

Morning Report

Friday, 31 March 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,122	1.0%			Last	Overnight Chg		Australia			
US Dow Jones	32,859	0.4%	10 yr bond	3.33				90 day BBSW	3.71	0.00	
Japan Nikkei	27,783	-0.4%	3 yr bond	2.93				2 year bond	3.00	0.08	
China Shanghai	3,418	0.6%	3 mth bill rate	3.64				3 year bond	2.99	0.08	
German DAX	15,522	1.3%	SPI 200	7,178.0			38	3 year swap	3.42	0.00	
UK FTSE100	7,620	0.7%	FX Last 24 hrs		Open	High	Low	Current	10 year bond	3.36	0.07
Commodities (close & % change)*			TWI	60.3	-	-	60.3	United States			
CRB Index	264.4	1.7	AUD/USD	0.6684	0.6718	0.6662	0.6712	3-month T Bill	4.66	0.02	
Gold	1,980.36	0.0	AUD/JPY	88.81	89.09	88.40	89.07	2 year bond	4.12	0.02	
Copper	9,000.25	-5.5	AUD/GBP	0.5429	0.5443	0.5408	0.5419	10 year bond	3.55	-0.02	
Oil (WTI futures)	74.37	1.4	AUD/NZD	1.0740	1.0764	1.0710	1.0717	Other (10 year yields)			
Coal (thermal)	201.25	0.9	AUD/EUR	0.6163	0.6194	0.6130	0.6155	Germany	2.37	0.04	
Coal (coking)	345.50	0.2	AUD/CNH	4.6069	4.6204	4.5960	4.6142	Japan	0.33	0.01	
Iron Ore	124.30	-1.0	USD Index	102.65	102.78	102.07	102.18	UK	3.52	0.05	

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

Main Themes: Fears about the global banking system, including fears of contagion, continued to diminish overnight.

Share Markets: US share markets ended lower, as investors digested comments from Fed officials suggesting more tightening is needed to fight inflation. The Dow closed up 0.4%, the S&P finished 0.6% higher and the Nasdaq rose 0.7%.

Interest Rates: US bond yields were mixed. The US 2-year bond yield rose on the back of remarks from Fed officials. It closed up 2 basis points. But the US 10-year yield fell 2 basis points.

Foreign Exchange: AUD/USD traded a very narrow range of 0.6662 and 0.6718, again remaining within recent trading ranges ahead of the Reserve Bank (RBA) board meeting next week when the RBA is widely expected to pause.

Commodities: Gold and oil gained.

Australia: Job vacancies fell by around 1% between November and February. This was the third consecutive quarterly decline in the number of job vacancies. Compared with the peak in May, job vacancies are now down by 9%. The percentage of businesses reporting at least one vacancy fell from 28% in November to 24% in February. Notwithstanding this easing, the number remains elevated at around double what it was before the pandemic.

Europe: Germany's consumer price index rose by

7.4% in the year to February, which is down from annual growth of 8.7% in January, but a tad above consensus expectations.

New Zealand: The number of new dwelling permits issued over the month of February declined by 9%, after falling by 5.2% in January. In the year ended February, the actual number of new dwelling permits issued was down 3.3%. These numbers suggest that the residential construction pipeline is slowing sharply on the back of higher interest rates.

The Business Outlook Index was unchanged at -43 in March 2023. The index remains at very subdued levels, which was particularly evident in the manufacturing and services industries. Inflationary pressures and related expectations showed signs of easing.

United States: Initial jobless claims in the week ended March 25 rose to 198,000, compared to analyst consensus of 196,000. This year, initial jobless claims have mostly remained below the 200,000 level as the job market remains strong.

The third estimate for GDP growth for the fourth quarter showed an annualised rise of 2.6% compared with consensus forecasts for a gain of 2.7%.

The US government is urging regulators to tighten rules for US banks with assets between \$100 billion and \$250 billion. Measures include liquidity requirements, enhanced stress tests and "living

wills" showing how they could be wound down.

US Treasury Secretary, Janet Yellen, warned that the Trump administration's deregulation of some post-2008 financial reforms may have gone too far, contributing to the recent banking turmoil.

The Fed's Susan Collins said the banking system is sound, and that more rate hikes are needed to bring down inflation. Fed colleague Thomas Barkin also sees inflation risks, but noted policymakers will have to be nimble if a credit contraction slows the economy faster than expected. Meanwhile, the Fed's Neel Kashkari said it's unclear what impact the Silicon Valley Bank collapse will have on the US economy as it takes a long time for banking strains to fully resolve.

Today's key data and events:

NZ Consumer Confidence Mar prev 79.8 (8am)
AU Private Sector Credit Feb exp 0.3% prev 0.4%
(11:30am)
CH Composite PMI Mar prev 56.4 (12:30pm)
CH Mfg PMI Mar exp 51.6 prev 52.6 (12:30pm)
CH Non Mfg PMI Mar exp 55.0 prev 56.3 (12:30pm)
UK GDP Q4 exp 0.0% prev 0.0% (5pm)
UK Current Acct Q4 exp -£17.5bn prev -£19.4bn (5pm)
UK N'wide House Prices Mar exp -0.3% prev -0.5% (5pm)
EZ Unemployment Rate Feb exp 6.6% prev 6.6% (8pm)
EZ CPI Mar y/y exp 7.1% prev 8.5% (8pm)
US Personal Income Feb exp 0.2% prev 0.6% (11:30pm)
US Personal Spending Feb exp 0.3% prev 1.8% (11:30pm)
US PCE Core Deflator Feb y/y exp 4.7% prev 4.7%
(11:30pm)
US MNI Chicago PMI Mar exp 43.0 prev 43.6 (12:45am)
US UoM Cons. Sent. Mar Final exp 63.3 prev 63.4 (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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