

Morning Report

Thursday, 29 April 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
			Last		Overnight Chg		Australia			
S&P/ASX 200	7,065	0.4%	10 yr bond			98.34	0.02			90 day BBSW 0.04 0.00
US Dow Jones	33,820	-0.5%	3 yr bond			99.74	0.00			2 year bond 0.08 0.00
Japan Nikkei	29,054	0.2%	3 mth bill rate			99.96	0.00			3 year bond 0.30 -0.03
China Shanghai	3,624	0.4%	SPI 200			7,059.0	18			3 year swap 0.32 0.00
German DAX	15,292	0.3%	FX Last 24 hrs			Open	High	Low	Current	10 year bond 1.73 -0.01
UK FTSE100	6,964	0.3%	TWI			64.6	-	-	64.3	United States
Commodities (close & change)*	200.4	0.3	AUD/USD	0.7768	0.7801	0.7726	0.7792	3-month T Bill	0.00	-0.01
CRB Index	1,781.68	5.1	AUD/JPY	84.44	84.75	84.14	84.62	2 year bond	0.16	-0.02
Gold	9,860.50	-	AUD/GBP	0.5588	0.5594	0.5567	0.5591	10 year bond	1.61	-0.01
Copper	63.86	0.9	AUD/NZD	1.0781	1.0789	1.0717	1.0731	Other (10 year yields)		
Oil (WTI)	87.95	0.7	AUD/EUR	0.6424	0.6434	0.6396	0.6427	Germany	-0.23	0.02
Coal (thermal)	112.83	0.1	AUD/CNH	5.0339	5.0473	5.0098	5.0460	Japan	0.10	0.01
Coal (coking)	187.45	-2.8	USD Index	90.9	91.1	90.6	90.6	UK	0.80	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: The Federal Reserve upgraded its assessment of the US economy but maintained it was too early to consider scaling back support. The US dollar and bond yields retreated while equities were generally stronger.

Share Markets: Investors were digesting the Fed decision and the latest batch of earnings overnight. In the US, the Dow was down 0.5% while in Europe, the Dax climbed 0.3%. The ASX 200 rose 0.4% and futures point to a solid open.

Interest Rates: US 10-year Treasury yields rose to 1.66% immediately after the Fed decision, as central bank strengthened their view of the economy, before retracing to 1.61%.

The Australian 10-year government bond yield finished down 1 basis point at 1.73%.

Foreign Exchange: The Australian dollar fell on weaker than expected domestic CPI data, touching 0.7726 before reversing higher to 0.7792. The US dollar declined.

Commodities: The price of West Texas Intermediate crude oil rose on signs the rebound in demand is picking up, despite India's outbreak. Gold closed little changed while iron ore slipped.

Australia: Lethargy continued to afflict the inflation dragon in the March quarter. The widely anticipated lift in inflationary pressures failed to materialise in a meaningful way.

Headline inflation rose 0.6% in the March quarter.

The increase was primarily driven by rising fuel prices alongside the recovery in oil prices. Over the year, headline inflation is up 1.1%.

Trimmed mean inflation, the measure the RBA focused on, increased 0.3% in the March quarter while over the year, growth actually declined from 1.2% to 1.1%. This reading is the lowest annual growth on record.

The increase in prices was broad-based across the country, although the larger capital cities displayed weaker price pressures.

But the inflation dragon is set to stir in the June quarter with base effects from last year's falls and the cessation of some government support schemes expected to drive a notable lift in headline inflation. However we expect this increase will be temporary.

Some investors have been concerned the RBA could be forced to tighten policy sooner than expected because of a surge in inflation. This data should dampen such worries and leaves us comfortable with our view that the RBA will not hike the cash rate until 2024.

United States: The Federal Reserve left its policy settings unchanged, as widely expected. The central bank did signal it was more optimistic on growth, noting economic activity and employment have strengthened. The Fed continued to emphasise while inflation has risen, it largely reflects transitory factors. Chair Powell noted in his Q&A that it is too

early to start talking about tapering asset purchases.

President Biden is set to unveil details of plans for another stimulus package in his first address to Congress in the coming hours. The plan combines \$1 trillion in spending with \$800 billion in tax cuts and credits to lower and middle-income families.

Today's key data and events:

AU Trade Price Indices Q1 (11:30am)
Import Prices exp -2.2% prev -1.0%
Export Prices exp 8.4% prev 5.5%
EZ M3 Money Supply Mar exp 10.2% prev 12.3% (6:00pm)
EZ Consumer Confidence Apr final prev -8.1 (7:00pm)
EZ Economic Confidence Apr exp 102.1 prev 101.0 (7:00pm)
EZ CPI Apr m/m exp 0.5% prev 0.9% (10:00pm)
NZ Trade Balance Mar prev 181mn (8:45am)
NZ ANZ business confidence Apr final prev -8.4 (11:00am)
US GDP annualised Q1 exp 6.9% prev 4.3% (10:30pm)
US Pending Home Sales Mar exp 4.4% prev -10.6%
(12:00am)

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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