

Tuesday, 12 April 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,485	0.1%			Last	Overnight Chg		Australia		
US Dow Jones	34,308	-1.2%	10 yr bond	96.92				90 day BBSW	0.31	0.02
Japan Nikkei	26,822	-0.6%	3 yr bond	97.29				2 year bond	2.15	0.01
China Shanghai	3,319	-2.6%	3 mth bill rate	99.25				3 year bond	2.54	0.02
German DAX	14,193	-0.6%	SPI 200	7,440.0				3 year swap	2.77	0.03
UK FTSE100	7,618	-0.7%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.05	0.04
Commodities (close & change)*			TWI	64.0	-	-	63.9	United States		
CRB Index	295.2	-3.0	AUD/USD	0.7461	0.7466	0.7414	0.7421	3-month T Bill	0.68	0.00
Gold	1,953.52	6.0	AUD/JPY	92.65	93.62	92.52	93.11	2 year bond	2.50	-0.01
Copper	10,304.75	10.3	AUD/GBP	0.5726	0.5727	0.5691	0.5696	10 year bond	2.78	0.08
Oil (WTI futures)	95.22	0.9	AUD/NZD	1.0894	1.0907	1.0852	1.0875	Other (10 year yields)		
Coal (thermal)	297.15	-2.4	AUD/EUR	0.6841	0.6852	0.6809	0.6821	Germany	0.82	0.11
Coal (coking)	462.50	51.2	AUD/CNH	4.7525	4.7580	4.7304	4.7397	Japan	0.24	0.01
Iron Ore	151.00	-0.8	USD Index	99.80	100.05	99.62	99.93	UK	1.85	0.10

Data as at 8:30am AEST. Change from previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Risk sentiment declined as investors anticipate higher interest rates and quantitative tightening from the US Federal Reserve. Equity prices declined, long-term bond yields rose, and the US dollar strengthened.

Share Markets: US share markets dropped, led by declines in technology stocks, as investors consider the impacts of higher interest rates. The S&P 500 fell by 1.7%, the Nasdaq was down 2.2% and the Dow Jones declined by 1.2%.

The ASX 200 rose by 0.1% yesterday. Futures are pointing to a soft open this morning.

Interest Rates: The yield curve steepened as long-term bond yields rose and short-term yields fell. The US 10-year Treasury yield climbed above 2.75% for the first time since March 2019. The 10-year yield spiked 8 basis points higher, to 2.78%. The 2-year Treasury yield fell by 1 basis point, to 2.50%.

The 10-year Australian government bond yield (futures) rose from 3.07% to 3.12%, while the 3-year yield (futures) rose from 2.73% to 2.74%.

Foreign Exchange: The US dollar strengthened to its highest level since May 2020 against a basket of major currencies. The USD Index climbed from a low of 99.62 to a high of 100.05, before retracing slightly to 99.93.

The AUD/USD pair fell in line with a stronger US dollar. The pair declined from a high of 0.7466 to a low of 0.7414. It is currently trading around 0.7421.

Commodities: Oil traded at around US\$95 per barrel. Gold and copper were higher, while iron ore slipped.

Australia: There were no major economic data releases yesterday.

China: The producer price index (PPI) jumped 8.3% over the year to March. This is down from an annual increase of 8.8% in February. However, the result was stronger than the 8.1% annual rise expected by consensus.

Consumer price inflation accelerated in March, hitting the fastest annual pace since December. The consumer price index (CPI) rose 1.5% over the year to March, up from a 0.9% increase over the year to February. Consumer price inflation remains relatively contained compared to other major economies.

New Zealand: Retail card spending declined for a second consecutive month in March, sliding 1.3%. The result follows a 7.8% contraction in spending in February, as the rising cost of living and disruption from Omicron weigh on spending.

Ukraine and Russia: The Ukrainian President warned that Russia is planning a major military assault in Eastern Ukraine. The European Union called for increased shipments of weapons to the country. More than 10,000 citizens have been killed since the invasion of Mariupol, according to the mayor of the city.

United Kingdom: Industrial production fell short of consensus expectations in February. Production slipped 0.6% in the month, following a 0.7% rise in January. This compares to a 0.3% rise in production expected by the market.

United States: Christopher Waller, member of the Federal Reserve Board of Governors, warned that “collateral damage” can happen to the economy from the Fed’s use of the “blunt-force” tool of higher interest rates. He noted that the difficulty will be to tighten monetary policy without unduly impacting employment or economic activity.

Charles Evans, President of the Federal Reserve Bank of Chicago, noted that a 50 basis point move at the next meeting was “worthy of consideration” and “perhaps highly likely” if the goal was to return to a neutral rate by December. However, he warned against the Fed moving too quickly on interest rates.

Today’s key data and events:

NZ Net Migration Feb prev -558 (8:45am)
AU NAB Business Survey Mar (11:30am)
Conditions Mar prev 9
Confidence Mar prev 13
EZ EU ZEW Expectations Apr prev -38.7 (7pm)
UK ILO Unemploy. Rate Feb exp 3.8% prev 3.9% (4pm)
US CPI Mar exp 1.2% prev 0.8% (10:30pm)

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.

Jarek Kowcza, Senior Economist

Ph: 0481 476 436

Contact Listing

Chief Economist

Besa Deda
dedab@bankofmelbourne.com.au
(02) 8254 3251

Economist

Matthew Bunny
matthew.bunny@bankofmelbourne.com.au
(02) 8254 0023

Senior Economist

Jarek Kowcza
jarek.kowcza@bankofmelbourne.com.au
0481 476 436

Associate Economist

Jameson Coombs
jameson.coombs@bankofmelbourne.com.au
0401 102 789

The Detail

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne's agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
