

Monday, 4 April 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,494	-0.1%			Last	Overnight Chg		Australia		
US Dow Jones	34,818	0.4%	10 yr bond	97.10				90 day BBSW	0.23	0.00
Japan Nikkei	27,666	-0.6%	3 yr bond	97.38				2 year bond	1.85	0.01
China Shanghai	3,441	0.9%	3 mth bill rate	99.34				3 year bond	2.39	0.01
German DAX	14,446	0.2%	SPI 200	7,488.0		19		3 year swap	2.63	-0.02
UK FTSE100	7,538	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.84	0.01
Commodities (close & change)*			TWI	63.6	-	-	63.7	United States		
CRB Index	293.2	-2.0	AUD/USD	0.7482	0.7525	0.7473	0.7490	3-month T Bill	0.50	0.01
Gold	1,925.68	-11.8	AUD/JPY	91.03	92.33	91.01	91.87	2 year bond	2.46	0.12
Copper	10,347.00	-25.5	AUD/GBP	0.5695	0.5736	0.5689	0.5716	10 year bond	2.38	0.04
Oil (WTI futures)	98.39	-0.9	AUD/NZD	1.0791	1.0861	1.0774	1.0835	Other (10 year yields)		
Coal (thermal)	258.75	-0.3	AUD/EUR	0.6761	0.6806	0.6750	0.6783	Germany	0.56	0.01
Coal (coking)	480.00	-41.0	AUD/CNH	4.7539	4.7891	4.7512	4.7720	Japan	0.23	0.01
Iron Ore	159.80	-1.5	USD Index	98.36	98.74	98.31	98.63	UK	1.61	0.00

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: A strong US jobs report helped to lift risk sentiment in late trading on Friday. Equity markets closed higher. US short-term interest rates spiked up, leading to short-term rates closing above long-term rates. The US dollar rose against a basket of major currencies.

Share Markets: US share markets moved from losses to gains in late trading following the release of a solid US jobs report.

The S&P 500 closed 0.3% higher, after being down as much as 0.5% during the trading day. The Nasdaq also advanced by 0.3% and the Dow Jones was 0.4% higher.

The ASX 200 fell by 0.1% on Friday. Futures are pointing to a positive open today.

Interest Rates: US short-term interest rates spiked higher on Friday. The 2-year Treasury yield surged by 12 basis points to 2.46%. The 10-year yield also increased by as much as 11 basis points during trading, before declining after the release of the jobs data to end 4 basis point higher, at 2.38%.

The move higher in short-term rates led to the US 2-10 year yield curve closing inverted and at its lowest level since 2006.

The Australian 3-year government bond yield (futures) ranged between 2.60% and 2.66%. The 10-year government bond yield (futures) ranged between 2.88% and 2.94%.

Foreign Exchange: The US dollar closed higher

against a basket of major currencies. The USD Index ranged between a low of 98.31 and a high of 98.74. It is currently trading at around 98.63.

The AUD/USD pair rose slightly on the day. The pair ranged between a low of 0.7473 and a high of 0.7525, before pulling back to 0.7490.

Commodities: Most commodities declined on the day. Oil fell and traded below US\$100 a barrel. Gold, copper, iron ore, and coal were all also weaker.

Australia: Dwelling prices grew 0.7% in March as momentum in the smaller capital cities and regional areas outweighed falls in Sydney and Melbourne. The boom has moderated as affordability pressures rise, supply lifts and fixed rates increase. In annual terms, growth slowed to 18.2%.

Dwelling values declined in Sydney and Melbourne in March by 0.2% and 0.1%, respectively. March is the second consecutive month that prices have declined in Sydney. Price growth in Brisbane and Adelaide continued to outperform, at 2.0 and 1.9%, respectively.

Prices have risen by more than 10% across all geographies since December 2019. However, there has been some variation across the country. Regional areas (up 41.5%) have outperformed. Across the capital cities, growth ranged from 13.7% in Melbourne, to 40.4% in Brisbane.

