

Morning Report

Thursday, 28 March 2024

| Equities (close & % change) | | | Sydney Futures Exchange (last & change) | | | | | Interest rates (close & change) | | | |
|---|----------|-------|---|------|-------------|----------------------|---------|---------------------------------|-------------------------------|-------|-------|
| S&P/ASX 200 | 7,820 | 0.5% | | | Last | Overnight Chg | | Australia | | | |
| US Dow Jones | 39,760 | 1.2% | 10 yr bond | | 4.00 | -0.02 | | 90 day BBSW | 4.34 | -0.01 | |
| Japan Nikkei | 40,763 | 0.9% | 3 yr bond | | 3.59 | 0.01 | | 2 year bond | 3.78 | -0.02 | |
| China Shanghai | 3,138 | -1.3% | 3 mth bill rate | | 4.28 | 0.01 | | 3 year bond | 3.64 | -0.02 | |
| German DAX | 18,477 | 0.5% | SPI 200 | | 7,930.0 | 60 | | 3 year swap | 3.83 | -0.02 | |
| UK FTSE100 | 7,932 | 0.0% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 4.00 | -0.03 | |
| Commodities (close & change) | | | TWI | | 61.5 | - | - | 61.5 | United States | | |
| CRB Index | 286.8 | -1.1 | AUD/USD | | 0.6533 | 0.6539 | 0.6511 | 0.6534 | 3-month T Bill | 5.21 | 0.00 |
| Gold | 2,194.87 | 16.1 | AUD/JPY | | 99.02 | 99.03 | 98.49 | 98.81 | 2 year bond | 4.57 | -0.02 |
| Copper | 8,768.00 | -13.5 | AUD/GBP | | 0.5173 | 0.5178 | 0.5163 | 0.5170 | 10 year bond | 4.19 | -0.05 |
| Oil (WTI futures) | 81.68 | 0.1 | AUD/NZD | | 1.0882 | 1.0887 | 1.0863 | 1.0882 | Other (10 year yields) | | |
| Coal (thermal) | 132.10 | 2.9 | AUD/EUR | | 0.6032 | 0.6039 | 0.6017 | 0.6035 | Germany | 2.29 | -0.06 |
| Coal (coking) | 275.00 | 1.0 | AUD/CNH | | 4.7359 | 4.7404 | 4.7261 | 4.7401 | Japan | 0.73 | -0.01 |
| Iron Ore | 101.90 | 0.6 | USD Index | | 104.31 | 104.46 | 104.22 | 104.29 | UK | 3.93 | -0.04 |

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

Main Themes: Markets are largely in a holding pattern ahead of key US data later in the week, end of quarter rebalancing activity and the Easter public holidays. Traders will also be closely eyeing comments from Fed member Christopher Waller later today. Equities were stronger overnight, unwinding a recent slide, treasury yields were lower across the curve while the US dollar was broadly unchanged.

The Japanese Yen was in focus yesterday after hitting a near 34-year low against the dollar before authorities released their strongest warning yet that they will take direct action to slow the decline if needed. There is a meaningful risk the Yen will retest yesterday's low in the coming sessions.

Share Markets: US equities staged a late rally to finish solidly in the green. The S&P 500 rose 0.9%, notching up a fresh record close. The Dow Jones and the NASDAQ jumped 1.2% and 0.5%, respectively.

There was a risk-on mood in Asian markets yesterday. The ASX 200 rose 0.5%, while Japan's Nikkei gained 0.9% on the back of the weaker Yen. Chinese equities bucked the trend, failing to gain traction despite solid industrial profits data. Shares in Hong Kong and Shanghai both slipped.

Interest Rates: US treasury yields slipped across the curve overnight. The 2-year yield eased 2 basis points to 4.57% - just above where levels traded

ahead of February's upside inflation surprise. The 10-year yield dropped 5 basis points to 4.19%.

Interest rate markets are pricing a near 80% chance of a Fed rate cut in June and there remains just above 3 cuts priced in by the end of 2024.

