

Morning Report

Wednesday, 27 April 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,318	-2.1%			Last	Overnight Chg		Australia		
US Dow Jones	33,240	-2.4%	10 yr bond		96.94	0.09		90 day BBSW	0.53	0.06
Japan Nikkei	26,700	0.4%	3 yr bond		97.27	0.08		2 year bond	2.35	-0.03
China Shanghai	3,025	-1.4%	3 mth bill rate		98.98	0.01		3 year bond	2.65	-0.04
German DAX	13,756	-1.2%	SPI 200		7,170.0	-107		3 year swap	2.91	-0.09
UK FTSE100	7,386	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.10	-0.03
Commodities (close & change)*			TWI	63.6	-	-	63.0	United States		
CRB Index	302.7	4.1	AUD/USD	0.7183	0.7229	0.7119	0.7122	3-month T Bill	0.77	-0.09
Gold	1,905.51	-26.1	AUD/JPY	92.04	92.59	90.60	90.62	2 year bond	2.48	-0.15
Copper	9,860.50	86.7	AUD/GBP	0.5636	0.5681	0.5632	0.5662	10 year bond	2.72	-0.10
Oil (WTI futures)	101.70	3.2	AUD/NZD	1.0847	1.0884	1.0840	1.0852	Other (10 year yields)		
Coal (thermal)	312.40	-21.6	AUD/EUR	0.6704	0.6751	0.6692	0.6695	Germany	0.82	-0.02
Coal (coking)	461.00	16.3	AUD/CNH	4.7201	4.7439	4.6928	4.6930	Japan	0.25	0.00
Iron Ore	139.75	0.5	USD Index	101.76	102.36	101.51	102.34	UK	1.80	-0.04

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: Market sentiment weakened on a combination of lacklustre US corporate earnings, concerns of inflation and an economic slowdown in China, and an energy market standoff between Russia and Europe. Volatility, as measured by the VIX index, surged to an eight-week high. US equities tumbled, bond yields retreated, and the US dollar firmed.

Share Markets: US share markets tumbled overnight, led by a sell-off in the tech sector. The NASDAQ shed 4.0%, the largest one-day fall since September 2020. The S&P 500 hit a six-week low, after losing 2.8%, while the Dow Jones closed 2.4% lower.

The ASX 200 closed down 2.1% yesterday, the biggest one-day fall since Russia invaded Ukraine.

Interest Rates: Strong safe-haven demand alongside weak market sentiment pushed US bond yields south. The US 2-year treasury yield fell 15 basis points to 2.48%, the sharpest one-day fall since March 2020. The US 10-year yield lost 10 basis points to 2.72%.

Markets are fully pricing consecutive 50 basis point hikes from the Fed at the May and June meetings.

The Australian 3-year government bond (futures) yield dropped 8 basis point to 2.74%, while the 10-year (futures) yield declined 9 basis points to 3.06%.

A 40 basis point rate hike from the Reserve Bank

(RBA) is fully priced for June.

Foreign Exchange: The Aussie dollar softened overnight, closing at an almost 3-month low. The AUD/USD pair traded from a high of 0.7229 to a low of 0.7119, before consolidating around 0.7122.

The US dollar strengthened against a basket of its G-10 peers. The DXY index rose from a low of 101.51 to a 2-year high of 102.36 and is currently trading around 102.34.

Commodities: The price of oil rose back above US\$100 per barrel. Iron ore and copper also rose, while gold softened.

European natural gas surged as Russia announced plans to halt deliveries to Poland and Bulgaria. The countries have refused Russian demands to settle contracts in Rubles.

The German economy minister said the country has cut its reliance of Russian oil from 35% to 12%, making a full embargo on Russian oil "manageable".

Australia: There were no major economic data releases yesterday.

China: Beijing is set to ramp up key infrastructure construction in an effort to prop up the slowing economy. Meanwhile, the Peoples Bank of China (PBOC) has committed to end the tech crackdown and provide targeted funding for small-medium enterprises (SMEs) as COVID restrictions threaten a further economic slowdown.

New Zealand: Credit card spending jumped 3.2% in March, following a revised 2.7% decline in February. The monthly increase takes credit card spending 3.4% higher in annual terms.

Russia & Ukraine: Tensions between Russia and the West escalated overnight, as the US hosted talks with officials from more than 40 nations to plan more weapons shipments to Ukraine.

United Kingdom: Public sector borrowing ballooned to its highest level in six-months. Public sector debt rose to £17.3bn in March, while February's reading was revised down to £9.9bn, from £12.3bn previously.

United States: Durable goods orders rose 0.8% in March, just shy of consensus estimates of a 1.0% monthly rise. The result follows a revised 1.7% decline in orders in February.

House prices increased at their fastest monthly pace on record in February, despite rising affordability pressures and rising borrowing costs. The FHFA house price index jumped 2.1% in February, the fastest monthly pace on record going back to 1991. This follows a 1.6% jump in January. The S&P/CoreLogic house price survey revealed a 2.4% monthly increase in dwelling prices, the fastest monthly pace on record going back to February 2000. Both measures beat consensus expectations of a 1.5% monthly rise and recorded the 21st consecutive month of house price growth.

Consumer confidence was slightly softer than expected in April, stabilising at 107.3 from a revised reading of 107.6 in March. This compares to the median consensus forecast of 108.2. Confidence remains solid as strong labour market conditions outweigh inflation concerns.

The Richmond Fed manufacturing index surprised to the upside in April. The index rose one point to 14, the highest reading since December 2021, beating consensus expectations of a four-point fall.

New home sales plunged 8.6% in March to a 4-month low. The result is the third consecutive monthly decline in new homes sales as surging borrowing costs and high prices pressure demand.

Today's key data and events:

AU CPI Q1 (11:30am)

Headline q/q exp 2.0% prev 1.3%

Headline y/y exp 4.9% prev 3.5%

Underlying q/q exp 1.2% prev 1.0%

Underlying y/y exp 3.4% prev 2.6%

CH Industrial Profits Mar y/y prev 4.2% (11:30am)

US Pending Home Sales Mar exp -1.0% prev -4.1% (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.

Jameson Coombs, Associate Economist

Ph: 0401 102 789

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Economist

Matthew Bunny
matthew.bunny@banksa.com.au
(02) 8254 0023

Senior Economist

Jarek Kowcza
jarek.kowcza@banksa.com.au
0481 476 436

Associate Economist

Jameson Coombs
jameson.coombs@banksa.com.au
0401 102 789

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