

Morning Report

Friday, 21 April 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,362	0.0%			Last	Overnight Chg		Australia			
US Dow Jones	33,787	-0.3%	10 yr bond		3.48	-0.02		90 day BBSW	3.69	0.01	
Japan Nikkei	28,658	0.2%	3 yr bond		3.12	-0.02		2 year bond	3.19	-0.01	
China Shanghai	3,530	-0.1%	3 mth bill rate		3.74	-0.02		3 year bond	3.17	-0.01	
German DAX	15,796	-0.6%	SPI 200		7,339.0	-38		3 year swap	3.57	-0.01	
UK FTSE100	7,903	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.49	-0.02	
Commodities (close & change)*			TWI		60.7	-	-	60.7	United States		
CRB Index	271.9	-3.1	AUD/USD		0.6715	0.6772	0.6697	0.6743	3-month T Bill	4.93	-0.06
Gold	2,004.79	0.0	AUD/JPY		90.40	90.78	90.25	90.49	2 year bond	4.14	-0.10
Copper	8,963.75	-50.6	AUD/GBP		0.5400	0.5434	0.5390	0.5420	10 year bond	3.53	-0.06
Oil (WTI futures)	77.37	-1.9	AUD/NZD		1.0828	1.0924	1.0820	1.0916	Other (10 year yields)		
Coal (thermal)	199.15	-1.5	AUD/EUR		0.6130	0.6165	0.6113	0.6147	Germany	2.45	-0.07
Coal (coking)	252.67	-2.3	AUD/CNH		4.6300	4.6550	4.6154	4.6412	Japan	0.47	-0.01
Iron Ore	112.95	-2.4	USD Index		102.02	102.13	101.63	101.81	UK	3.77	-0.09

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

Main Themes: Equities were lower on the back of softer than expected US economic data. Partial indicators for US economic activity and labour market conditions continue to point to a downturn. Bond yields declined. The US dollar was broadly unchanged.

Share Markets: US equities finished lower for the second straight session on the back of softer economic data and disappointing earnings report from several companies, including Tesla and AT&T, which weighed on technology stocks.

The S&P 500 finished 0.6% lower, the NASDAQ was 0.8% lower and the Dow Jones shed 0.3%.

The ASX 200 was flat yesterday. Futures are pointing to a negative open today.

Interest Rates: US interest rates were lower across the yield curve. The 2-year treasury yield declined by 10 basis points to close at 4.14%. The 10-year treasury yield fell by 6 basis points to 3.53%.

Interest rate markets are pricing a near 90% probability of a 25-basis point hike from the Fed in May. Expectations for rate cuts have been pushed back, with the first cut fully priced for December.

Aussie bond futures yields were also lower. The 3-year government bond (futures) yield was down 2 basis points to 3.12%, while the 10-year (futures) yield declined 2 basis points to 3.48%.

Interest rate markets are pricing around a 20%

chance of a 25-basis point hike in May. Markets are no longer expecting the RBA to cut rates this year, pricing in a cash rate of around 3.7% by the end of 2023.

Foreign Exchange: The AUD/USD pair was higher, breaking the upper bound of 0.6740 set yesterday. The increase was capped at around 0.6770. A weaker US Dollar boosted the pair.

The US dollar edged lower against major currencies, trading in a narrow range between 101.63 and 102.13. Weaker than expected economic data and lower bond yields underpinned the decline in the value of the Greenback. It is currently trading at around 101.81.

The AUD/NZD rose from 1.0828 to 1.0916, on the back of the softer NZ inflation print.

Commodities: Commodity prices were lower overnight. The West Texas Intermediate (WTI) price of oil fell 1.9%, to close at US\$77.37 per barrel. This fall wiped out most of the gains from OPEC+'s supply cut. Reporting suggests that at this price the US could begin to refill its Strategic Petroleum Reserve.

Australia: The Government released the Review of the Reserve Bank of Australia and agreed in-principle to implement all the Review's recommendations. Key changes recommended include establishing an expert Monetary Policy Board to set policy; holding fewer meetings every

year (8 instead of 11); and improving transparency and communication through post Board meeting press conferences.

New Zealand: Headline consumer price inflation increased by 1.2% over the March quarter to be 6.7% higher in annual terms. This outcome was weaker than the 1.5% quarterly increase, and 6.9% annual increase, expected by the market. The outcome also points to a deceleration in inflationary pressures with inflation now appearing to have peaked in the June quarter 2022 at the annual rate of 7.3%. Drivers of the outcome include food prices, household energy costs and recreation prices.

The trimmed-mean measures, which exclude extreme price movements, ranged from 5.9% to 6.1% in annual terms. This is lower than the headline number, again pointing to a deceleration in inflation.

Eurozone: The consumer confidence indicator increased by 1.6 index points to -17.5 in April. This was better than the -18.5 points the market was expecting. Notwithstanding this slight increase, confidence remained well below its long-term average and well entrenched in negative territory.

United States: Recurring unemployment benefit claims jumped by 61,000 over the past week to be at 1.87 million - the highest since November 2021. New claims also rose by 5,000 over the week to increase to 245,000.

The Philadelphia Fed Manufacturing Index fell to -31.3 points in April, from -23.2 in March. This is the lowest read since May 2020 and weaker than the -19.2 points expected by the market. It marks an eighth consecutive negative reading, missing market expectations of -19.2. Indicators for prices paid and prices received declined to their lowest levels since mid-2020. The future indicators suggest that firms' expectations for growth over the next six months remain subdued.

The Conference Board Leading Economic Index fell by 1.2% in March to 108.4 index points, following a decline of 0.5% in February. The Index is down 4.5% over the six-month to March 2023. This represents an acceleration in the decline from the 3.5% fall recorded over the previous six months (March to September 2022). The weaknesses among the index's components were widespread in March and have been so over the past six months.

Existing home sales dropped 2.4% over the month of March to be at an annual rate of 4.44 million. This was lower than the 4.5 million expected by the

market. The median existing-home price for all housing types was \$375,700. This represents a 0.9% annual decline.

Today's key data and events:

EZ Markit Services PMI Apr Prel. (6pm)
 EZ Markit Mfg PMI Apr Prel. (6pm)
 JN CPI Mar y/y prev 3.3% (9:30am)
 JN Nikkei Mfg PMI Apr Prel. (10:30am)
 JN Nikkei Services PMI Apr Prel. (10:30am)
 UK GfK Cons. Sentiment Apr prev -36 (9:01am)
 UK Retail Sales Mar prev 1.2% (4pm)
 UK Markit Mfg PMI Apr Prel. (6:30pm)
 UK Markit Services PMI Apr Prel. (6:30pm)
 US Markit Mfg PMI Apr Prel. (11:45pm)
 US Markit Services PMI Apr Prel. Prel. (11:45pm)

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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