

Thursday, 24 March 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,378	0.5%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	34,359	-1.3%	10 yr bond	97.24		0.08	90 day BBSW	0.20	0.01	
Japan Nikkei	28,040	3.0%	3 yr bond	97.63		0.05	2 year bond	1.56	0.00	
China Shanghai	3,428	0.3%	3 mth bill rate	99.37		0.05	3 year bond	2.18	0.05	
German DAX	14,284	-1.3%	SPI 200	7,295.0		-54	3 year swap	2.40	0.02	
UK FTSE100	7,461	-0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.78	0.05
Commodities (close & change)*			TWI	63.0	-	-	63.5	<b>United States</b>		
CRB Index	306.3	7.2	AUD/USD	0.7465	0.7507	0.7450	0.7497	3-month T Bill	0.44	-0.05
Gold	1,943.86	22.2	AUD/JPY	90.15	90.94	89.94	90.82	2 year bond	2.10	-0.07
Copper	10,266.50	-35.0	AUD/GBP	0.5629	0.5685	0.5612	0.5677	10 year bond	2.29	-0.09
Oil (WTI futures)	114.31	5.0	AUD/NZD	1.0721	1.0764	1.0706	1.0748	<b>Other (10 year yields)</b>		
Coal (thermal)	269.95	20.3	AUD/EUR	0.6769	0.6819	0.6754	0.6809	Germany	0.47	-0.04
Coal (coking)	607.00	-7.3	AUD/CNH	4.7597	4.7950	4.7509	4.7901	Japan	0.23	0.01
Iron Ore	148.60	0.6	USD Index	98.45	98.88	98.39	98.63	UK	1.63	-0.08

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:** US stocks declined and US bond yields pulled back as concerns over the war and stagflation remained in focus. Oil prices pushed higher and the AUD/USD pair touched its highest level since November.

**Share Markets:** US stocks fell back into the red. The S&P declined 1.2%, the Dow was down 1.3% and the Nasdaq fell 1.3%. The ASX 200 rose 0.5%.

**Interest Rates:** The US 10-year treasury yield fell 9 basis points to 2.29% and the 2-year yield slipped 7 basis points to 2.10%. Both hit their highest levels since 2019 in the previous session.

Markets are almost fully priced for a 50-basis point rate hike at the May Fed meeting, with current pricing pointing to a 43-basis point increase.

The Australian 10-year (futures) yield fell 8 basis points to 2.77% while the 3-year futures yield was unchanged at 2.43%.

Markets are fully priced for the Reserve Bank to hike 15 basis points at the June meeting.

**Foreign Exchange:** The AUD/USD pair rose from 0.7465 to touch 0.7507 – its highest level since November – before settling at 0.7497. The US dollar was stronger.

**Commodities:** Oil prices pushed higher on the risk of fresh curbs on Russia, with West Texas Intermediate crude oil futures up over \$114 a barrel.

President Putin said Russia will start demanding

payment in rubles for natural gas to states it considers “unfriendly”. Germany stated that charging in rubles would breach its contracts, and Italy said using rubles would be a way to escape sanctions.

**Australia:** There were no major economic data releases yesterday.

**Eurozone:** Consumer confidence plunged to its lowest level since early in the pandemic following Russia’s invasion of Ukraine. The European Commission’s gauge fell to -18.7 in March, from -8.8 in February, as the war pushed up energy prices and prompted fears of stagflation.

**Russia & Ukraine:** Reportedly, the US and EU may announce on Friday an agreement on ways to diversify European energy sources away from Russia. The EU is considering tightening or expanding existing sanctions on Russia, while stopping short of major steps to cut off oil and gas imports.

**United Kingdom:** Headline CPI rose 0.8% in February, to be 6.2% higher over the year – a new 30-year high – from 5.5% in January. Annual core inflation came in at 5.2%. Goods prices were the main reason for the uptick in price pressures, as the global imbalance in between supply and demand persisted.

The Bank of England (BOE) has hiked rates at the past three meetings. However, the messaging at the

most recent meeting focused on household income pressures, which could mean the mean the BOE will refrain from hiking at the next meeting in May. However, the strong inflation reading adds to the pressure on the BOE to hike again.

**United States:** Cleveland Fed President Mester supports front-loading rate hikes this year, likely including some 50-basis point moves. She supports raising rates to 2.5% by the end of the year. Meanwhile, San Francisco Fed President Daly said she possibly sees a need for a 50-basis point hike in May.

New home sales fell for the second consecutive month in February, declining 2.0% to 772,000. The result suggests high prices and rising mortgage rates are sidelining some buyers.

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

JN Nikkei Services PMI Mar Prel. prev 44.2 (11:30am)  
JN Nikkei Mfg PMI Mar Prel. prev 52.7 (11:30am)  
EZ Markit Mfg PMI Mar Prel. exp 56.0 prev 58.2 (8pm)  
EZ Markit Serv. PMI Mar Prel. exp 54.3 prev 55.5 (8pm)  
UK Markit/CIPS Services PMI Mar Prel. exp 58.0 prev 60.5 (8:30pm)  
UK Markit Mfg PMI Mar Prel. exp 57.0 prev 58.0 (8:30pm)  
US Durable Goods Orders Feb Prel. exp -0.6% prev 1.6% (11:30pm)  
US Markit Mfg PMI Mar Prel. exp 56.6 prev 57.3 (12:45am)  
US Markit Services PMI Mar Prel. exp 56.0 prev 56.5 (12:45am)  
US Kansas City Fed index Mar exp 26 prev 29 (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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