

Friday, 25 March 2022

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|-------------------------------|-----------|-------|--|---------|-------------|----------------------|-------------|---------------------------------|-------|-------|
| S&P/ASX 200 | 7,387 | 0.1% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 34,708 | 1.0% | 10 yr bond | 97.15 | | -0.02 | 90 day BBSW | 0.20 | 0.00 | |
| Japan Nikkei | 28,110 | 0.3% | 3 yr bond | 97.54 | | -0.03 | 2 year bond | 1.51 | -0.06 | |
| China Shanghai | 3,407 | -0.6% | 3 mth bill rate | 99.33 | | 0.01 | 3 year bond | 2.20 | 0.01 | |
| German DAX | 14,274 | -0.1% | SPI 200 | 7,386.0 | | 38 | 3 year swap | 2.49 | 0.11 | |
| UK FTSE100 | 7,467 | 0.1% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 2.77 | -0.01 |
| Commodities (close & change)* | | | TWI | 63.5 | - | - | 63.7 | United States | | |
| CRB Index | 304.9 | -1.5 | AUD/USD | 0.7497 | 0.7528 | 0.7466 | 0.7513 | 3-month T Bill | 0.47 | -0.01 |
| Gold | 1,957.69 | 13.8 | AUD/JPY | 90.82 | 91.97 | 90.53 | 91.92 | 2 year bond | 2.14 | 0.04 |
| Copper | 10,446.00 | 179.5 | AUD/GBP | 0.5677 | 0.5705 | 0.5662 | 0.5698 | 10 year bond | 2.37 | 0.08 |
| Oil (WTI futures) | 112.34 | -2.6 | AUD/NZD | 1.0748 | 1.0806 | 1.0743 | 1.0793 | Other (10 year yields) | | |
| Coal (thermal) | 267.35 | 2.0 | AUD/EUR | 0.6809 | 0.6844 | 0.6797 | 0.6831 | Germany | 0.53 | 0.07 |
| Coal (coking) | 599.33 | -7.7 | AUD/CNH | 4.7901 | 4.8032 | 4.7671 | 4.7954 | Japan | 0.23 | 0.00 |
| Iron Ore | 150.25 | 2.4 | USD Index | 98.63 | 98.96 | 98.60 | 98.79 | UK | 1.65 | 0.02 |

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: G7 leaders warned Russian President Putin against the use of chemical, biological or nuclear weapons in Ukraine. Strong economic data supported markets as US equity prices increased. Bond prices fell as yields were higher. The Australian dollar gained against the US dollar, despite the US dollar increasing against a basket of major currencies.

Share Markets: US equity markets advanced, supported by strong economic data around the US economy. The S&P 500 rose by 1.4%, the Nasdaq was 1.9% higher, and the Dow Jones increased by 1.0%.

The ASX 200 rose by 0.1% yesterday. Futures are pointing to a positive open.

Interest Rates: US interest rates rose overnight. The 10-year bond yield rose by 8 basis points to 2.37%, while the 2-year bond yield rose by 4 basis points, to 2.14%. 10-year break-even inflation jumped to a record high of 3.03%.

The Australian 10-year government bond yield (futures) rose from 2.84% to 2.86%. The 3-year government bond yield (futures) increased from 2.44% to 2.48%.

Foreign Exchange: The AUD/USD pair rose from a low of 0.7466 to its highest level since November, of 0.7528. The pair pulled back to around 0.7513 at the time of writing.

The US dollar increased against a basket of major

currencies. The USD Index ranged between a low of 98.60 to a high of 98.96, before settling at 98.79.

Commodities: Oil prices pulled back to around US\$112 a barrel. Iron ore, gold and copper all rose.

Australia: There were no major economic data releases yesterday.

Eurozone: Manufacturing activity accelerated at a slower pace in March than in February. However, the outcome was above consensus expectations and remained in expansionary territory. The Markit manufacturing PMI fell to 57.0 in March, from 58.2 in February. This was above consensus expectations of 56.0.

