

Tuesday, 26 March 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,812	0.5%			Last	Overnight Chg		Australia		
US Dow Jones	39,314	-0.4%	10 yr bond	4.07		0.05	90 day BBSW	4.35	0.00	
Japan Nikkei	40,414	-1.2%	3 yr bond	3.62		0.03	2 year bond	3.79	-0.03	
China Shanghai	3,173	-0.7%	3 mth bill rate	4.27		0.01	3 year bond	3.65	-0.03	
German DAX	18,261	0.3%	SPI 200	7,836.0		-29	3 year swap	3.86	0.02	
UK FTSE100	7,918	-0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.01	-0.03
Commodities (close & change)			TWI	61.4	-	-	61.4	United States		
CRB Index	288.9	3.2	AUD/USD	0.6516	0.6547	0.6510	0.6541	3-month T Bill	5.21	-0.02
Gold	2,171.87	6.4	AUD/JPY	98.64	99.09	98.48	99.04	2 year bond	4.63	0.04
Copper	8,792.58	1.6	AUD/GBP	0.5170	0.5187	0.5167	0.5176	10 year bond	4.25	0.05
Oil (WTI futures)	81.93	1.3	AUD/NZD	1.0849	1.0897	1.0848	1.0895	Other (10 year yields)		
Coal (thermal)	127.55	1.7	AUD/EUR	0.6030	0.6048	0.6025	0.6036	Germany	2.37	0.05
Coal (coking)	274.00	-2.0	AUD/CNH	4.7412	4.7465	4.7242	4.7439	Japan	0.73	-0.01
Iron Ore	108.35	-0.2	USD Index	104.42	104.48	104.14	104.24	UK	3.99	0.06

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

Main Themes: A quiet night for economic data left markets to reflect on last week's central bank frenzy. Comments from US Fed officials reiterated a cautious but optimistic approach. US equities started the week modestly lower, while treasury yields rose across the curve. The US dollar softened, and oil gained.

Share Markets: US equities started the week lower after touching fresh record highs late last week. The S&P 500 was 0.3% lower while the Dow Jones and the NASDAQ dropped 0.4% and 0.3%, respectively.

The ASX 200 jumped 0.5% yesterday. The local bourse had a run at the record high of 7,847 in early trade but run out of puff at 7,844 and traded lower throughout the day.

Interest Rates: US treasury yields rose across the curve. The 2-year yield rose 4 basis points to 4.63%, while the 10-year yield rose 5 basis points to 4.25%.

There is around an 80% chance of a June rate cut from the Fed priced into interest rate markets. There are three rate cuts fully priced for the US by the end of the year.

Aussie bond futures followed the lead from the US. The 3-year futures yield rose 3 basis points overnight to 3.62%, while the 10-year futures yield was up 5 basis points to 4.07%.

Cash rate futures are pricing in just shy of two RBA rate cuts by the end of 2024.

Foreign Exchange: The US dollar softened slightly overnight but remains around its highest level since February. The DXY traded from a high of 104.48 to a low of 104.14 and is currently sitting around 104.24.

The Aussie dollar gained of the back of the weaker greenback rising from a low of 0.6510 to a high of 0.6547. The AUD/USD has managed to hold above the 0.6500 level despite recent selling pressures. The Aussie looks very well entrenched in the 0.6500-0.6600 range. A meaningful shift in the AU-US interest rate outlook will likely be needed to move sustainably outside of this channel.

The sell-off in the Japanese yen has taken a breather. Japan's vice finance minister from international affairs, Masato Kanda, put out a fresh warning to markets that the recent depreciation in the Yen was driven by speculation and did not align with fundamentals. This USD/JPY traded broadly flat yesterday but remains well above where it was before the Bank of Japan exited negative interest rate policy last week.

Commodities: Commodity prices traded broadly higher with the West Texas Intermediate (WTI) price of oil rising to US\$81.93 per barrel. Iron ore bucked the trend falling to US\$108.35 per metric tonne.

Australia: There were no major economic data releases yesterday.

United States: Comments from Fed officials

supported a cautious approach to commencing the easing cycle. Members zeroed in on progress on shelter (housing) inflation as the final piece of the puzzle needed to become confident the inflation target can be sustainably achieved.

Governor Lisa Cook said that “although housing-services inflation remains quite high, the current low rate of increase on new rental leases suggests that it will continue to fall”. Chicago Fed President Austan Goolsbee said "the main puzzle has been about housing" and that "I do think the market rents show that there is progress to be made, but we have yet to see that in the overall data."

The Chicago Fed’s national activity index rose to 0.05 in February, from a downwardly revised reading of -0.54 in January. The indicator points to economic growth running at around trend pace.

New home sales fell 0.3% in February, falling well short of expectations for a 1.3% monthly gain. New home sales have been volatile month-to-month but have settled broadly around the levels recorded in the few years before the pandemic.

The Dallas Fed manufacturing index fell to -14.4 in March from -11.3 in February. Manufacturing conditions have been broadly negative since early 2022 and is yet to show signs of a distinctive break higher.

Today’s key data and events:

AU WBC Consumer Sentiment Mar prev 86.0 (10:30am)

US Durable Goods Orders Feb exp 1.0% prev -6.2%
(11:30pm)

US FHFA House Prices Jan exp 0.3% prev 0.1% (12am)

US S&P CoreLogic CS House Prices Jan exp 0.2% prev
0.2% (12am)

US Richmond Fed Index Mar exp -5 prev -5 (1am)

US Consumer Confidence Index Mar exp 107.0 prev
106.7 (1am)

Times are AEST. 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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