Housing finance approvals, excluding refinancing,

fell in February for the first time since October. Approvals sank 3.7% in the month, from a record high in January. The decline may reflect some ongoing softness in activity caused by Omicron. Additionally, activity may be cooling in line with slowing price growth momentum and stretched affordability.

The decline in approvals was broad-based across investor and owner-occupier lending. However, the slump was more pronounced among owner-occupiers.

We expect conditions to continue to moderate as worsening affordability, rising supply, and the eventual lift in the cash rate weigh on dwelling price growth. However, a strong economy, low unemployment, and policies announced in the 2022-23 Federal Budget will support demand.

China: The Caixin manufacturing purchasing managers' index (PMI) dropped to 48.1 in March, from 50.4 in February. An index reading below 50 indicates a contraction in activity. The index is at its lowest level since February 2020, as tighter restrictions are imposed to curb the spread of Omicron.

Eurozone: War in Ukraine pushed consumer price inflation to a record high in March. The consumer price index surged 7.5% over the year to March, following a revised 5.9% jump over the year to February. The result beat consensus expectations of a 6.7% annual rise. A core measure of inflation, which excludes volatile items also hit a record high, growing 3.0% over the year to March.

Manufacturing activity continued to expand in March, albeit at a slower rate, despite the war in Ukraine. The March manufacturing PMI was finalised at 56.5, slightly down from a preliminary reading of 57.0.

Japan: The March manufacturing PMI was finalised at 54.1, up from a preliminary reading of 53.2. The result improved on February's figure of 52.7.

New Zealand: Consumer confidence stooped to its lowest level on record going back to 2004. Confidence plunged from 81.9 in February, to 77.9 in March eclipsing the lows reached at the outbreak of the pandemic and during the global financial crisis.

Russia & Ukraine: Several European nations are pushing for new sanctions to be imposed against Russia, following the release of graphic images revealing the barbaric actions of some Russian soldiers. Ukraine has called for the International Criminal Court to gather evidence of alleged war

crimes. A US spokesperson stopped short of labelling the actions as genocide, while the Kremlin suggested the images were faked.

United Kingdom: The March manufacturing PMI was finalised at 55.2, compared to a preliminary reading of 55.5. The result is down on February's reading of 58.0.

United States: The US jobs report was strong even after the US Federal Reserve acknowledged they have already achieved their goal of maximum employment. Non-farm payrolls rose 431k in March, falling short of the 490k projected by consensus forecasts, but a 72k upwards revision to the February print more than made up for the miss. The unemployment rate fell to 3.6% from 3.8% – its lowest level in two years – and the participation rate edged up to 62.4% from 62.3%. Average hourly earnings rose 0.4% in March to be 5.6% higher over the year. The report adds to pressures on the Federal Reserve to aggressively hike interest rates.

The ISM manufacturing PMI was weaker than expected in March, slipping 1.5 points to 57.1. The underlying components suggest that labour supply is improving as high wages pull more workers into the market but rising prices, material shortages and heightened uncertainty from the Ukraine war were impediments.

Construction spending growth slowed in February, rising 0.5% in the month, following a 1.3% gain in January. An increase in spending on private projects was partly offset by a decline in government spending.

Today's key data and events:

AU MI Inflation Mar y/y prev 3.5% (11am)
 AU ANZ Job Ads Mar prev 8.4% (11:30am)
 EZ Sentix Investor Conf. Apr prev -7.0 (6:30pm)
 US Factory Orders Feb exp -0.6% prev 1.4% (12am)
 US Durable Goods Orders Feb Final exp -2.2% prev -2.2% (12am)

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.

Contact Listing

Chief Economist

Besa Deda
dedab@bankofmelbourne.com.au
(02) 8254 3251

Economist

Matthew Bunny
matthew.bunny@bankofmelbourne.com.au
(02) 8254 0023

Senior Economist

Jarek Kowcza
jarek.kowcza@bankofmelbourne.com.au
0481 476 436

Associate Economist

Jameson Coombs
jameson.coombs@bankofmelbourne.com.au
0401 102 789

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