

Tuesday, 4 May 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,029	0.0%	Last		Overnight Chg			Australia		
US Dow Jones	34,113	0.7%	10 yr bond	98.31	0.02			90 day BBSW	0.04	0.00
Japan Nikkei	28,813	-0.8%	3 yr bond	99.74	0.00			2 year bond	0.08	0.00
China Shanghai	3,613	-0.8%	3 mth bill rate	99.96	0.00			3 year bond	0.29	0.00
German DAX	15,236	0.7%	SPI 200	7,018.0	14			3 year swap	0.32	0.00
UK FTSE100	6,970	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.75	0.01
Commodities (close & change)*			TWI	64.4	-	-	64.1	United States		
CRB Index	200.8	1.1	AUD/USD	0.7718	0.7767	0.7706	0.7763	3-month TBill	0.01	0.00
Gold	1,792.88	23.8	AUD/JPY	84.38	84.75	84.32	84.69	2 year bond	0.16	0.00
Copper	9,833.00	-60.5	AUD/GBP	0.5585	0.5591	0.5566	0.5580	10 year bond	1.60	-0.03
Oil (WTI)	64.49	0.9	AUD/NZD	1.0767	1.0790	1.0752	1.0775	Other (10 year yields)		
Coal (thermal)	90.90	1.1	AUD/EUR	0.6417	0.6438	0.6406	0.6435	Germany	-0.20	0.00
Coal (coking)	111.50	-1.2	AUD/CNH	0.4997	5.0262	4.9941	5.0235	Japan	0.10	0.00
Iron Ore	183.36	3.7	USD Index	91.3	91.4	90.9	91.0	UK	0.84	0.00

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

Main Themes: Remarks from US Federal Reserve Chairman Powell and weaker-than-expected US manufacturing data drove sentiment overnight.

Share Markets: US share markets recovered overnight, as US Federal Reserve Chairman Powell touted “real progress” in the economy. The Dow Jones rose 238 points (or +0.7%), the S&P 500 index lifted 11 points (or +0.3%) but the Nasdaq slid 68 points (or -0.5%).

Interest Rates: US bond yields fell after weaker-than-expected manufacturing data. The 10-year bond yield fell 3 basis points to 1.60% and the 2-year bond yield was unchanged at 0.16%.

Foreign Exchange: The US dollar index weakened overnight by around 0.4%, which enabled the Australian dollar to gain ground against the US dollar. It lifted from a low of 0.7706 to a high of 0.7767, staying within the trading range it has been in since April 14. The Australian dollar was also supported by firm iron ore prices. We expect the AUD/USD is likely to try and probe the 78 US cent level again in the short term.

Commodities: Oil and gold both jumped more than 1% overnight. Futures (TSI) for iron ore with a 62% iron content rose to a decade high of \$185.04 a tonne during intraday trade. Prices were slightly off this high at the close. The lift follows forecast upgrades by some analysts.

COVID-19: US infections rose at the slowest pace since the pandemic began in the week ended May 2. The White House will support Pfizer's move to begin vaccine exports from the US.

India has reported 355,8280 new coronavirus cases, taking its overall infection tally to nearly 2.3 million, according to Worldometer.

Australia: The housing market is still running hot, although there are early signs that the heat is tempering. CoreLogic's national home value index increased by 1.8% in April. Growth slowed from 2.8% in March – the fastest pace in 32 years.

We are still in the midst of a boom. The median number of days to sell a home for the combined capital cities fell to 26 days - a record low. Auction clearance rates also remain well above long-run averages.

As life starts to return to normal, the pace of growth in the capital cities is beginning to overtake regional areas. Sydney is re-emerging as the nation's housing hotspot – dwelling prices are up 8.8% in the past three months – higher than any other capital city or state regional area.

The upturn in dwelling prices has been led by the top end of town. In the past three months, the top quartile of dwellings by value has increased in price by 8.5% while the bottom quartile has risen 4.5%.

Separate data showed job advertisements rose

4.7% in April, after a jump of 7.8% in March.

The Reserve Bank Board meetings today and is likely to keep policy settings stay on hold, even as it amends its forecasts higher for economic growth and lower for joblessness. Fresh forecasts will be contained in this Friday's Statement on Monetary Policy. Consensus is for policy makers to keep both the key rate and the three-year yield target at 0.10%. It is also our view. Governor Philip Lowe wants Australian wages rising 3% a year and actual annual inflation of 2%-3% before tapering. He may at this meeting delay a decision on rolling over the yield target to the November 2024 bond from April of that year.

United States: Rising prices and widespread shortages of parts, materials and labour threaten to undercut a strong recovery in manufacturing activity. The Institute for Supply Management's (ISM's) manufacturing index fell to 60.7% in April from a 38-year high of 64.7% in the prior month. The outcome fell well short of consensus expectations. However, all 18 major industries tracked by the survey reported they are growing – the first time that's happened since 2014.

The ISM's price gauge rose to a 13-year high of 89.4% in April, up 4 percentage points from March. a 13-year peak.

The final reading for Markit's purchasing managers' index (PMI) for manufacturing came in at 60.5 in April, down slightly from the flash estimate of 60.6. However, it is higher than March's result of 59.1.

Construction spending lifted 0.2% in March, partially reversing a decline of 0.6% in the previous month. Spending on residential projects was strong in the month, but outlays on private non-residential construction like gas and oil has been tepid.

Federal Reserve Chair Powell repeated comments from last week's Federal Reserve Open Market Committee (FOMC) press conference. He said the recovery is strengthening and the outlook has improved, but the recovery is uneven with long-standing disparities weighing on the productive capacity of the economy.

New York Federal Reserve President Williams said recent positive data isn't sufficient to get the Fed to change course. Williams said "we still have a long way to go to achieve a robust and full economic recovery". Nevertheless, Williams was optimistic about the economic outlook. He expects GDP growth this year to be the "fastest in decades". On inflation, Williams expects after some initial spikes, it will subside to about 2%.

Today's key data and events:

NZ Federal Govt Pre-Budget Speech (6am)
 AU Housing Finance Mar (11:30am)
 Total exp 2.0% prev -0.4%
 Owner-occupier 1.0% prev -1.8%
 Investor exp 5.0% prev 4.5%
 AU Trade Balance Mar exp \$6.3bn prev \$7.5bn (11:30am)
 AU RBA Board Meeting (2:30pm)
 NZ CoreLogic House Prices Apr y/y prev 16.1% (4pm)
 US Trade Bal. Mar exp -\$74.3bn prev -\$71.1bn (10:30pm)
 US Factory Orders Mar exp 1.3% prev -0.8% (12am)
 US Durable Goods Orders Mar Final exp 0.5% prev 0.5% (12am)

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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The Detail

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