

Morning Report

Tuesday, 29 March 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,412	0.1%	Last		Overnight Chg			Australia		
US Dow Jones	34,956	0.3%	10 yr bond	97.10	0.06			90 day BBSW	0.22	0.00
Japan Nikkei	27,944	-0.7%	3 yr bond	97.39	0.03			2 year bond	1.80	0.22
China Shanghai	3,369	0.1%	3 mth bill rate	99.31	0.02			3 year bond	2.40	0.19
German DAX	14,417	0.8%	SPI 200	7,415.0	38			3 year swap	2.66	0.00
UK FTSE100	7,473	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.90	0.13
Commodities (close & change)*			TWI	64.1	-	-	64.3	United States		
CRB Index	299.2	-8.1	AUD/USD	0.7508	0.7540	0.7467	0.7490	3-month T Bill	0.52	0.00
Gold	1,922.80	-35.5	AUD/JPY	91.64	94.32	91.51	92.76	2 year bond	2.33	0.06
Copper	10,342.00	87.0	AUD/GBP	0.5696	0.5737	0.5690	0.5721	10 year bond	2.46	-0.01
Oil (WTI futures)	103.28	-10.6	AUD/NZD	1.0804	1.0875	1.0780	1.0862	Other (10 year yields)		
Coal (thermal)	259.75	-4.4	AUD/EUR	0.6832	0.6879	0.6804	0.6820	Germany	0.58	-0.01
Coal (coking)	596.33	1.3	AUD/CNH	4.7972	4.8154	4.7692	4.7833	Japan	0.25	0.01
Iron Ore	154.30	0.6	USD Index	98.79	99.37	98.82	99.16	UK	1.62	-0.08

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: Stocks and bonds gyrated as investors mulled the war in Ukraine, inflation, and COVID-19 lockdowns in China. US share markets finished the day higher, the US yield curve flattened and the US dollar strengthened.

Share Markets: US stocks unwound early losses to finish the session in the green. The NASDAQ jumped 1.3%, while the S&P 500 and the Dow Jones gained 0.7% and 0.3%, respectively.

The ASX200 index closed 0.1% higher yesterday. Futures are pointing to a strong open this morning.

Interest Rates: The US yield curve flattened overnight. The 2-year treasury yield jumped 6 basis points to 2.33%, while the 10-year yield edged down 1 basis point to 2.46%.

Interest rate markets are almost fully pricing a 50 basis point rate hike at the next Fed meeting in May.

The Australian 3-year (futures) yield fell from a high of 2.74% to a low of 2.60%. The 10-year (futures) yield also softened, dropping from a high of 3.00% to a low of 2.89%.

A 15 basis point rise in the cash rate is fully priced for June, according to interbank cash rate futures.

Foreign Exchange: The Aussie dollar pair hit a five-month high overnight. The AUD/USD pair jumped from a low of 0.7467 to a high of 0.7540, before retracing to 0.7490.

The US dollar appreciated against a basket of its

G10 peers. The DXY index traded from a low of 98.82 to a high of 99.37, before settling around 99.16.

The USD/JPY pair hit a six and a half year high of 125.09, before falling back to 123.86. The AUD strength and weakness in the yen took the AUD/JPY cross to its highest level since July 2015 at 94.32.

The Aussie dollar also strengthened against its neighbour across the ditch. The AUD/NZD pair reach an 11-month high of 1.0875.

Commodities: The price of oil tumbled as much as 7% overnight, alongside fears Chinese demand will be curbed by fresh lockdowns. The West Texas Intermediate contract is currently trading around US\$103 per barrel, the first time in a week the contract has dipped below US\$105 per barrel.

Gold softened, while iron ore and copper firmed.

Australia: There were no major economic data released yesterday.

The 2022-23 Federal Budget will be released this evening. We expect elevated commodity prices and the exceptionally strong performance of the Australian economy will translate into an improvement in the bottom line. Cost-of-living pressures will be a key point of focus in the Budget.

Russia & Ukraine: Energy ministers from G7 nations unanimously rejected Russia's demand for natural gas contracts to be settled in rubles. Germany may cease reliance on Russian oil and gas by the end of

the year said Chancellor Olaf Scholz.

Meanwhile, Ukrainian and Russian negotiators are set to meet again in Istanbul as fighting intensifies.

United States: The Dallas Fed manufacturing index dropped to 8.7 in March, from 14.0 in February. The result was softer than consensus expectations of a three-point decline. Respondents signalled that they expect to pay more for raw materials over the next six months, while the gauge for current wages and benefits hit a record high going back to 2004.

Today's key data and events:

AU Retail Sales Feb exp 1.5% prev 1.8% (11:30am)

AU Federal Budget (7:30pm)

JN Job to Applicant Ratio Feb exp 1.2 prev 1.2 (10:30am)

US FHFA House Prices Jan exp 1.2% prev 1.2% (12am)

US S&P CoreLogic CS House Prices Jan exp 1.5% prev 1.5% (12am)

US Cons. Conf. Index Mar exp 107.0 prev 110.5 (1am)

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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