. The US 2-year and 10-year bond yields each declined by 2 basis points.

The Australian 3-year government bond yield (futures) ranged between 2.68% and 2.73%, while the 10-year yield ranged between 3.09% and 3.15%. Interest-rate markets are currently pricing the cash rate to be 37bp higher at the June meeting.

Foreign Exchange: Demand for the Australian dollar firmed in overnight trade. The AUD/USD pair rose from a low of 0.7345 to a high of 0.7400. However, the AUD/USD in the near term appears to likely remain in a trading range of 0.7375-0.7600. A sell off in the USD index helped drive the AUD/USD higher in overnight trade.

Commodities: The US Energy Information Agency (EIA) reported that US oil stocks fell by 8.02 million barrels last week - the biggest decline since January 2021. Data also showed the US exported the greatest crude and fuel volume in history. Further, Russia's output drop accelerated in April.

Australia: The six-month annualised growth rate in the Westpac-Melbourne Institute leading index lifted to 1.71% in March, from 1.02% in February. The result suggests a pick-up in growth over coming months.

Eurozone: Industrial production bounced 0.7% in February, fully reversing tis decline in January.

In Europe, the Governor of the central bank of Latvia suggested the European Central Bank (ECB) may hike as soon as July and more tightening will probably be required later in the year amid "significant" inflation risks. His ECB colleague, Joachim Nagel, said an increase may come early in the third quarter if officials decide to end bond purchases at the end of June.

United States: Interest-rate markets are fully priced for 50 basis point moves in both May and June in the US. US officials overnight did little to dissuade this pricing. The Fed's Charles Evans said he is "open to doing 50-basis-point increases to front-load this a little bit" and the Fed's Mary Daly said there's a "really solid" case for a 50 basis point move next month. Daly also called on the central bank to be "expeditious" and get rates to neutral - around 2.5% - by the end of the year.

Existing home sales pulled back to an annualised rate of 5.77 million units in March, from 5.93 million

units in February. The fall reflects rising mortgage costs and inflation, although homes are selling rapidly at just 17 days of listing.

The Federal Reserve's Beige Book of regional economic conditions reiterated that the economy is growing at a "moderate pace" while inflationary pressures remained strong. Steep increases in raw materials, transportation, and labour costs were noted, especially by manufacturers. The Beige Book also said there were "spikes" in prices for energy, metals, and agricultural commodities. These spikes are due to the Ukraine war and Covid-related lockdowns in China further disrupting supply chains. Moreover, strong demand was enabling firms to pass through rising input costs to customers.

Today's key data and events:

NZ CPI Q1 exp 2.0% prev 1.4% (8:45am)

EZ CPI Mar Final exp 2.5% prev 2.5% (7pm)

EZ Consumer Confidence Apr exp -20.0 prev -18.7 (12am)

US Philad. Fed Index Apr exp 21.7 prev 27.4 (10:30pm)

US Leading Index Mar exp 0.3% prev 0.3% (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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