Aussie bond futures were mixed. The 3-year futures yield rose 1 basis point to 3.59%, while the 10-year futures yield fell 2 basis points to 4.00%.

Foreign Exchange: The US dollar was mixed against its G-10 peers. The DXY traded broadly sideways striking a fairly narrow range between 104.22 and 104.46. At 104.29, the dollar remains comfortably at the top end of its range so far in 2024.

The Aussie dollar finished slightly higher after a volatile session. The AUD/USD fell from a high of 0.6539 before bouncing off support at 0.6511 – the Aussie has tested support around the 0.6510-0.6511 level six times in the last four sessions. A solid bid in New York trade saw the Aussie recover to 0.6534, however, the price action remains soggy leaving the currency vulnerable to retesting recent support levels.

The Japanese yen slid to the weakest level in almost 34 years against the US dollar reaching 151.97 in USD/JPY terms and surpassing the 151.95 level that triggered intervention in October 2022. Japan's Finance Minister, Shunichi Suzuki, issued a strong warning of direct action to slow the decline if needed saying "We will take bold measures against

excessive moves without ruling out any options.”

The Yen strengthened following the comments and is now trading around 151.27 after a choppy session. There is a risk yesterday's low will be retested in the coming days given scheduled comments from Fed officials and key data releases including inflation data in both the US and Japan on Friday.

Commodities: Commodities were mixed. Gold, oil and iron ore firmed, while copper slipped.

Australia: The monthly inflation indicator increased by 3.4% over the year to February, unchanged from the last two months.

Being the second release of the quarter, the February data includes more timely information on the prices of some services which remain of particular interest to the RBA. Here the picture was mixed; a fiery inflation pulse in education (5.1%) and insurance (16.5%) was contrasted by a sharp cooling in holiday and travel expenses (-1.3%) and moderation in some market services such as telecommunication services (0.9%) and other household services (2.3%).

The update is unlikely to shift the calculus for the RBA Board as it patiently awaits more data to bolster its conviction in sustainably achieving its inflation target.

China: Industrial profits rose 10.2% over the first two months of 2024 compared to the year prior. This was the strongest increase since 2021, but the result was flattered by a strong base effect due to a weak start to the year in 2023. The solid result builds upon a gradual improvement in industrial profits over the second half of 2023 and supports recent industrial production data suggesting a stabilisation in manufacturing output. A decisive reversal in fortunes sector is likely to require additional policy support, but signs of stabilisation are encouraging, nonetheless.

Eurozone: Consumer confidence was finalised unchanged at -14.9 in March. Since troughing in September 2022, consumer confidence has risen in 13 out of the past 18 months and is now at its highest level since February 2022. The strong recovery in consumer confidence is encouraging for the outlook but is still a long way from suggesting domestic growth will be shooting the lights out.

Economic confidence drifted up to 96.3 in March from 95.5 in February. Economic sentiment has largely drifted sideways since late 2022 as elevated uncertainty continues dampen any lift in optimism.

Today's key data and events:

NZ ANZ Consumer Confidence Mar prev 94.5 (8am)
 AU Cons. Inflation Expectations Mar prev 4.5% (11am)
 AU Priv. Sector Credit Feb exp 0.4% prev 0.4% (11:30am)
 AU Retail Sales Feb exp 0.4% prev 1.1% (11:30am)
 AU Job Vacancies Feb q/q prev -0.7% (11:30am)
 UK GDP Q4 Final exp -0.3% prev -0.3% (6pm)
 EZ M3 Money Supply Feb y/y exp 0.3% prev 0.1% (8pm)
 US GDP Annualised Q4 Est. 3 exp 3.2% prev 3.2% (11:30pm)
 US Chicago PMI Mar exp 46.0 prev 44.0 (12:45am)
 US UoM Consumer Sentiment Mar Final exp 76.5 prev 76.5 (1am)
 US Pending Home Sales Feb exp 1.5% prev -4.9% (1am)
 US Kansas City Fed Index Mar exp -5 prev -4 (2am)

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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