

Morning Report

Thursday, 18 April 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,606	-0.1%	Last		Overnight Chg			Australia		
US Dow Jones	37,753	-0.1%	10 yr bond	4.34	-0.05			90 day BBSW	4.36	0.00
Japan Nikkei	37,962	-1.3%	3 yr bond	3.89	-0.04			2 year bond	3.99	0.05
China Shanghai	3,220	2.1%	3 mth bill rate	4.33	-0.01			3 year bond	3.95	0.06
German DAX	17,770	0.0%	SPI 200	7,665.0	20			3 year swap	4.12	0.00
UK FTSE 100	7,848	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.38	0.05
Commodities (close & change)			TWI	61.2	-	-	61.2	United States		
CRB Index	294.4	-2.4	AUD/USD	0.6401	0.6446	0.6400	0.6437	3-month TBill	5.24	0.03
Gold	2,361.02	-21.9	AUD/JPY	99.01	99.53	99.00	99.34	2 year bond	4.93	-0.05
Copper	9,515.12	124.7	AUD/GBP	0.5151	0.5173	0.5149	0.5168	10 year bond	4.59	-0.08
Oil (WTI futures)	82.83	0.1	AUD/NZD	1.0885	1.0921	1.0861	1.0878	Other (10 year yields)		
Coal (thermal)	139.50	3.1	AUD/EUR	0.6030	0.6047	0.6024	0.6032	Germany	2.47	-0.02
Coal (coking)	271.00	14.5	AUD/CNH	4.6505	4.6697	4.6493	4.6624	Japan	0.88	0.01
Iron Ore	116.10	0.7	USD Index	106.33	106.44	105.87	105.94	UK	4.26	-0.04

Data as at 8:30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: US bonds rallied and the US dollar index pulled back after big market reactions to comments from the US Federal Reserve Chair in the previous trading session. Locally, markets will be eyeing the jobs data carefully after volatility in the numbers over January and February.

Share Markets: The bellwether US share market index, the S&P 500, fell for a fourth straight day. It is the longest string of losses since January. At the close, the S&P was down 0.6% whilst the Dow fell 0.1% and the Nasdaq declined 1.2%.

Interest Rates: US Treasury prices rebounded (i.e. yields fell), a day after US Fed Chair Jerome Powell threw cold water on near term rate cut expectations. The US 2-year yield fell 5 basis points and the US 10-year yield dropped 4.59%.

Foreign Exchange: The Australian dollar remains under downward pressure from the prospect that the US Federal Reserve will take longer to start cutting rates, keeping the Australian-US cash-rate differential wide in the US's favour for longer. After falling to a low of 0.6389 on Tuesday overnight trade, the AUD/USD firmed modestly to trade in a range of 0.6400-0.6446 overnight. Jobs data published later this morning in Australia will influence the pattern of trade in the AUD/USD over the next 24 hours.

Commodities: Gold and oil prices slid in overnight trade.

Australia: There was no major economic data published yesterday.

New Zealand: Consumer prices rose 0.6% in the March quarter, with prices up 4.0% over the past year. The March quarter result was a little below our forecast, but above the last published projection by the Reserve Bank of New Zealand (RBNZ). The RBNZ's forecast was finalised back in February before the release of the monthly price data. In its April policy review, the RBNZ signalled they were bracing for a higher result.

The devil was in the detail. While overall inflation was in line with market expectations, that's masking some big differences across the economy and some important trends for the RBNZ. The softness in the March quarter was entirely due to lower tradable prices. There were falls for items such as used cars and apparel. That saw tradable prices falling 0.7% over the quarter and the annual tradables inflation rate falling from 3.0% at the end of 2023 to 1.6%. That softness reflects the downturn we're seeing in retail spending.

In contrast, domestic inflation was hotter than the RBNZ had expected. Non-tradable prices rose 1.6% over the quarter - higher than the RBNZ's forecast for a 1.1% rise. Non-tradables inflation has now surprised the RBNZ on the upside for the past four quarters. On an annual basis, non-tradables inflation remains elevated at 5.8%. Notably, non-

tradables excluding construction costs remains elevated at 6.3% and has eased only slightly since the RBNZ first raised the official cash rate back in 2021.

United Kingdom: Inflation slowed less than expected last month, making traders and economists more cautious about the likely pace of interest rate cuts. The consumer price index (CPI) rose by 0.6%, higher than the consensus forecast of 0.4% growth. The annual rate of growth printed at 3.2% in March, down from 3.4% in February. The figure was slightly higher than the 3.1% forecast by consensus and the Bank of England (BoE). It is also above the BoE's 2% target.

Core inflation, which strips out volatile energy and food prices, declined to 4.2% in March from 4.5% in February. Analysts had expected a decline to 4.1%. Services inflation, which is closely watched by policymakers, dipped from 6.1% to 6%.

Traders in swaps markets are now betting that the BoE will begin reducing its benchmark rate from a 16-year high of 5.25% in either September or November, having fully priced in a cut for September before the data. However, the latest headline inflation figure also marked the lowest outcome since 2021. Driven by a fall in food prices, it was also lower than the rate of price growth in the US for the first time since March 2022.

United States: The Fed's Beige Book of regional economic conditions indicated that the US economy has "expanded slightly" since late February. Firms reported greater difficulty in passing on higher costs and "consumer spending barely increased". However, reports were quite mixed across the Federal Reserve districts and spending categories. Several districts mentioned weakness in discretionary spending, as consumers' price sensitivity remained elevated."

Today's key data and events:

AU Labour Force Mar (11:30am)

Unemployment Rate exp 4.0% prev 3.7%

Participation Rate exp 66.6% prev 66.7%

Employment Change exp -40.0k prev 116.5k

JN Tertiary Industry Index Feb exp 0.5% prev 0.3% (2:30pm)

EZ Current Account Feb prev £39.4bn (6pm)

EZ Construction Output Feb prev 0.5% (7pm)

US Philad. Fed Index Apr exp 2.0 prev 3.2 (10:30pm)

US Initial Jobless Claims Apr 13 exp 215k prev 211k (10:30pm)

US Existing Home Sales Mar exp 4.20mn prev 4.38mn (12am)

US Leading Index Mar exp -0.1% prev 0.1% (12am)

US Fed's Bowman, Bostic and Williams to Speak (various times)

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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