

Friday, 22 April 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,593	0.3%			Last	Overnight Chg		Australia		
US Dow Jones	34,793	-1.0%	10 yr bond	96.84				90 day BBSW	0.41	0.02
Japan Nikkei	27,553	1.2%	3 yr bond	97.18				2 year bond	2.25	0.06
China Shanghai	3,228	-2.3%	3 mth bill rate	99.04				3 year bond	2.59	0.04
German DAX	14,502	1.0%	SPI 200	7,497.0				3 year swap	2.90	0.00
UK FTSE100	7,628	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.08	-0.03
Commodities (close & change)*			TWI	64.1	-	-	64.4	United States		
CRB Index	309.2	2.0	AUD/USD	0.7451	0.7458	0.7365	0.7374	3-month T Bill	0.78	-0.03
Gold	1,951.62	-6.2	AUD/JPY	95.45	95.59	94.41	94.65	2 year bond	2.68	0.11
Copper	10,275.75	70.3	AUD/GBP	0.5704	0.5707	0.5650	0.5659	10 year bond	2.91	0.08
Oil (WTI futures)	103.79	1.6	AUD/NZD	1.0949	1.0999	1.0940	1.0951	Other (10 year yields)		
Coal (thermal)	343.90	6.9	AUD/EUR	0.6867	0.6869	0.6790	0.6805	Germany	0.95	0.09
Coal (coking)	522.00	5.3	AUD/CNH	4.8039	4.8260	4.7721	4.7779	Japan	0.25	0.00
Iron Ore	154.20	2.7	USD Index	100.39	100.64	99.82	100.60	UK	2.01	0.10

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

Main Themes: A chorus of central bankers made comments overnight, spurring traders to accelerate rate-hike expectations in the major economies. Yields on US bonds, German bunds and British gilts surged. US share markets finished lower, alongside expectations of potential aggressive Fed tightening.

Share Markets: US share markets erased early gains to finish the day lower. The NASDAQ led the decline, shedding 2.1%. The S&P 500 and the Dow Jones fell 1.5% and 1.0%, respectively.

The ASX 200 gained 0.3% in yesterday's trade, closing less than half a percent below August's record high.

Interest Rates: A raft of hawkish comments from Fed officials pushed US bond yields higher. The 2-year treasury yield jumped 11 basis points to 2.68%, its highest level since December 2018. The 10-year treasury yield gained 8 basis points to 2.91%.

Interest-rate markets have fully priced two consecutive 50 basis point rate hikes from the Fed in May and June.

The Australian 3-year government bond (futures) yield rose 6 basis points to 2.83%, its highest level in more than seven years. The 10-year government bond (futures) yield increased from a low of 3.12% to a high of 3.20%.

A 15 basis point rate hike from the RBA is fully priced for June. A larger, 40 basis point, move is

almost fully priced.

The yield on the 2-year British gilt spiked 17 basis points to 1.73%, while the 10-year yield jumped 10 basis points to 2.00%. Interest rate markets have fully priced a 25 basis point move from the Bank of England (BOE) in May.

The 2-year German bund yield increased 15 basis points to 0.18%, while the 10-year yield rose 9 basis points to 0.94%.

Foreign Exchange: The Aussie dollar weakened overnight. The AUD/USD pair eased from a high of 0.7458 to a low of 0.7365, before settling around 0.7374.

The US dollar strengthened against a basket of its G-10 peers. The USD index increased from a low of 99.82, to a high of 100.64, before consolidating around 100.60.

Commodities: Commodities were broadly higher overnight. Oil, iron ore and copper rose, while gold bucked the trend, easing 0.3%.

Australia: There were no major economic data releases yesterday.

Eurozone: The European Central Bank (ECB) Vice President said rate hikes could come as soon as July. The comments spurred traders to bring forward rate-hike expectations, leading to a surge in bund yields.

Growth in the consumer price index (CPI) in March

was finalised one percentage point lower for both headline and core measures. The CPI jumped 7.4% over the year to March, up from a 5.9% annual rise in February. Core CPI, which excludes volatile items such as food and energy, rose 2.9% in annual terms. Consumer confidence stabilised slightly in April, beating consensus expectations of a further deterioration in sentiment. Consumer confidence increased to -16.9, from -18.7 in March.

New Zealand: Consumer price inflation surged to its fastest pace in more than 32 years. The consumer price index (CPI) grew at an annual pace of 6.9% in the December quarter. This is up from a 5.9% increase over the year to the September quarter. In the quarter, prices rose 1.8%, which was slightly below consensus expectations for a result of 2.0%.

The strong result reinforces the Reserve Bank of New Zealand's decision to hike the official cash rate by 50 basis points last week.

United Kingdom: The BOE's Catherine Mann prefaced a potential 50 basis point rate rise in May, suggesting a quarter point rate increase may not be enough to combat rising inflationary pressures.

United States: Fed Chair Powell and Fed member Daly backed the 'front loading' of rate hikes and confirmed a 50 basis point move in May is on the table. Meanwhile, St Louis Fed Chair Bullard suggested the possibility of a 75 basis point hike at the Fed's next meeting.

The Philadelphia Fed index sank to 17.6 in April, from 27.4 in March. The survey reveals that cost pressures are continuing to build, the measure of prices paid surged to its highest level since June 1979. There is also evidence that firms are increasingly passing on higher costs to consumers.

The leading index rose 0.3% in March, following a revised 0.6% increase in February. An improvement in jobless claims underscored March's rise, while worsening consumer expectations dragged on the index.

Today's key data and events:

UK GfK Cons. Sentiment Apr exp -33 prev -31 (9:01am)
 JN CPI Mar y/y exp 1.2% prev 0.9% (9:30am)
 UK Retail Sales Mar exp -0.3% prev -0.3% (4pm)
 EZ Markit Mfg PMI Apr Prel. exp 54.9 prev 56.5 (6pm)
 EZ Markit Services PMI Apr Prel. exp 55.0 prev 55.6 (6pm)
 UK Markit Mfg PMI Apr Prel. exp 54.0 prev 55.2 (6:30pm)
 UK Markit Serv. PMI Apr Prel. exp 60.0 prev 62.6 (6:30pm)
 US Markit Mfg PMI Apr Prel. exp 58.0 prev 58.8 (11:45pm)
 US Markit Services PMI Apr Prel. exp 58.0 prev 58.0 (11:45pm)

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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