

Friday, 11 March 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,131	1.1%			Last	Overnight Chg		Australia		
US Dow Jones	33,173	-0.3%	10 yr bond	97.60				90 day BBSW	0.15	0.00
Japan Nikkei	25,690	3.9%	3 yr bond	98.17				2 year bond	1.28	0.02
China Shanghai	3,455	1.2%	3 mth bill rate	99.41				3 year bond	1.78	0.04
German DAX	13,442	-2.9%	SPI 200	7,093.0				3 year swap	2.07	0.03
UK FTSE100	7,099	-1.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.37	0.05
Commodities (close & change)*			TWI	61.8	-	-	62.0	United States		
CRB Index	291.3	-0.8	AUD/USD	0.7324	0.7368	0.7288	0.7358	3-month T Bill	0.36	-0.02
Gold	1,998.27	6.4	AUD/JPY	84.82	85.54	84.58	85.44	2 year bond	1.70	0.02
Copper	9,979.00	-199.8	AUD/GBP	0.5555	0.5626	0.5539	0.5624	10 year bond	1.99	0.03
Oil (WTI futures)	106.34	-2.4	AUD/NZD	1.0707	1.0733	1.0693	1.0718	Other (10 year yields)		
Coal (thermal)	367.90	-59.0	AUD/EUR	0.6618	0.6705	0.6600	0.6702	Germany	0.27	0.06
Coal (coking)	635.00	10.0	AUD/CNH	4.6310	4.6622	4.6088	4.6566	Japan	0.19	0.03
Iron Ore	162.90	0.3	USD Index	98.01	98.55	97.71	98.54	UK	1.52	0.00

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

Main Themes: Bond yields climbed and US equity prices declined as US inflation reached a 40-year high and the European Central Bank pulled back stimulus sooner than previously indicated. Oil prices fell for a second consecutive day.

Share Markets: The Dow fell 0.3% and the S&P 500 declined 0.4%, partly paring losses as oil prices moved lower. The ASX 200 rose 1.1%.

Interest Rates: US treasury yields increased following the European Central Bank decision and US inflation data. The 10-year treasury yield rose 3 basis points to 1.99% while the 2-year yield climbed 2 basis points to 1.70%.

Markets are fully priced for a 25 basis point Fed hike in March.

Australian 10-year (futures) yields rose 3 basis points to 2.40% while 3-year futures yields were up 5 basis points to 1.84%.

Markets are fully priced for the Reserve Bank to hike the cash rate by 15 basis points in June.

Foreign Exchange: The AUD/USD pair increased from 0.7324 to 0.7358, as commodity currencies outperformed. Meanwhile, the safe haven US dollar rose.

Commodities: Oil prices declined for a second consecutive day. WTI fell to \$106, well down from the recent high over \$130.

Copper prices declined while gold crept higher.

Australia: Consumer inflation expectations jumped

to their highest level since August 2012. The Melbourne Institute's inflation expectations gauge reached 4.9% in March, meaning consumers expect prices to rise by 4.9% over the next 12 months. This is up from 4.6% in February.

Eurozone: The European Central Bank left policy rates on hold although but accelerated the pace of the unwind of quantitative easing. The move signals that the central bank is more concerned about inflation than the Ukraine war hitting growth. The inflation forecast for 2022 was revised up to 5.1% from 3.2%.

Purchases under the Asset Purchase Program (APP) will now be €40bn in April, €30bn in May and €20bn in June. Previously the central bank indicated purchases would continue at €40bn per month through Q2, €30bn through Q3, and then €20bn in Q4. Any adjustment to interest rates will take place "some time" after the end of the APP and will be "gradual".

New Zealand: The spread of the Omicron variant in February resulted in the first fall in retail card spending in six months. Retail card spending dipped 7.8% in February, following a 2.9% rise in January.

United States: CPI rose to a new 40-year high in February, up 0.8% in the month and 7.9% in year-ended terms. The result was in line with expectations. The core measure also rose further, up 0.5% in the month and 6.4% over the year. Plus, inflation is expected to rise further after oil prices

surged in early March. A rate hike at the Federal Reserve meeting next week is all but assured. Consensus forecasts point to a 25 basis point lift although there continues to be some speculation about a 50 basis point hike.

Russia & Ukraine: Talks between the Russian and Ukraine foreign ministers made no ground. Russia advised that a cease-fire is not on the table and gave no commitments on humanitarian corridors. Russia has destroyed about \$100 billion of Ukrainian assets and infrastructure, according to Ukrainian officials.

Today's key data and events:

NZ BusinessNZ Mfg PMI Feb prev 52.1 (8:30am)

AU RBA's Governor Lowe Panel Participation (9:15am)

UK Industrial Production Jan exp 0.1% prev 0.3% (6pm)

US UoM Cons. Sent. Mar Prel. exp 61.0 prev 62.8 (2am)

Times are AEDT. 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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