

Tuesday, 11 April 2023

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,219	-0.3%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	33,587	0.3%	10 yr bond	3.18		0.00	90 day BBSW	3.64	0.00	
Japan Nikkei	27,634	0.4%	3 yr bond	2.78		0.00	2 year bond	2.83	0.00	
China Shanghai	3,475	-0.4%	3 mth bill rate	3.55		0.00	3 year bond	2.82	0.00	
German DAX	15,598	0.5%	SPI 200	7,248.0		0	3 year swap	3.22	0.00	
UK FTSE100	7,742	1.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.19	0.00
Commodities (close & change)*			TWI	0.0	-	-	0.0	<b>United States</b>		
CRB Index	271.7	-0.3	AUD/USD	0.6664	0.6680	0.6620	0.6641	3-month T Bill	4.84	0.10
Gold	1,991.48	-16.4	AUD/JPY	88.07	88.76	87.92	88.72	2 year bond	4.01	0.03
Copper	8,803.75	22.0	AUD/GBP	0.5366	0.5373	0.5355	0.5363	10 year bond	3.42	0.03
Oil (WTI futures)	79.74	-1.0	AUD/NZD	1.0660	1.0692	1.0657	1.0674	<b>Other (10 year yields)</b>		
Coal (thermal)	211.20	closed	AUD/EUR	0.6113	0.6122	0.6103	0.6116	Germany	2.18	0.00
Coal (coking)	289.00	closed	AUD/CNH	4.5831	4.5943	4.5626	4.5773	Japan	0.47	0.00
Iron Ore	116.90	-0.6	USD Index	102.03	102.81	101.99	102.55	UK	3.43	0.00

Data as at 7:30 am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

**Main Themes:** A rise in US inflation expectations overnight added to market expectations that the US Fed may need to raise rates again next month. It follows stronger-than-expected US employment data on Friday. US bond yields continued to rise and equities sold off initially before clawing back losses to finish in the black.

**Share Markets:** US share markets ended slightly higher at the close in thin trading due to Easter. Strong US jobs data on Friday lifted the odds of another rate hike from the Fed next month and spurred an early sell off in equities. However, the major share market indexes clawed back their losses by the close. The S&P 500 index closed 0.1% higher, but had been down by as much as 0.8% during intraday trade. The Dow finished up 0.3% whilst the Nasdaq was virtually unchanged from the previous trading session.

**Interest Rates:** US bond yields moved higher overnight, as markets continued to shorten their odds of another rate hike from the Fed. The robust US jobs report on Friday combined with data overnight showing a rising in one-year inflation expectations helped lift yields. The US 2-year yield and 10-year yield each rose 3 basis points.

Swap contracts indicate markets are pricing a 74% chance of a 25-basis-point hike from the Fed on May 3. These odds of course have room to change in the near term with the March report on the

consumer price index (CPI) due tomorrow night.

**Foreign Exchange:** The US dollar index jumped from a low of around 102.00 overnight to 102.80 on markets shortening odds of another rate hike from the Fed in May. Moves in currencies were exacerbated due to thinner trading conditions. The AUD/USD fell from 0.6680 to a 3-week low of 0.6620 due to US dollar strength and expectations of the Australian-US cash-rate differential widening further. Whilst markets expect the US Fed to hike again in May, they expect the RBA to hold fire. Markets are pricing only a 5% chance of an RBA hike next month. A revisit of the AUD/USD's recent low of 0.6565 in the near term can't be ruled out.

**Commodities:** Oil and gold finished weaker in overnight trade.

**Australia:** There was no major economic data released yesterday during a national public holiday.

**Japan:** Kazuo Ueda, in his first press conference as Japan's central bank head, said it's appropriate to continue with yield curve control, given current economic conditions and prices. He added that the shape of the curve is smoother than before.

**United States:** The Federal Reserve Bank of NY released a report overnight that showed US consumers are starting to feel that credit is getting harder to come by. Consumer perceptions of credit access and availability declined in March. The share of respondents reporting it's harder to obtain credit

than one year ago climbed to the highest since the New York Fed started conducting its Survey of Consumer Expectations in 2013. March was a month that featured the collapse of Silicon Valley Bank (SVB). Fears of a credit crisis were heightened in the aftermath of SVB's collapse.

For the first time since October, US consumers' year-ahead inflation expectations increased. Near-term inflation expectations increased 0.52 percentage points to 4.75%, according to the same survey. It's the largest jump in one-year inflation expectations since March of last year.

Consumers' uncertainty about future inflation outcomes also increased for the one-year horizon.

However, longer-term inflation expectations decreased when looking three and five years out.

**World: The International Monetary Fund (IMF)** waded into the debate about where interest rates will gravitate to once inflation is tamed. In its latest World Economic Outlook, the fund argued that the US and other industrial countries will revert to ultra-low levels, with the US neutral rate comfortably below 1%. On world growth, the IMF expects it to be only 1% this year.

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

AU WBC-MI Consumer Confid. Apr prev 78.5 (10:30am)

AU NAB Business Survey Mar (11:30am)

Business Conditions prev 17

Business Confidence prev -4

CH CPI Mar y/y exp 1.0% prev 1.0% (11:30am)

CH PPI Mar y/y exp -2.5% prev -1.4% (11:30am)

EZ Retail Sales Feb exp -0.8% prev 0.3% (7pm)

US NFIB Small Optimism Mar exp 89.8 prev 90.9 (8pm)

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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