

Wednesday, 27 March 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,780	-0.4%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	39,282	-0.1%	10 yr bond	4.05		0.00	90 day BBSW	4.35	0.00	
Japan Nikkei	40,398	0.0%	3 yr bond	3.61		0.01	2 year bond	3.80	0.01	
China Shanghai	3,178	0.2%	3 mth bill rate	4.28		0.02	3 year bond	3.66	0.01	
German DAX	18,384	0.7%	SPI 200	7,819.0		-19	3 year swap	3.84	0.00	
UK FTSE100	7,931	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.03	0.02
<b>Commodities (close &amp; change)</b>			TWI	61.4	-	-	61.4	<b>United States</b>		
CRB Index	287.8	-1.1	AUD/USD	0.6540	0.6559	0.6530	0.6533	3-month T Bill	5.20	0.00
Gold	2,178.80	7.0	AUD/JPY	99.03	99.25	98.90	99.02	2 year bond	4.59	-0.03
Copper	8,792.58	1.6	AUD/GBP	0.5176	0.5183	0.5168	0.5173	10 year bond	4.23	-0.01
Oil (WTI futures)	81.23	-0.7	AUD/NZD	1.0894	1.0902	1.0869	1.0880	<b>Other (10 year yields)</b>		
Coal (thermal)	129.15	1.6	AUD/EUR	0.6034	0.6044	0.6027	0.6032	Germany	2.35	-0.02
Coal (coking)	274.00	0.0	AUD/CNH	4.7432	4.7521	4.7332	4.7356	Japan	0.74	0.01
Iron Ore	104.15	0.0	USD Index	104.23	104.34	104.01	104.32	UK	3.97	-0.02

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:** US equities finished lower, mainly driven by end of quarter rebalancing of positions. US bond yields were slightly lower following government auctions, while the US dollar edged higher. Oil fell while gold gained.

**Share Markets:** US equities finished lower after failing to hang on to early gains. Trading volumes were low given the short holiday week and largely driven by end of quarter rebalancing of asset allocations.

The S&P 500 was 0.3% lower, with eight of the eleven sectors finishing in the red. Health care, financials and consumer staples led gains, while utilities were the weakest sector. Notwithstanding this fall, the S&P 500 is on track to notch five straight months of gains. The tech-heavy Nasdaq and the Dow Jones dropped 0.4% and 0.1%, respectively.

The ASX 200 finished 0.4% lower in a volatile session. Nine of eleven sectors were lower, led by materials stocks. Futures are pointing to a soft opening this morning.

**Interest Rates:** US treasury yields were a touch lower across the curve following the sale of US\$ 67 billion worth of five-year bonds.

The 2-year yield declined by 3 basis points to 4.59%, while the 10-year yield declined by one basis point to 4.23%.

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 were broadly unchanged ahead of the monthly inflation read to be released later today. The 3-year futures yield rose 1 basis point overnight to 3.61%, while the 10-year futures yield was unchanged at 4.05%.

Cash rate futures are pricing in just shy of two RBA rate cuts by the end of 2024, with the first cut fully priced in for the September RBA Board meeting.

**Foreign Exchange:** The US dollar edged higher overnight. The DXY traded from a high of 104.34 to a low of 104.01 and is currently sitting around 104.32.

The Aussie dollar slipped on the back of the higher greenback, falling from a high of 0.6559 to a low of 0.6530. 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 outside this range.

**Commodities:** Gold, copper, and thermal coal were higher, while the price of oil eased. Iron ore was unchanged.

The West Texas Intermediate (WTI) price of is now sitting at US\$81.23 per barrel.

**Australia:** The Westpac Melbourne Institute Consumer Sentiment Index declined 1.8% to 84.4

index points in March, from 86 points in February. Consumers remain pessimistic and becoming more concerned about the economy's near-term outlook. When it comes to news recall by surveyed consumers, inflation continues to dominate, followed by 'budget and taxation' and recent news on employment and interest rates.

**United States:** Consumer confidence was broadly unchanged at 104.7 index points in March, from the 104.8 points recorded in February. It was notable that the Expectations Index (measures consumers' short-term outlook for income, business, and labor market conditions) fell to 73.8 index points in March, down from 76.3 points in February. Consumers are saying current conditions have improved but are more concerned about future conditions. An Expectations Index reading below 80 often signals a forthcoming recession.

New orders for manufactured durable goods rose by 1.4% in February, following a 6.9% fall in January. The outcome was better than the 1.0% increase the market was expecting. Orders rebounded for motor vehicles and parts; machinery; and capital goods. Orders for non-defence capital goods excluding aircraft, a proxy for business spending plans, increased 0.7% in February, after a 0.4% decrease in January.

The Richmond Fed Manufacturing Index dropped by 6 points to -11 in March. This was the fourth negative result, pointing to a contraction in activity. Looking forward, firms surveyed still showed a level of optimism.

The CoreLogic S&P Case-Shiller Index rose by 6% over the year to January, the seventh consecutive month of annual increases. With the rebound in values, home prices are now up by 1% compared with the June 2022 peak and up by 6% from the January 2023 trough. In monthly terms, the CoreLogic S&P Case-Shiller Index declined by 0.1%, an improvement on the decline of 0.4% recorded in December.

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

AU Monthly CPI indicator Feb y/y prev 3.4% (11:30am)

CH Industrial Profits Feb y/y prev 16.8% (12:30pm)

EZ Consumer Confidence Mar Final (9pm)

EZ Economic Confidence Mar (9pm)

NZ ANZ business confidence Mar (11am)

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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