

Wednesday, 28 February 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,663	0.1%			Last	Overnight Chg		Australia		
US Dow Jones	38,973	-0.2%	10 yr bond	4.19			0.04	90 day BBSW	4.33	0.00
Japan Nikkei	39,240	0.0%	3 yr bond	3.73			0.01	2 year bond	3.82	0.01
China Shanghai	3,161	1.3%	3 mth bill rate	4.33			0.00	3 year bond	3.72	0.01
German DAX	17,556	0.8%	SPI 200	7,637.0			16	3 year swap	3.95	-0.01
UK FTSE100	7,683	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.13	0.03
Commodities (close & change)			TWI	61.4	-	-	61.4	United States		
CRB Index	276.5	2.9	AUD/USD	0.6541	0.6558	0.6525	0.6543	3-month T Bill	5.22	-0.01
Gold	2,030.12	-1.1	AUD/JPY	98.56	98.62	98.21	98.46	2 year bond	4.70	-0.02
Copper	8,409.00	11.0	AUD/GBP	0.5156	0.5171	0.5147	0.5159	10 year bond	4.31	0.03
Oil (WTI futures)	78.70	1.1	AUD/NZD	1.0598	1.0631	1.0590	1.0608	Other (10 year yields)		
Coal (thermal)	130.20	1.7	AUD/EUR	0.6028	0.6042	0.6015	0.6033	Germany	2.46	0.02
Coal (coking)	309.00	2.0	AUD/CNH	4.7171	4.7288	4.7048	4.7203	Japan	0.69	0.01
Iron Ore	116.85	-0.7	USD Index	103.78	103.92	103.61	103.81	UK	4.20	0.03

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: Market swings were relatively tame overnight despite a large volume of corporate bond and treasury sales in the US. Equities were mixed but remained around record highs. The yield curve steepened as yields at the short-end fell and longer-dated yields rose. Tempered expectations on the pace of the Feds cutting cycle drove movements at the short end of the yield curve, while the heavy flow of new debt offerings pushed yields higher further out along the curve.

Share Markets: US equities were mixed following an early slide. The S&P 500 rebounded to finish narrowly in the green (+0.1%), while the NASDAQ also gained (+0.4%). The Dow Jones bucked the trend, finishing the session 0.2% lower.

The ASX 200 overcame an early slide to close in the green. The local bourse finished the day up 0.1%. Futures are pointing to a mildly positive open this morning.

Interest Rates: A heavy flow of bond sales, both corporate and treasuries, continued to test the depth of demand. A \$42bn auction of 7-year treasuries was well subscribed despite competition from a slate of new corporate debt. The 2-year yield slipped two basis points to 4.70%, while the 10-year yield rose 3 basis points to 4.31%.

Investors continue to pare back their expectations for the size of Fed rate cuts this year. There are now just 75-basis points of cuts fully priced for 2024 with

the implied probability of the cutting cycle commencing in June slipping to around 70%.

The yield of Aussie bond futures drifted higher overnight. The 3-year (futures) yield rose 1 basis point to 3.73%, while the 10-year yield rose 4 basis points to 4.19%.

Foreign Exchange: The US firmed slightly against a basket of major currencies, gaining on the British Pound, the euro and the New Zealand dollar. The DXY index traded between a low of 103.61 and a high of 103.92 and is currently sitting around 103.81.

The Aussie dollar outperformed, rising from a low of 0.6525 to a high of 0.6558, but remaining comfortably within its recent range. At the time of writing the AUD/USD was trading around 0.6543.

Commodities: The West Texas Intermediate (WTI) futures contract jumped 1.4%, continuing its recent run of volatility. The WTI price of oil closed around US\$78.70 per barrel.

Australia: There were no major data releases yesterday.

Eurozone: M3 money supply expanded 0.1% over the year to January, the second consecutive annual gain after a string of consecutive contractions. The result was supported by stabilisation in demand for private credit.

Japan: The national consumer price index (CPI)

topped expectations in January rising 2.2% in annual terms. Consensus expectations were centred on a 1.9% gain. When excluding food and energy, prices rose 3.5% through the year. The Bank of Japan (BoJ) is looking for evidence that a virtuous price-wage dynamic is afoot before unwinding negative monetary policy settings. Yesterday's inflation data will therefore be encouraging, but given mixed wages and GDP data, it's still too early to conclude that the criteria necessary to tighten policy will soon be met.

United States: Michelle Bowman repeated her expectation that inflation will continue to decline further with interest rates held at their current level. However, Bowman reiterated that it's too soon to begin rate cuts, joining a raft of officials stressing they're in no rush to lower borrowing costs.

Durable goods orders sank 6.1% in January, weaker than the 5.0% slide expected by consensus. However, weakness was centred on a collapse in commercial aircraft orders following a near-miss accident involving a Boeing Co. plane. The value of core capital goods orders, which excludes aircraft and military equipment, rose 0.1% in the month. Core capital goods orders are considered a solid leading indicator of machinery and equipment investment, suggesting that business may be starting to restrain investment intentions amid an uncertain economic backdrop.

The Federal Housing Finance Agency (FHFA) and CoreLogic released dwelling price data for December overnight. Both indices suggest prices continued to increase in December as advertised supply remains low. The FHFA house price measure rose 0.1% in the month, while the CoreLogic 20-city index rose 0.2%.

Consumer confidence deteriorated in February, interrupting a recent upswing in optimism. The Conference Board's sentiment measure fell to 106.7 from a revised reading 110.9 in January. This underwhelmed expectations for a rise to 115.0 and marked the first fall in confidence in four months. The downbeat shift was underpinned by a deterioration on the perception of the outlook for the economy, the job market and financial conditions.

The Richmond Fed manufacturing index rose to -5 in February from -15 in January. An improvement in new order volume underpinned the result.

Today's key data and events:

AU Construction Work Done Q4 exp 0.8% prev 1.3% (11:30am)

Monthly CPI Indicator Jan y/y exp 3.9% prev 3.4% (11:30am)

EZ Consumer Confidence Feb Final prev -15.5 (9pm)

EZ Economic Confidence Feb exp 96.6 prev 96.2 (9pm)

NZ RBNZ Policy Decision exp 5.50% prev 5.50% (12pm)

US GDP Annualised Q4 Est. 2 exp 3.3% prev 3.3% (12:30am)

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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