

Morning Report

Wednesday, 28 April 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,034	-0.2%	Last		Overnight Chg			Australia		
US Dow Jones	33,985	0.0%	10 yr bond	98.27	-0.04			90 day BBSW	0.04	0.00
Japan Nikkei	28,992	-0.5%	3 yr bond	99.71	-0.01			2 year bond	0.08	0.00
China Shanghai	3,608	0.0%	3 mth bill rate	99.94	-0.01			3 year bond	0.33	0.00
German DAX	15,249	-0.3%	SPI 200	7,021.0	17			3 year swap	0.34	0.00
UK FTSE100	6,945	-0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.74	-0.02
Commodities (close & change)*			TWI	64.4	-	-	64.6	United States		
CRB Index	200.1	2.0	AUD/USD	0.7799	0.7805	0.7762	0.7768	3-month T Bill	0.00	-0.01
Gold	1,776.60	-4.8	AUD/JPY	84.35	84.08	84.51	84.44	2 year bond	0.18	0.01
Copper	9,860.50	99.5	AUD/GBP	0.5611	0.5615	0.5580	0.5588	10 year bond	1.62	0.05
Oil (WTI)	62.94	1.0	AUD/NZD	1.0785	1.0794	1.0766	1.0781	Other (10 year yields)		
Coal (thermal)	87.25	2.0	AUD/EUR	0.6453	0.6459	0.6421	0.6424	Germany	-0.25	0.00
Coal (coking)	112.75	-0.3	AUD/CNH	5.0496	5.0528	5.0303	5.0339	Japan	0.09	0.00
Iron Ore	190.25	2.7	USD Index	90.8	91.1	90.8	90.9	UK	0.77	0.02

Data as at 8:30am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Markets were in a holding pattern ahead of the US Federal Reserve meeting tomorrow. US equities were largely unchanged while long-end US yields rose.

Share Markets: US equities hovered around highs, stalling ahead of tomorrow's Fed meeting. The Dow and S&P 500 finished unchanged while declines in tech heavyweights sent the Nasdaq down 0.3%. Investors are also continuing to eye corporate earnings with nearly 40% of S&P 500 companies reporting this week.

In Europe, the Dax slipped 0.3%. The ASX 200 ticked down 0.2% with futures slightly in the green.

Interest Rates: 10-year US Treasury yields increased 5 basis points to 1.62%. Australian 10-year government bond yields ticked down 2 basis points to 1.74%.

Foreign Exchange: The Australian dollar declined from 0.7799 to 0.7768 against the US dollar. The US dollar strengthened.

Commodities: Copper extended its rally to its highest level in a decade, as markets anticipate a surge in demand after the pandemic. Iron ore firmed and gold slipped.

Australia: No major economic data were released yesterday.

Japan: The Bank of Japan maintained its policy settings as expected. The short-term policy rate and 10-year government bond yield target remained

unchanged at -0.1% and 0.0% respectively.

The central bank also updated its projections, forecasting GDP growth of 4.0%, up from 3.9%, for financial year 2021 (which starts in April). Inflation was revised down to 0.1% from 0.5%. The Bank of Japan continues to face challenges meeting its 2.0% inflation target, with inflation projected to rise to a mere 1% in financial year 2023.

United States: All eyes are on the Fed ahead of tomorrow's meeting. The central bank is expected to leave policy settings unchanged. While the economic outlook has improved in response to fiscal stimulus and progress in the vaccine rollout, officials have continued to emphasise it is important to be patient with respect to any prospect of policy normalisation.

US house prices are soaring. The Federal Housing Finance Agency House Price Index increased 0.9% in February, to be up 12.2% over the year. This is a new record high for annual house price growth.

Consumer confidence is also on the rise. The Conference Board's confidence index rose to 121.7 in April, its highest reading since February 2020. Americans have grown more upbeat on the economy and jobs market. The reading is consistent with activity forecasts which suggest robust household demand will see GDP rapidly return to pre-pandemic levels.

The Richmond Fed manufacturing index held steady

at 17 in April but was weaker than expected. A reading above zero indicates expansion. All three component indices – shipments, new orders and employment – remained in positive territory. Survey responses indicate manufacturers are facing supply constraints with a backlog of orders and long vendor lead times.

President Biden will deliver a speech to Congress today and is expected to outline details on his infrastructure and tax plans. It is anticipated he will propose raising the top individual tax rate for those making at least \$400,000 to 39.6% from 37%.

Today's key data and events:

AU CPI Q1 (11:30am)

Headline q/q exp 1.0% prev 0.9%

Headline y/y exp 1.5% prev 0.9%

Underlying q/q exp 0.6% prev 0.4%

Underlying y/y exp 1.4% prev 1.2%

UK Nationwide House Prices Apr exp 0.5% prev -0.2%

US FOMC Policy Decision exp 0.25% prev 0.25% (4:00am)

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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