

Morning Report

Monday, 24 April 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,330	-0.4%			Last	Overnight Chg		Australia		
US Dow Jones	33,809	0.1%	10 yr bond	3.49				90 day BBSW	3.68	0.00
Japan Nikkei	28,564	-0.3%	3 yr bond	3.13				2 year bond	3.15	-0.04
China Shanghai	3,461	-2.0%	3 mth bill rate	3.76				3 year bond	3.13	-0.04
German DAX	15,882	0.5%	SPI 200	7,333.0				3 year swap	3.57	-0.02
UK FTSE100	7,914	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.46	-0.03
Commodities (close & change)*			TWI	60.7	-	-	60.7	United States		
CRB Index	270.8	-1.1	AUD/USD	0.6743	0.6746	0.6678	0.6695	3-month T Bill	4.89	-0.06
Gold	1,983.06	-21.7	AUD/JPY	90.50	90.54	89.40	89.76	2 year bond	4.18	0.04
Copper	8,794.50	-85.8	AUD/GBP	0.5419	0.5422	0.5375	0.5381	10 year bond	3.57	0.04
Oil (WTI futures)	77.87	0.5	AUD/NZD	1.0917	1.0931	1.0888	1.0901	Other (10 year yields)		
Coal (thermal)	195.50	-3.7	AUD/EUR	0.6148	0.6150	0.6087	0.6091	Germany	2.48	0.04
Coal (coking)	252.00	-0.7	AUD/CNH	4.6413	4.6428	4.6087	4.6197	Japan	0.47	0.00
Iron Ore	105.85	-2.2	USD Index	101.80	102.12	101.65	101.72	UK	3.76	-0.01

Data as at 7:45 am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Strong economic activity readings in the US saw treasury yields strengthen across the curve as investors discount the risk of further tightening from the Fed. US equities finished marginally in the green ahead of key tech earnings this week, while the US dollar traded sideways.

Share Markets: US equities finished slightly higher on Friday night after gyrating through a fairly narrow range. Each of the major indices, the S&P 500, the Dow Jones, and the NASDAQ, closed up 0.1%. Markets will be firmly fixated on major tech earnings released this week.

The ASX 200 finished 0.4% lower on Friday, to end the week down 0.4%.

Interest Rates: US treasury yields were higher across the curve as stronger than expected survey data prompted a slight upward revision of interest rate expectations. The 2-year treasury yield gained 4 basis points to 4.18%, while the 10-year yield also rose 4 basis points to 3.57%.

Interest rate markets are attaching a 90% probability to a Fed rate hike in May and are beginning to factor in greater risk of further tightening beyond the May meeting. Though rate cuts are still fully priced for the end of the year.

The Australian 3-year government bond (futures) yield rose 3 basis points to 3.13%, while the 10-year (futures) yield was up 2 basis points to 3.49%.

Interest rate markets are increasingly pricing in the

risk of another rate hike from Reserve Bank (RBA) but haven't reached consensus on the timing. Cash rate futures imply a 24% chance of a rate hike in May and a 75% probability of a rate hike between now and August.

Foreign Exchange: The Aussie dollar was softer but remained firmly within its recent range. The AUD/USD pair ranged between a high of 0.6746 and a low of 0.6678 and is currently trading around 0.6695.

The USD was broadly unchanged against the major currencies. The DXY index ranged between a low of 101.65 and a high of 102.12 and is currently trading around 101.72.

Commodities: Commodity prices were broadly weaker, led by declines in gold, copper and iron ore. Oil bucked the trend, firming slightly to US\$77.87 per barrel.

Australia: There were no major economic data releases on Friday.

Eurozone: The manufacturing purchasing managers' index (PMI) slipped further into contraction in April. The flash reading printed at 45.5, down from 47.3 in March and well short of expectations for 48.0. The reading was the weakest since May 2020 and the tenth consecutive outcome below the threshold of 50 – indicating a prolonged bout of contraction in the sector.

In contrast, the services expansion continued to

accelerate. The services PMI rose to 56.6 in April, up from 55.0 in March. The result was firmer than anticipated and marked the strongest reading in 12 months.

Japan: The consumer price index (CPI) rose 3.2% in March, down marginally from 3.3% over the year to February. The core CPI, which removes food and energy prices, rose 3.8% through the year, accelerating from 3.5% previously. This was the strongest annual increase in the core measure since 1981 and was stronger than forecast. The strong result will likely add to scrutiny of the Bank of Japan's (BOJ) expansionary policy settings ahead of next weeks policy meeting, the first under new chief Kazuo Ueda.

United Kingdom: Consumer confidence fared better than expected but remains deeply pessimistic. The GfK consumer confidence index rose to -30 in April, up from -36 in March and better than the reading of -35 expected by consensus.

Retail sales volumes eased 0.9% in March, following a downwardly revised 1.1% gain in February. The pull back in spending was larger than expected as households continue to face a considerable squeeze on their incomes from persistent inflation and rising interest rates. In annual terms, retail sales were down 3.1% in March, trimming the 3.3% annual fall over the year to February.

The manufacturing PMI missed the mark, slipping to 46.6 in April, from 47.9 in March. The measure of manufacturing activity has pointed to contraction in the sector for nine consecutive months.

The services PMI crept up to 54.9 in April, an improvement on March's reading of 52.9. Crucially, the index remains above 50, indicating expansion in services activity, though recent results have been mixed pointing to resilience in the sector, rather than outright strength.

United States: The April PMI's point to an improvement in conditions across both services and manufacturing industries. The Manufacturing PMI ticked up to 50.4, its first reading above 50 in six months. The services measure extended its positive run, rising to 53.7 in April, from 52.6 in March. Both readings came in stronger than expected by consensus and are a sign of further resilience in the US economy.

Today's key data and events:

UK Rightmove House Prices Apr prev 0.8% (9:01am)

EZ Ger. IFO Bus. Climate Survey Apr exp 93.4 prev 93.3 (6pm)

US Chicago Fed Nat Act Index Mar exp -0.20 prev -0.19 (10:30pm)

US Dallas Fed Mfg Index Apr exp -11.0 prev -15.7 (12:30am)

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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