

Morning Report

Tuesday, 8 March 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,039	-1.0%	Last		Overnight Chg			Australia		
US Dow Jones	32,814	-2.4%	10 yr bond	97.79	-0.07			90 day BBSW	0.14	0.02
Japan Nikkei	25,221	-2.9%	3 yr bond	98.34	-0.08			2 year bond	1.12	0.00
China Shanghai	3,535	-2.2%	3 mth bill rate	99.84	0.00			3 year bond	1.57	0.00
German DAX	12,835	-2.0%	SPI 200	7,028.0	1			3 year swap	1.92	0.09
UK FTSE100	6,959	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.14	-0.01
Commodities (close & change)*			TWI	62.1	-	-	62.8	United States		
CRB Index	304.2	4.3	AUD/USD	0.7366	0.7441	0.7312	0.7320	3-month T Bill	0.31	-0.01
Gold	1,996.77	26.1	AUD/JPY	84.59	85.51	84.33	84.37	2 year bond	1.54	0.07
Copper	10,265.50	-435.5	AUD/GBP	0.5569	0.5639	0.5562	0.5583	10 year bond	1.78	0.05
Oil (WTI futures)	120.16	4.5	AUD/NZD	1.0757	1.0778	1.0712	1.0726	Other (10 year yields)		
Coal (thermal)	427.00	32.0	AUD/EUR	0.6740	0.6866	0.6718	0.6733	Germany	-0.02	0.05
Coal (coking)	580.00	1.7	AUD/CNH	4.6599	4.7048	4.6253	4.6291	Japan	0.15	-0.02
Iron Ore	160.15	-5.7	USD Index	98.65	99.42	98.67	99.17	UK	1.30	0.10

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: Market sentiment continues to be dampened by developments in Ukraine, as US lawmakers are considering a ban on Russian oil imports. The VIX volatility index spiked overnight, hitting its highest level since the recent peak recorded when Russia invaded Ukraine on 24 February. Commodities prices continued to surge, while share markets fell and bond yields rose on inflation concerns.

Share Markets: Global share markets declined across the board overnight. The S&P 500 fell 3.0%, while the Dow Jones and the Nasdaq closed down 2.4% and 3.6%, respectively.

In Europe, the German Dax and the Euro Stoxx 50 shed 2.0% and 1.2%, respectively.

The ASX 200 lost 1.0% yesterday.

Interest Rates: The US yield curve jumped higher amid expectations for higher inflation, driven by surging commodities prices. The US 2-year treasuries yield jumped 7 basis points to 1.54%, while the 10-year yield rose 5 basis points to 1.78%. There remains an over 90% probability attached to a March interest rate move.

The Australian 3-year (futures) yield jumped from a low of 1.58% to a high of 1.67%. The 10-year (futures) yield rose from 2.13% to 2.21%.

The first 15 basis point cash rate hike from the RBA is fully priced for July.

Foreign Exchange: The Aussie dollar rose to a

4-month high of 0.7441, before retracing in the New York session to around 0.7320. The AUD/EUR pair hit a more than 4-year high of 0.6866 and is currently trading around 0.6733. The Aussie also rose to a 12-month high against the British pound.

The US dollar appreciated against a basket of its G10 peers. The USD index jumped to 99.42 – its highest level since the end of May 2020. The DXY has since consolidated around 99.17.

The EUR/USD pair sank to a 20-month low overnight. The Euro fell from a high of 1.0961 to a low of 1.0806.

The pound also reached a 16-month low against the greenback, depreciating from a high of 1.3259 to a low of 1.3102.

Commodities: The conflict in Ukraine continued to drive wild moves in commodities markets.

West Texas Intermediate (WTI) futures rose to US\$130.50 a barrel in early trade yesterday – a more than 13-year high. The price of oil stabilised overnight and is currently trading around US\$120 a barrel. This is despite remarks that the US is considering a ban on Russian oil and gas exports.

Nickel surged 82% overnight to a fresh record high amid growing supply concerns. It is estimated that Russia holds a 17% market share of Class 1 nickel.

UK natural gas jumped 57% to a record high of \$800 per therm. This represents a 274% premium on the price of natural gas before Russia invaded Ukraine.

Gold rose, moving past \$2,000 an ounce for the first time since August 2020 before pulling back, while iron ore also firmed.

Australia: Job ads jumped a brisk 8.4% in February. The increase follows consecutive monthly falls over January and December, owing to the Omicron outbreak. Job ads continue to indicate solid demand for labour and reinforce expectations that the labour market will continue to tighten.

China: The trade surplus widened to US\$116.0bn in year-to-date terms in February. The result follows a revised annual surplus of \$103.3bn in January. Exports and imports jumped 16.3% and 15.5%, respectively in annual terms.

Eurozone: German factory orders increased 1.8% in January, beating consensus expectations of a 1.0% rise. January's result is the third consecutive monthly rise in factory orders following a sharp 5.8% decline in October.

War in Ukraine plunged investor confidence in the Eurozone to its lowest level in 16-months. The Sentix investor confidence index fell sharply to -7.0 in March, from 16.6 in February.

Russia & Ukraine: Ukrainian and Russian officials made little progress during a third round of talks. Meanwhile, heavy fighting swamped towns outside Kyiv. Further attempts to deliver supplies to Mariupol failed, after planned evacuations were cancelled due to Russian shelling.

The US said it is considering a ban on Russian imports, including oil and gas supplies. Several European countries are considering a similar ban, although Germany is currently opposed.

China criticised the US for attempting to form an "Indo-Pacific form of NATO", adding that Washington would pay a high cost for doing so. China labelled Russia its "everlasting friend" and declined to criticize Russia's invasion of Ukraine.

Today's key data and events:

US Consumer Credit Jan exp \$24.5bn prev \$19.0bn (7am)
 JN Current Acc. Jan exp -¥870.5 prev -¥370.8bn (10:50am)
 AU NAB Business Survey Feb (11:30am)
 Conditions prev 3
 Confidence prev 3
 EZ Ger. Indust. Production Jan exp 0.5% prev -0.3% (6pm)
 EZ GDP Q4 Final exp 0.3% prev 0.3% (9pm)
 EZ Employment Q4 Final prev 0.5% (9pm)
 US Trade Bal. Jan exp -\$87.3bn prev -\$80.7bn (12:30am)

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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