Services activity also expanded at a slower pace in March. The Markit services PMI fell to 54.8 in March, down from 55.5 in February. Despite being down in the month, the measure indicated continued expansion in the services sector and was above consensus expectations of 54.3.

The falls across both measures point to the immediate economic impact the war in Ukraine is having on the eurozone, including through impacts on the supply chain.

Russia & Ukraine: US President Biden met with other leader in Brussels to discuss the Ukraine war, as the US and NATO prepare of the possibility that chemical, biological, or nuclear weapons are used by Russia against Ukraine.

The US announced new sanctions against Russian

elites, lawmakers, and defence companies, as the US President called for Russia to be removed from the G20. Further sanctions from EU countries could also be announced soon.

NATO called on all nations, including China, not to support Russia's war in any way or assist in circumventing sanctions. The US President made clear that there would be "consequences" if China aids Russia.

United Kingdom: Activity in the services sector advanced to a 9-month high as the sector expanded at a faster rate in March than in February. The Markit/CIPS services PMI accelerated to 61.0 in March, above the 60.5 outcome in February. This was above consensus expectations of 58.0.

Conversely, manufacturing activity declined to 55.5 in March, from 58.0 in February. This was below consensus expectations of 57.0. Despite the fall, the outcome indicated continued expansion in the sector.

The surveys indicate that the economy continued to expand, helped by continued lifting of COVID-19 restrictions. However, the outlook is being impacted by concerns surrounding rising prices, supply chain disruptions, and slowing economic growth amid the war in Ukraine.

United States: Orders for durable goods fell for the first time in 5 months in February as ongoing supply-chain disruptions and rising prices impacted businesses. Durable goods orders fell 2.2% in the month. This was below consensus expectations of a 0.6% decline and down from the 1.6% gain in the prior month. The fall was concentrated across the passenger plane and automobile categories, which can be volatile from month-to-month. However, excluding the transportation sector, durable goods were still down by 0.6% in the month.

Activity across the manufacturing and services sectors advanced more quickly than expected by consensus, signalling continued strength and momentum in the domestic economy. The Markit services PMI rose to an eight-month high of 58.9 in March. This was up from the 56.5 outcome in February and above consensus expectations of 56.0. The Markit manufacturing PMI also came in stronger than expected. It rose to 58.5 in March, up from 57.3 in the prior month and above consensus expectations of 56.6. Pent-up demand and an easing of COVID-19 restrictions supported activity across the economy. Domestic demand and new export orders both rose. Despite prices remaining at very high levels, firms reported less severe supply-

chain disruptions and increased job creation.

Manufacturing activity in the central US region expanded at the fastest pace on record in March, as indicated by the Kansas City Fed manufacturing activity index rising to a record high of +37. This was above consensus expectations of +26 and up on the February outcome of +29.

Several Federal Reserve officials spoke overnight.

Chicago Fed President Evans said that he was "comfortable" with rates increasing by 25 basis points at upcoming Fed meetings. However, he remained "open" to a 50-basis point move if needed.

Minneapolis Fed President Kashkari also said that he has pencilled in seven 25 basis point hikes in 2022, stating that "we need to adjust" as "the data just keeps coming in in that direction, and we just have to respond". However, he warned against going too far.

Fed Governor Waller said that he will be looking more closely at "real estate to judge the appropriate stance of monetary policy" as housing costs continue to increase. He is also monitoring increased home prices for financial stability risks.

Today's key data and events:

UK GfK Cons. Sentiment Mar exp -30 prev-26 (11:01am)
 EZ M3 Money Supply Feb y/y exp 6.3% prev 6.4% (8pm)
 EZ IFO Bus. Climate Survey Mar exp 94.2 prev 98.9 (8pm)
 UK Retail Sales Feb exp 0.7% prev 1.9% (6pm)
 US Pending Home Sales Feb exp 1.0% prev -5.7% (1am)
 US UoM Cons. Sent. Mar Final exp 59.7 prev 59.7 (1am)
 CH Current Acc. Q4 Final prev US\$119.4bn (TBC)

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

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