

Wednesday, 10 April 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,824	0.5%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	38,884	0.0%	10 yr bond	4.13				90 day BBSW	4.35	0.00
Japan Nikkei	39,773	1.1%	3 yr bond	3.67				2 year bond	3.78	-0.03
China Shanghai	3,196	0.0%	3 mth bill rate	4.30				3 year bond	3.73	-0.03
German DAX	18,077	-1.3%	SPI 200	7,889.0			24	3 year swap	3.89	0.00
UK FTSE100	7,935	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.17	-0.02
<b>Commodities (close &amp; change)</b>			TWI	62.1	-	-	62.1	<b>United States</b>		
CRB Index	296.7	-0.7	AUD/USD	0.6603	0.6644	0.6599	0.6628	3-month T Bill	5.19	0.01
Gold	2,352.78	13.8	AUD/JPY	100.25	100.81	100.22	100.59	2 year bond	4.74	-0.05
Copper	9,294.28	-0.7	AUD/GBP	0.5219	0.5232	0.5214	0.5228	10 year bond	4.36	-0.06
Oil (WTI futures)	85.29	0.1	AUD/NZD	1.0948	1.0950	1.0926	1.0938	<b>Other (10 year yields)</b>		
Coal (thermal)	130.50	0.3	AUD/EUR	0.6081	0.6109	0.6078	0.6104	Germany	2.37	-0.06
Coal (coking)	237.00	8.0	AUD/CNH	4.7831	4.8080	4.7797	4.7973	Japan	0.80	0.00
Iron Ore	107.60	0.1	USD Index	104.11	104.20	103.88	104.11	UK	4.03	-0.06

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

**Main Themes:** US bond yields and the US dollar index fell back as markets await the US inflation report later tonight. Within the next 24 hours, the market will also need to digest the outcomes of central bank meetings in New Zealand and Canada. Both central banks should leave their cash-rate settings unchanged.

**Share Markets:** The main bellwether, S&P 500, rose just 0.1% whilst the tech-heavy Nasdaq continued to march higher, adding 0.3%.

**Interest Rates:** US bond yields dropped from their highest levels this year ahead of US inflation data tonight. The US 2-year bond yield dropped 5 basis points and the US 10-year yield retreated 6 basis points. Market pricing shows that a rate cut is not 'fully' priced until July now. It compares with November for the Reserve Bank.

Within the next 24 hours, there are monetary policy decisions in New Zealand and Canada. Our group view is that the central banks of these economies will remain on hold.

**Foreign Exchange:** The AUD/USD rose to a one-month high of 0.6644 as US bond yields dropped and many commodity prices firmed overnight, including gold. The AUD/USD has not been able to stay at this handle and has dropped back to 0.6620. The AUD/USD risks further selling pressures on the release of the US inflation report, which could confirm that price pressures in the US are remaining

stickier than policymakers would prefer.

**Commodities:** The world's biggest oil traders are increasingly confident of a bullish market into the second half of this year according to Bloomberg. Vitol expects demand growth of 1.9 million barrels a day this year and sees crude prices at US\$80-\$100 a barrel. Meanwhile, Trafigura and Gunvor also expressed optimism on consumption.

**Australia:** The Westpac measure of consumer sentiment fell 2.4% to 82.4 in April. Consumers remain downbeat about conditions and the outlook, something that has been in place for the past two years. Sentiment is unlikely to improve markedly and sustainably until a rate cutting cycle commences.

In contrast, business confidence and conditions treaded water and moved generally sideways in March according to the latest NAB monthly survey. Confidence rose 1 index point to +1 while conditions slipped 1 index point to +9.

Confidence continues to hover around zero after bouncing around this level for 18 months. Despite falling in the month, conditions remain above the series average and not far below their ten-year average. Conditions have held up through this cycle as the level of demand remained elevated and strong population growth added to aggregated growth. However, the general trend lower in conditions has been in place since they peaked in

mid 2022.

In what should provide comfort to the Reserve Bank, cost pressures continued to ease and fell to their lowest levels since 2021. Labour cost growth eased to 1.6% in quarterly equivalent terms, the lowest since November 2021. Purchase costs and final prices were also lower, falling by 1.4% and 0.7%, respectively. These were the lowest reads for both measures since February 2021.

**United States:** The NFIB small business optimism index fell to 88.5 in March, from 89.4 in February. The outcome was below the consensus forecast of 89.9 and was the lowest since the end of 2012. The report noted that numerous headwinds were battering small business owners, including inflation, which remains the main issue. There was a rise in the proportion of respondents looking to raise output prices.

The US Federal Reserve's Raphael Bostic reiterated his expectation for one cut in 2024 but said he's open to changing his view.

**Today's key data and events:**

JN Producer Price Idx Mar exp 0.8% prev 0.6% (9:50am)

NZ RBNZ Monetary Policy Decision exp 5.50% prev 5.50% (12pm)

CA Bank of Canada Rate Decision exp 5.00% prev 5.00% (11:45pm)

US Consumer Price Index Mar (10:30pm)

Headline m/m exp 0.3% prev 0.4%

Headline y/y exp 3.4% prev 3.2%

Core ex food & energy m/m exp 0.3% prev 0.4%

Core ex food & energy y/y exp 3.7% prev 3.8%

US FOMC Minutes for 20 March meeting (4am)

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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