

Morning Report

Monday, 21 March 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	7,294	0.6%			Last	Overnight Chg		Australia			
US Dow Jones	34,755	0.8%	10 yr bond		97.40	0.04		90 day BBSW	0.17	0.01	
Japan Nikkei	26,827	0.7%	3 yr bond		97.84	-0.01		2 year bond	1.39	0.05	
China Shanghai	3,408	1.1%	3 mth bill rate		99.44	0.00		3 year bond	1.93	0.05	
German DAX	14,413	0.2%	SPI 200		7,323.0	59		3 year swap	2.17	0.00	
UK FTSE100	7,405	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.58	0.07	
Commodities (close & change)*			TWI		62.2	-	-	62.7	United States		
CRB Index	292.2	1.5	AUD/USD		0.7374	0.7418	0.7361	0.7408	3-month T Bill	0.36	-0.02
Gold	1,921.62	-21.3	AUD/JPY		87.47	88.38	87.39	88.21	2 year bond	1.94	0.02
Copper	10,342.00	90.5	AUD/GBP		0.5608	0.5633	0.5603	0.5623	10 year bond	2.15	-0.02
Oil (WTI futures)	104.70	1.7	AUD/NZD		1.0715	1.0747	1.0704	1.0739	Other (10 year yields)		
Coal (thermal)	220.15	-4.3	AUD/EUR		0.6647	0.6718	0.6646	0.6699	Germany	0.37	-0.01
Coal (coking)	630.00	2.5	AUD/CNH		4.6926	4.7271	4.6922	4.7178	Japan	0.21	0.00
Iron Ore	152.30	-1.2	USD Index		98.02	98.62	97.84	98.23	UK	1.50	-0.07

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

Main Themes: Equities rose and long-end US bond yields declined alongside mixed signals from the Russia-Ukraine conflict. The AUD/USD moved higher.

Share Markets: The Dow rose 0.8% – its fourth consecutive increase – and the S&P 500 was up 1.1%. The ASX 200 rose 0.6%.

Interest Rates: The US 2-year treasury yield rose 2 basis points to 1.94% while the US 10-year yield slipped 2 basis points to 2.15%.

The Australian 2-year (futures) yield rose 1 basis point to 2.18% while the 10-year futures yield declined 5 basis points to 2.60%.

Markets remained fully priced for a 15 basis point rate hike from the Reserve Bank in June.

Foreign Exchange: The AUD/USD pair rose from 0.7374 to 0.7408, and the US dollar strengthened.

Commodities: West Texas Intermediate crude oil futures rose 1.7% to \$104.7 on Friday, hovering above \$100 for a second consecutive day.

Australia: There were no major economic data released on Friday.

The government announced it has banned the sale of alumina and aluminium ores to Russia, amid warnings Australian resources were potentially being used in munitions manufacturing. The ban will limit Russia's ability to produce aluminium. Russia relies on Australia for 20% of its alumina

supply.

Eurozone: The trade deficit narrowed to €7.7 billion in January from €9.7 billion in January. It is the third consecutive month the trade balance was in deficit as surging energy prices led to a sharp increase in the value of imports, even ahead of Russia's invasion of Ukraine.

Labour costs rose 1.9% in the year to the December quarter, down from 2.5% annual growth in the previous quarter.

Japan: The Bank of Japan left policy settings unchanged as expected, contrasting hikes from the Fed and Bank of England earlier in the week. The central bank revised down its economic assessment – citing the impact of COVID-19. Inflation remains much more muted in Japan than some other advanced economies. Headline CPI rose just 0.9% in the year to February.

Russia & Ukraine: There were mixed signals from peace talks between Russia and Ukraine. Ukrainian President Zelenskiy renewed his offer to negotiate with Russian President Putin and seven humanitarian corridors were agreed for Sunday. At the same time, Russia stepped up its bombardment over the weekend, deploying hypersonic missiles for a second time.

United States: US President Biden and Chinese President Xi held a call on Friday. Xi told Biden the invasion "is not something we want to see",

according to summaries released by China. Biden was expected to warn Xi of US retaliation if China actively supports Russia.

Federal Open Market Committee (FOMC) member Kashkari projected a Fed funds rate at 1.75-2.00% for the end of the year and called for balance sheet reduction to commence as early as the next meeting in May. Meanwhile, Bullard called for the Fed funds rate to hit 3.00% by the end of the year.

Existing home sales declined 7.2% in February to 6.0 million – a six-month low. Limited supply and affordability constraints have deterred potential buyers. Housing affordability is a challenge as buyers are getting hit by rising mortgage rates and sustained price increases.

The Conference Board leading index rose 0.3% in February to 119.9, in line with expectations. The result indicates the economy remains in growth mode despite headwinds from rising interest rates, labour shortages and high inflation. However, the result does not reflect the full impact of Russia's invasion of Ukraine, which could weigh on the index.

Today's key data and events:

NZ Trade Balance Feb prev \$1.1bn (8:45am)

UK Rightmove House Prices Mar prev 2.3% (11:01am)

NZ Credit Card Spending Feb prev 0.7% (1pm)

US Chicago Fed Nat Activity Index Feb exp 0.50 prev 0.69 (11:30pm)

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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