

Morning Report

Wednesday, 7 April 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	6,886	0.8%			Last	Overnight Chg		Australia			
US Dow Jones	33,430	-0.3%	10 yr bond		98.27	0.02		90 day BBSW	0.04	0.00	
Japan Nikkei	29,697	-1.3%	3 yr bond		99.76	0.01		2 year bond	0.08	0.00	
China Shanghai	3,651	0.0%	3 mth bill rate		99.96	0.00		3 year bond	0.28	-0.03	
German DAX	15,213	0.7%	SPI 200		6,863.0	3		3 year swap	0.31	-0.02	
UK FTSE100	6,824	1.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.78	-0.06	
Commodities (close & change)*			TWI		63.4	-	-	64.0	United States		
CRB Index	185.8	1.8	AUD/USD		0.7652	0.7668	0.7606	0.7664	3-month T Bill	0.02	0.00
Gold	1,743.27	14.0	AUD/JPY		84.30	84.46	83.79	84.11	2 year bond	0.16	-0.01
Copper	8,799.50	6.5	AUD/GBP		0.5503	0.5549	0.5492	0.5543	10 year bond	1.66	-0.04
Oil (WTI)	59.33	0.7	AUD/NZD		1.0841	1.0876	1.0829	1.0857	Other (10 year yields)		
Coal (thermal)	90.10	-1.8	AUD/EUR		0.6477	0.6483	0.6440	0.6453	Germany	-0.32	0.01
Coal (coking)	117.33	0.0	AUD/CNH		5.0172	5.0227	4.9881	5.0145	Japan	0.11	-0.01
Iron Ore	161.65	0.9	USD Index		92.6	92.8	92.3	92.3	UK	0.80	0.00

Data as at 8:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Markets were mixed overnight. US stocks and bond yields eased while European equities hit new highs. The IMF upgraded its GDP forecasts to predict the best global growth in four decades.

Share Markets: Equities were mixed in the slowest trading day of 2021. Volumes on US exchanges dropped below 10 billion shares for the first time this year as investors await the start of earnings season. US equity prices stalled around record highs with the Dow slipping 0.3%.

European stocks hit new highs, with the Dax increasing 0.7%. The ASX 200 increased 0.8%.

Interest Rates: 10-year US Treasury yields declined 4 basis points to 1.66%. Appetite for the reflation trade has waned recently.

Australian 10-year yields fell 6 basis points to 1.78%, while the 3-year bond ticked down 3 basis points to 0.28%.

Foreign Exchange: The US dollar fell for the third consecutive day. The Australian dollar declined against the US dollar to touch an intraday low of 0.7606 before retracing to finish higher at 0.7664.

Commodities: Oil rose on the brighter outlook for global economic growth in the IMF report (see World). Gold advanced as bond yields fell and the US dollar weakened.

COVID-19: The New Zealand Prime Minister announced yesterday that a Trans-Tasman travel

bubble would begin on 19 April.

Australia: The Reserve Bank (RBA) delivered no surprises yesterday at the conclusion of its monthly board meeting. The central bank reiterated it does not expect to lift the cash rate until 2024 because it does not anticipate actual inflation to be sustainably within its 2–3% target range before this date.

The RBA also left its bond-buying programs intact and remained tight-lipped about possible extensions. Financial markets were hoping for clues as to whether the April 2024 bond will be moved to November 2024 for its yield-curve control program and whether the \$100 billion bond-buying program for 5–10-year bond maturities will be extended a third time.

The RBA did make some subtle changes to the wording of its statement around the economic outlook and housing.

For the economic outlook, the RBA appeared to be buttering the market up for upward revisions to its economic forecasts to be published in its quarterly Statement on Monetary Policy early next month.

Wording around housing also strengthened a notch in today's statement. The RBA said it "will be monitoring trends in housing borrowing carefully". A tightening of macroprudential regulation later this year cannot be ruled out.

China: China's central bank has reportedly asked

banks to curtail lending for the rest of the year, following the surge in loan growth in the first two months of the year. Banks in China issued RMB 4.9 trillion in new yuan loans in the first two months of 2021, up 16% on the same period last year. 'Window guidance' is a key tool for Chinese authorities and so this measure is an important signal that policymakers are seeking to curb credit growth.

United States: Job openings surged to a two-year high of 7.4 million in February, roaring past economists' expectations. The rise in openings indicates employers are primed to ramp up hiring in the months ahead.

World: The IMF has predicted the best global economic growth in four decades in its latest World Economic Outlook. It lifted its 2021 world GDP growth forecast to 6%, from 5.5% in January. The forecast for US growth was lifted to 6.4% from 5.1% previously and China's to 8.4% from 8.1%. The forecast for Australian GDP growth was increased to 4.5% from 3.5%.

The upwards revisions reflect additional fiscal support in some large economies, the anticipated vaccine-driven recovery in the second half of 2021 and the ongoing adaptation of economic activity in the face of mobility restrictions.

Today's key data and events:

AU Aig Perf. of Construction Index Mar prev 57.4 (8:30am)

AU Markit PMI Services Mar Final prev 56.2 (9am)

AU Markit PMI Composite Mar Final prev 56.2 (9am)

EZ Markit PMI Services Mar Final exp 48.8 prev 48.8 (6pm)

EZ Markit PMI Composite Mar Final exp 52.5 prev 52.5 (6pm)

UK Markit PMI Services Mar Final exp 56.8 prev 56.8 (6:30pm)

UK Markit PMI Composite Mar Final exp 56.6 prev 56.6 (6:30pm)

US Trade Feb exp -\$7.5bn prev -\$68.2bn (10:30pm)

US FOMC Meeting Minutes Mar 17 (4am)

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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