

Morning Report

Friday, 26 April 2024



| Equities (close & % change) | | | Sydney Futures Exchange (last & change) | | | | | Interest rates (close & change) | | |
|---|----------|-------|---|---------|-------------|----------------------|---------|---------------------------------|------|-------|
| S&P/ASX 200 | 7,683 | 0.0% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 38,086 | -1.0% | 10 yr bond | 4.52 | | | 0.06 | 90 day BBSW | 4.37 | 0.00 |
| Japan Nikkei | 37,628 | -2.2% | 3 yr bond | 4.10 | | | 0.06 | 2 year bond | 4.08 | 0.00 |
| China Shanghai | 3,200 | 0.3% | 3 mth bill rate | 4.43 | | | 0.02 | 3 year bond | 4.04 | 0.00 |
| German DAX | 17,917 | -0.9% | SPI 200 | 7,616.0 | | | -26 | 3 year swap | 4.31 | 0.00 |
| UK FTSE100 | 8,079 | 0.5% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 4.41 | 0.00 |
| Commodities (close & change) | | | TWI | 62.0 | - | - | 62.0 | United States | | |
| CRB Index | 297.7 | 0.6 | AUD/USD | 0.6497 | 0.6538 | 0.6485 | 0.6519 | 3-month TBill | 5.25 | -0.02 |
| Gold | 2,316.17 | -5.8 | AUD/JPY | 100.86 | 101.66 | 100.79 | 101.44 | 2 year bond | 5.00 | 0.07 |
| Copper | 9,768.65 | 83.8 | AUD/GBP | 0.5213 | 0.5222 | 0.5202 | 0.5210 | 10 year bond | 4.70 | 0.06 |
| Oil (WTI futures) | 83.79 | 0.2 | AUD/NZD | 1.0946 | 1.0965 | 1.0941 | 1.0960 | Other (10 year yields) | | |
| Coal (thermal) | 142.00 | -0.1 | AUD/EUR | 0.6073 | 0.6093 | 0.6066 | 0.6077 | Germany | 2.63 | 0.04 |
| Coal (coking) | 261.50 | 3.5 | AUD/CNH | 4.7251 | 4.7460 | 4.7133 | 4.7298 | Japan | 0.90 | -0.01 |
| Iron Ore | 116.60 | -1.2 | USD Index | 105.82 | 106.00 | 105.51 | 105.58 | UK | 4.36 | 0.03 |

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

Main Themes: There were sharp movements in markets overnight after fresh data revealed US economic activity had slowed faster than expected but that inflation unexpectedly accelerated.

Share Markets: US share markets declined as US economic data reaffirmed the US Federal Reserve may need to keep the fed funds rate higher for longer. The Dow fell 1.0%, the S&P 500 dropped 0.5% and the Nasdaq declined 0.6%.

Interest Rates: US bond yields rose across the curve with the 2-year yield lifting 7 basis points and the 10-year yield increased by 6 basis points.

A rate cut is not fully priced in the US until November and in Australia it sits in 2025. Just a 22% chance now is attached to a rate cut in Australia before the end of this year.

Foreign Exchange: The Australian dollar's trading over the past 24 hours has been dominated by US dollar influences. The US dollar index spiked from a low of 105.5 to a high of 106.0 overnight before undoing the gains. The AUD/USD was a reverse-mirror image of this, falling from 0.6538 to 0.6485 as the US dollar appreciated sharply and then almost fully regaining the losses to now trade at about 0.6520.

Currency markets are eyeing the ailing JPY closely and not ruling out possible intervention from the Bank of Japan (BoJ) to prop it up. There has been no

sign yet of yen purchases by the ministry, even as the JPY continues its slide and on Wednesday broke beyond 155 per dollar for the first time in more than three decades.

Markets are watching the 157.60 level closely and will be on high alert when the BoJ releases its monetary policy statement and forecasts later today. USD/JPY is currently trading around 155.60, having moved up from around 154.80 yesterday afternoon. Meanwhile, AUD/JPY is at 101.40, which is slightly weaker than yesterday afternoon when the Australian dollar encountered a broad-based sell off.

Commodities: Gold fell back but oil made modest gains overnight.

Australia: There were no major economic data released yesterday. On Wednesday, inflation data was published for the March quarter. Both the headline and underlying (i.e. trimmed mean) outcomes were strong, suggesting there's a risk of a slower decline to the Reserve Bank's 2-3% target band and a risk that the Reserve Bank needs to keep the cash rate at 4.3% for longer. Interest-rate markets expect the rate-cutting cycle will not start until 2025 with the chance of a rate cut before the end of this year now just at around 30%.

In terms of the numbers, the headline consumer price index rose 1.0% in the quarter – higher than the consensus forecast for a rise of 0.8%. The

annual rate of increase fell to 3.6%, from 4.1% in the December quarter of 2023. The trimmed mean measure rose 1.0% also in the quarter and the annual rate eased to 4.0%. This underlying measure is keenly watched by the Reserve Bank. Upside surprises came from health, motor vehicles and insurance.

China: China's State Council said it will strengthen its informal guidance to state-owned banks in a push to stabilise credit growth and boost economic development.

United States: Fresh data showed that the US economy grew by less than forecast in the first quarter of this year, but inflation gathered pace. The economy expanded at an annualised rate of 1.6% quarter-on-quarter, down from 3.4% in the December quarter and compared with consensus forecasts of 2.5%. This growth figure is the first estimate and a second reading based on more complete source data will be released on 30 May.

Price measures showed an acceleration in inflation. The annualised GDP price index rose from 1.6% in the December quarter to 3.7% and the core personal consumption expenditure (PCE) price index rose from 2.0% to 3.7%.

The number of Americans filing new claims for unemployment benefits unexpectedly fell last week, pointing to still tight labour market conditions.

Initial claims for state unemployment benefits dropped 5,000 to 207,000 for the week ended April 20. Claims have been bouncing around in a 194,000-225,000 range this year.

Pending home sales — a forward-looking indicator based on contract signings rather than closings — climbed 3.4% in March, which was the strongest gain in a year. At the same time, other data from Freddie Mac showed that mortgage rates edged higher for the fourth straight week, reaching a fresh five-month high.

The Kansas City Fed index deteriorated to -7 in March, from -5 in February. It was a slightly better result than consensus expected.

Today's key data and events:

NZ Consumer Confidence Apr prev -8.6% (8am)
 UK GfK Cons. Confidence Apr exp -20 prev -21 (9:01am)
 AU Producer Price Index Q1 (11:30am)
 q/q prev 0.9%
 y/y prev 4.1%
 AU Import Price Index Q1 exp 0.1% prev 1.1% (11:30am)
 AU Export Price Index Q1 exp -0.6% prev 5.6% (11:30am)
 JN BoJ Monetary Policy Decision (TBC)
 EZ 1-Year and 3_Year Price Expectations Mar (6pm)
 EZ Money Supply Mat y/y exp 0.6% prev 0.4% (6pm)
 US Personal Income Mar exp 0.5% prev 0.3% (10:30pm)
 US Personal Spend'g Mar exp 0.6% prev 0.8% (10:30pm)
 US Pers Cons Expenditure (PCE) Deflator Mar (10:30pm)
 m/m exp 0.3% prev 0.3%
 y/y exp 2.6% prev 2.5%
 US UoM Consumer Sentiment Apr Final exp 77.9 prev 77.9 (12am)
 US Kansas City Fed Services Index Apr prev 7 (1am)

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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Not with a bang, but a whimper

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