

Tuesday, 31 May 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,287	1.4%			Last	Overnight Chg		Australia		
US Dow Jones	closed		10 yr bond	96.71		-0.03		90 day BBSW	1.17	0.04
Japan Nikkei	27,369	2.2%	3 yr bond	97.13		-0.03		2 year bond	2.40	-0.02
China Shanghai	3,300	0.6%	3 mth bill rate	98.69		-0.02		3 year bond	2.76	0.01
German DAX	14,576	0.8%	SPI 200	7,283.0		-12		3 year swap	3.10	0.03
UK FTSE100	7,600	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.26	0.00
Commodities (close & change)*			TWI	62.6	-	-	62.6	United States		
CRB Index	closed		AUD/USD	0.7160	0.7200	0.7154	0.7196	3-month T Bill	closed	
Gold	1,855.23	1.5	AUD/JPY	91.04	91.85	90.95	91.82	2 year bond	closed	
Copper	closed		AUD/GBP	0.5669	0.5694	0.5664	0.5687	10 year bond	closed	
Oil (WTI futures)	closed		AUD/NZD	1.0958	1.0998	1.0947	1.0978	Other (10 year yields)		
Coal (thermal)	346.70	24.2	AUD/EUR	0.6669	0.6684	0.6662	0.6676	Germany	1.06	0.09
Coal (coking)	501.33	-1.0	AUD/CNH	4.8123	4.8192	4.7773	4.8011	Japan	0.24	0.00
Iron Ore	137.30	2.2	USD Index	101.67	101.72	101.30	101.36	UK	1.99	0.07

Data as at 7:30am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Physical US markets were closed for the Memorial Day public holiday, however, futures continued to trade. Risk sentiment improved as European equity markets rose and US equity futures were in the green. Strong German inflation added pressure on European policymakers to act on surging prices. Bond yields, as implied by futures, rose and the US dollar fell against major currencies.

Share Markets: European equity markets rose for a fourth consecutive day. The Euro Stoxx 50 was 0.9% higher and the FTSE 100 rose 0.2%. US equity markets were closed, however, futures continued to trade. S&P 500 futures were 0.3% higher at the time of writing.

Interest Rates: US physical bond markets were closed. However, futures markets continued to trade, implying that the US 10-year yield rose from 2.74% to 2.80%.

German bond yields rose by 9 basis point to 1.06% following the release of stronger-than-expected inflation data.

The Australian 10-year government bond yield (futures) rose by 3 basis points to 3.30%. The 3-year government bond yield (futures) was also 3 basis points higher, to 2.88%.

Foreign Exchange: The US dollar fell against a basket of major currencies, dropping to its lowest level in around a month. The USD Index fell from a high of 101.72 to a low of 101.30, before settling

around 101.36.

The AUD/USD pair was stronger against the backdrop of a weaker USD. The pair rose from a low of 0.7154 to a high of 0.7200. It was trading at 0.7196 at the time of writing.

Commodities: Many physical commodity markets were closed for the Memorial Day public holiday. Gold traded and was higher on the day, iron ore also rose.

Australia: There were no major economic data releases yesterday.

Eurozone: German inflation was stronger than expected and hit a record annual pace, as price rises continue to impact the European region. The consumer price index (CPI) advanced by 0.9% in May, to be 7.9% higher over the year. This was stronger than consensus expectations, which centred on a 0.5% monthly gain and a 7.6% annual rise. The outcome was also stronger than the prior month, which reported prices rising by 0.8% in April and 7.4% over the year.

Business and consumer confidence stabilised in May, as the European Commission's economic confidence indicator rose to 105.0, from 104.9 in April. The indicator is an aggregate measure of business and consumer confidence. The outcome was slightly above consensus expectations of 104.9. Confidence was higher in the services sector, at 14.0 in May versus a revised outcome of 13.6 in April. Consumer confidence was also higher, rising

from -22.0 in April to -21.1 in May. However, industrial confidence fell from 7.7 in April to 6.3 in May.

The European Central Bank's Chief Economist, Philip Lane, noted that the normalisation of monetary policy would be gradual. He referred to 25 basis point increases in July and September as a "benchmark pace". He also stated that the current medium-term inflation outlook is in line with the 2% target, supporting a gradual approach to normalisation.

United States: Federal Reserve Governor Christopher Waller noted his support for "tightening policy by another 50 basis points for several meetings" to control surging inflation. He also said that: "I am not taking 50 basis-point hikes off the table until I see inflation coming down closer to our 2% target". In discussing the Fed's balance sheet, he noted that quantitative tightening would be equivalent to a couple of 25 basis point hikes.

Today's key data and events:

NZ Building Permits Apr prev 5.8% (8:45am)
 JN Job to Applicant Ratio Apr exp 1.23 prev 1.22 (9:30am)
 JN Industrial Production Apr Prel. exp -0.2% prev 0.3% (9:50am)
 NZ ANZ Bus. Confidence May prev -42.0 (11am)
 AU Balance of Payments Q1 (11:30am)
 Current Account exp \$10.5bn prev \$12.7bn
 Net Exports Contrib. exp -1.4ppt prev -0.2ppt
 AU Company Profits Q1 exp 6.0% prev 2.0% (11:30am)
 AU Inventories Q1 exp 0.5% prev 1.1% (11:30am)
 AU Build. Approvals Apr exp 2.0% prev -18.5% (11:30am)
 AU Priv. Sector Credit Apr exp 0.4% prev 0.4% (11:30am)
 CH Manufacturing PMI May exp 48.9 prev 47.4 (11:30am)
 CH Non-mfg PMI May exp 45.0 prev 41.9 (11:30am)
 EZ CPI May Prel. exp 0.6% prev 0.6% (7pm)
 US FHFA House Prices Mar exp 2.0% prev 2.1% (11pm)
 US S&P CoreLogic CS House Prices Mar exp 1.9% prev 2.4% (11pm)
 US MNI Chicago PMI May exp 55.1 prev 56.4 (11:45pm)
 US Cons. Conf. Index May exp 103.8 prev 107.3 (12am)
 US Dallas Fed Index May exp 1.5 prev 1.1 (12:30am)

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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The Detail

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