

Thursday, 31 March 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,515	0.7%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	35,229	-0.2%	10 yr bond	97.13			-0.02	90 day BBSW	0.23	0.01
Japan Nikkei	28,027	-0.8%	3 yr bond	97.42			0.00	2 year bond	1.83	-0.09
China Shanghai	3,424	2.0%	3 mth bill rate	99.33			-0.01	3 year bond	2.35	-0.13
German DAX	14,606	-1.4%	SPI 200	7,494.0			10	3 year swap	2.65	-0.06
UK FTSE100	7,579	0.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.79	-0.11
Commodities (close & change)*			TWI	64.0	-	-	64.1	<b>United States</b>		
CRB Index	301.3	6.6	AUD/USD	0.7506	0.7537	0.7502	0.7513	3-month T Bill	0.51	-0.03
Gold	1,934.64	15.2	AUD/JPY	92.24	92.65	91.14	91.52	2 year bond	2.31	-0.05
Copper	10,367.50	48.0	AUD/GBP	0.5734	0.5748	0.5704	0.5719	10 year bond	2.34	-0.05
Oil (WTI futures)	107.29	3.1	AUD/NZD	1.0831	1.0837	1.0755	1.0772	<b>Other (10 year yields)</b>		
Coal (thermal)	252.05	6.5	AUD/EUR	0.6772	0.6782	0.6721	0.6734	Germany	0.65	0.01
Coal (coking)	594.67	0.0	AUD/CNH	4.7860	4.7969	4.7722	4.7781	Japan	0.23	-0.03
Iron Ore	162.00	2.0	USD Index	98.43	98.43	97.69	97.85	UK	1.67	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:** Disappointment surrounding peace talks between Russia and Ukraine drained market optimism and stoked concerns of a more prolonged conflict. Market sentiment softened on the news, grinding equity markets and bond yields lower.

**Share Markets:** Softer market sentiment pushed US share markets into the red. The tech-heavy NASDAQ led the decline, falling 1.2%. The S&P 500 and the Dow Jones fell 0.6% and 0.2%, respectively. European markets had closed broadly lower earlier in the day, with the exception of the UK FTSE.

The ASX 200 closed 0.7% higher yesterday. Futures are pointing to a positive open this morning.

**Interest Rates:** US treasury yields fell across the curve, as market sentiment weakened. The US 2 and 10-year treasury yields shed 5 basis points to 2.31% and 2.35%, respectively.

Interest rate markets are more than fully pricing a 25 basis point interest rate hike at the Fed's May meeting. There is currently around a 73% probability attached to a 50 basis point move.

The Australian 3-year government bond yield (futures) ranged between a high of 2.66% and a low of 2.58%, before settling at 2.56%. The 10-year (futures) yield ranged between a high of 2.95% and a low of 2.86%. It is currently trading around 2.89%.

A 15 basis point hike in the cash rate is fully priced for June.

**Foreign Exchange:** The Aussie dollar was range-

bound overnight, fluctuating between a low of 0.7502 and a high of 0.7537. The AUD/USD pair finished the session slightly higher at 0.7513.

The US dollar weakened against a basket of its G10 peers. The USD Index fell from a high of 98.43 to a low of 97.69, before consolidating around 97.85.

The New Zealand dollar rose to a four-month high against the USD, hitting 0.6998. The NZD also rose against the Aussie. The AUD/NZD pair is currently trading at around 1.0772.

**Commodities:** There was a broad-based rise in commodity prices overnight. Oil, gold and iron ore were all higher. While the price of coal, nickel and copper also firmed.

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

**Eurozone:** Confidence in the economy slipped to its lowest level since March 2021. Economic confidence dropped to 108.5 in March, from a revised reading of 113.9 in February. War in Ukraine and fears of rising prices are weighing on economic confidence.

March consumer confidence was finalised at -18.7, in line with preliminary figures. This is the lowest level of consumer sentiment since May 2020, following the initial outbreak of COVID-19.

Surging energy costs pushed consumer price inflation in Germany to a record high since reunification in 1990. The consumer price index

jumped a whopping 7.3% in annual terms in March, up from 5.1% over the year to February.

**New Zealand:** Building permits jumped by 10.5% in February. This completely reversed the revised fall of 8.7% in January. Annual building permit issuance is running at record levels.

Business confidence remained weak in March, despite increasing slightly to -41.9, from -51.8 in February. Profitability is being squeezed as businesses tackle the ongoing Omicron outbreak and a range of headwinds, including surging operating costs.

**Russia & Ukraine:** Peace talks between Russia and Ukraine concluded overnight without resolution. Russia provided mixed accounts on the outcome of negotiations. A Kremlin spokesperson suggested that the meeting resulted in no breakthroughs, however, Russia's chief negotiator was upbeat on Ukraine peace offerings.

Russian forces are regrouping in an effort to completely takeover the Donbas region in Ukraine's east.

The European Union may tighten Russian sanctions and strengthen enforcement next week, adding pressure on Russia. Meanwhile, Germany and Austria are bracing for a potential cut-off of Russian gas supply, after rejecting Vladimir Putin's demand to settle contracts in rubles.

**United States:** ADP employment in March was slightly stronger than expected and included a solid upward revision to February. Employment rose 455k in March – above consensus expectations for a 450k increase. February's result was revised up from 475k to 486k. The pick-up in employment in March was broad-based across industries and firm size.

December quarter GDP growth was finalised at an annualised rate of 6.9%. This is down slightly from the second estimate of 7.0%. The result is the sixth consecutive quarterly increase in annualised GDP growth, following sharp declines at the outset of the pandemic.

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

JN Industrial Production Feb Prel. exp 0.5% prev -0.8% (10:50am)

AU Building Approvals Feb exp 20.0% prev -27.9% (11:30am)

AU Priv. Sector Credit Feb exp 0.6% prev 0.6% (11:30am)

CH Manufacturing PMI Mar exp 49.8 prev 50.2 (12:30pm)

CH Non-mfg PMI Mar exp 50.3 prev 51.6 (12:30pm)

UK Nationwide House Prices Mar exp 0.5% prev 1.7% (5pm)

UK GDP Q4 Final exp 1.0% prev 1.0% (5pm)

EU Unemployment Rate Feb exp 6.7% prev 6.8% (8pm)

US Personal Income Feb exp 0.5% prev 0.0% (11:30pm)

US Personal Spending Feb exp 0.5% prev 2.1% (11:30pm)

US PCE Core Feb exp 0.4% prev 0.5% (11:30pm)

US Chicago PMI Mar exp 57.0 prev 56.3 (12:45am)

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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