

# Morning Report

Friday, 8 April 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,443	-0.6%	Last		Overnight Chg			Australia		
US Dow Jones	34,584	0.3%	10 yr bond	96.95	-0.08			90 day BBSW	0.29	0.00
Japan Nikkei	26,889	-1.7%	3 yr bond	97.26	-0.02			2 year bond	2.11	-0.01
China Shanghai	3,392	-1.4%	3 mth bill rate	99.25	0.01			3 year bond	2.52	-0.04
German DAX	14,078	-0.5%	SPI 200	7,457.0	38			3 year swap	2.78	0.01
UK FTSE100	7,552	-0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.91	-0.02
Commodities (close & change)*			TWI	64.8	-	-	64.0	United States		
CRB Index	294.6	1.4	AUD/USD	0.7511	0.7519	0.7467	0.7480	3-month T Bill	0.66	0.00
Gold	1,931.86	6.5	AUD/JPY	92.98	93.18	92.41	92.73	2 year bond	2.46	-0.01
Copper	10,286.75	-150.3	AUD/GBP	0.5747	0.5753	0.5711	0.5721	10 year bond	2.66	0.06
Oil (WTI futures)	96.03	-0.2	AUD/NZD	1.0854	1.0867	1.0834	1.0850	Other (10 year yields)		
Coal (thermal)	282.50	1.1	AUD/EUR	0.6891	0.6902	0.6843	0.6875	Germany	0.68	0.03
Coal (coking)	416.00	4.3	AUD/CNH	4.7768	4.7821	4.7509	4.7595	Japan	0.23	-0.01
Iron Ore	158.35	1.8	USD Index	99.63	99.83	99.40	99.76	UK	1.73	0.03

Data as at 7:30am AEST. Change from previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

**Main Themes:** Markets stabilised as investors weighed comments from Federal Reserve officials while the central bank looks to clamp down on red-hot inflation. US equities rebounded from a fall, the US yield curve steepened and the US dollar strengthened.

**Share Markets:** US equities rose after declining over the previous two sessions. The S&P 500 rose 0.4%, the Dow was up 0.3% and the Nasdaq edged up 0.1%.

Meanwhile, the ASX 200 slipped 0.6%.

**Interest Rates:** The US 2-year treasury yield slipped 1 basis point to 2.46%. The US 10-year and 30-year yields hit to 2.67% and 2.71% respectively in intraday trade – both touching their highest level since 2019.

Markets are almost fully priced for a 50 basis point rate hike at the next Fed meeting in May.

The Australian 3-year (futures) yield edged up 1 basis point to 2.74% while the 10-year futures yield rose 7 basis point to 3.05%.

Markets are fully priced for the Reserve Bank to hike 15 basis points at the June meeting and have the cash rate around 2.0% by the end of the year.

**Foreign Exchange:** The AUD/USD slipped from 0.7511 to 0.7480 alongside a stronger US dollar. The pair is now around the same level as before the Reserve Bank meeting earlier this week, which saw the AUD/USD jump up to 0.7661.

**Commodities:** WTI crude oil futures edged lower as traders weighed the impact of the release of strategic reserves from the IEA.

Gold and iron ore strengthened.

**Australia:** The trade surplus narrowed to \$7.5bn in February, marking an 11-month low. The result follows a revised \$11.8bn surplus in January. Imports surged at their fastest monthly pace in almost 22 years, jumping 12.1% in the month. The rise in imports was underpinned by a jump in industrial supplies, fuels, and lubricants, reflecting the surge in oil prices and the rebound in economic activity. Meanwhile, exports were broadly unchanged in February, consolidating from a 6.0% jump in January. Exports continue to be supported by elevated commodity prices.

**Europe:** Retail sales rose 0.3% in February to be 5.0% higher over the year driven by petrol and non-food products. Petrol sales rose 3.2% in the month and 12.0% over the year.

German industrial production increased 0.2% in February and 3.2% in annual terms. However, industrial production remains below its pre-pandemic level. Backorders are supporting activity but surveys point to a slowdown in new orders. The Ukraine war is weighing on the economic outlook for Germany.

**United States:** St. Louis Fed President Bullard called for raising rates as much as 300 basis points this

year and indicated he supports a 50 basis point hike in May.

Other officials advocated a less aggressive tightening. Chicago Fed President Evans and his Atlanta counterpart Bostic said they support raising rates to neutral while monitoring how the economy performs.

The US labour market is very tight. Initial jobless claims fell to 166k from 171k in the week ending 2 April, the lowest level since 1968! However, continuing claims were slightly higher rising to 1523k from 1506k.

Consumer borrowing surged by a record \$41.8 billion in February from \$8.9 billion in February. The increase reflected large increases in both credit-card balances and non-revolving loans.

**Today's key data and events:**

AU RBA Financial Stability Review (11:30am)

JN Current Account Feb exp ¥1,450.0b prev -¥1,188.7b  
(9:50am)

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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