

Morning Report

Monday, 28 March 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,406	0.3%	Last		Overnight Chg			Australia		
US Dow Jones	34,861	0.4%	10 yr bond	97.06	-0.10			90 day BBSW	0.21	0.02
Japan Nikkei	28,150	0.1%	3 yr bond	97.44	-0.11			2 year bond	1.58	0.08
China Shanghai	3,367	-1.2%	3 mth bill rate	99.31	-0.02			3 year bond	2.22	0.02
German DAX	14,306	0.2%	SPI 200	7,413.0	33			3 year swap	2.59	0.11
UK FTSE100	7,483	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.78	0.01
Commodities (close & change)*			TWI	63.7	-	-	64.1	United States		
CRB Index	307.3	2.5	AUD/USD	0.7513	0.7537	0.7495	0.7508	3-month T Bill	0.51	0.02
Gold	1,958.29	0.6	AUD/JPY	91.92	92.01	91.06	91.64	2 year bond	2.27	0.13
Copper	10,255.00	-77.5	AUD/GBP	0.5698	0.5707	0.5684	0.5696	10 year bond	2.47	0.10
Oil (WTI futures)	113.90	1.6	AUD/NZD	1.0793	1.0809	1.0766	1.0804	Other (10 year yields)		
Coal (thermal)	256.80	-10.6	AUD/EUR	0.6831	0.6852	0.6803	0.6832	Germany	0.59	0.05
Coal (coking)	595.00	-4.3	AUD/CNH	4.7954	4.8056	4.7808	4.7972	Japan	0.24	0.01
Iron Ore	155.15	0.9	USD Index	98.79	98.83	98.40	98.79	UK	1.70	0.05

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: US bond yields spiked higher on Friday, helped by comments from New York Fed President Williams indicating that a 50-basis point move could be considered, if necessary. US equity markets rose, and the US dollar was unchanged against a basket of major currencies.

Share Markets: US equity markets closed higher on Friday after moving between gains and losses throughout the trading day. The S&P 500 was 0.5% higher and the Dow Jones rose 0.4%. The Nasdaq bucked the trend and closed 0.2% lower.

The ASX 200 rose 0.3% on Friday. Futures are pointing to a positive open today.

Interest Rates: US bond yields jumped higher on Friday as investors increased their expectations around the Federal Reserve hiking rates.

The US 2-year bond yield surged by 13 basis points, to 2.27%. The 10-year yield also jumped by 10 basis points, to 2.47%.

The Australian 3-year government bond yield (futures) rose by 11 basis points, to 2.57%. The 10-year government bond yield (futures) was 10 basis points higher, at 2.94%.

Foreign Exchange: The AUD/USD pair rose from a low of 0.7495 to 0.7537, its highest level since October 2021, before pulling back to 0.7508.

The US dollar was unchanged against a basket of major currencies. The USD Index ranged between a low of 98.40 and a high of 98.83, before closing

unchanged at 98.79.

Commodities: Oil prices posted their first weekly gain in three weeks, increasing to near US\$114 a barrel. Iron ore and gold were also higher. Coal and copper prices fell.

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

China: The current account surplus came in at \$118.4 billion in the fourth quarter of 2021. This was down from the preliminary estimate of \$119.4 billion and was an increase from the \$73.6 billion surplus in the previous quarter.

Authorities will place Shanghai in lockdown for mass testing as COVID-19 case numbers rise.

Eurozone: The German IFO business climate index plunged in March as the war in Ukraine and rising energy prices impacted business confidence. The index dropped to 90.8 in March, its lowest level since January 2021. This was well down from the 98.9 outcome in February and undershot consensus expectations of 94.2. The expectations sub-index plummeted by a record 13.3 points over the month, to 85.1, as businesses were pessimistic about the outlook for the next six months amid the impacts of the war. Sentiment sank across both the manufacturing and services sectors.

The money supply expanded by 6.3% over the year to February. This was in line with consensus expectations but down from the 6.4% growth over

the year to January.

Russia & Ukraine: US government officials and other senior representatives from allied countries emphasised that the US and allied countries don't have plans for Russian President Putin being removed from power. This comes after US President Biden made unscripted comments to that affect in a speech in Warsaw, Poland. Officials noted that the leadership of Russia is a decision for the Russian people.

Peace talks between Ukrainian and Russian negotiators will resume this week.

United Kingdom: Consumer confidence declined in March, as concerns around high inflation and the impacts from the war in Ukraine weigh on consumer sentiment. The GfK consumer confidence survey declined to -31 in March, to record its fourth consecutive month of declines. This was down from -26 in February and below consensus expectations of -30. The result sees consumer confidence at its lowest level since November 2020.

Retail sales disappointed in February and were down 0.3% over the month. This was below consensus expectations of a 0.7% increase and well down on the January outcome of 1.9%. Bad weather, in addition to growing cost-of-living pressures impacted sales in the month.

United States: Pending home sales declined by 4.1% in February. This was the fourth consecutive monthly decline. The outcome was below consensus expectations of a 1.0% gain but was less negative than the revised January outcome of -5.8%. The fall takes the index to its lowest level since May 2020. Low levels of supply are impacting sales, contributing to increases in prices and worsening affordability.

The final estimate of the University of Michigan consumer sentiment survey came in at 59.4 in March. This was down from the preliminary estimate of 59.7. Consumer inflation expectations remained unchanged. Expectations of inflation one year ahead were at 5.4%, while expectations for inflation 5-10 years ahead remained at 3.0%. The index has now fallen for three consecutive months, to its lowest level since August 2011.

New York Fed President Williams said that the Fed is watching inflation expectations very closely and the interest rates may need to be increased more aggressively to address high inflation. He flagged a potential 50 basis point hike at future meetings, depending on the data between now and then. He noted that "What the right decision is at any given

movement will depend on the situation then, but the simple answer to your question is if it's appropriate to raise interest rates by 50 basis points at a meeting, then I think we should do that".

Today's key data and events:

US Dallas Fed Index Mar exp 11.0 prev 14.0 (1:30am)

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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