

Tuesday, 5 March 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,736	-0.1%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>			
US Dow Jones	38,990	-0.2%	10 yr bond		4.12	0.01		90 day BBSW	4.34	0.00	
Japan Nikkei	40,109	0.5%	3 yr bond		3.70	0.02		2 year bond	3.78	-0.03	
China Shanghai	3,186	0.4%	3 mth bill rate		4.33	0.00		3 year bond	3.68	-0.03	
German DAX	17,716	-0.1%	SPI 200		7,703.0	-3		3 year swap	3.92	0.02	
UK FTSE100	7,640	-0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.10	-0.04	
<b>Commodities (close &amp; change)</b>			TWI		61.0	-	-	61.0	<b>United States</b>		
CRB Index	277.3	0.2	AUD/USD		0.6523	0.6535	0.6508	0.6509	3-month TBill	5.22	0.00
Gold	2,116.01	33.1	AUD/JPY		97.87	98.15	97.77	97.97	2 year bond	4.61	0.08
Copper	8,476.51	38.0	AUD/GBP		0.5154	0.5160	0.5128	0.5129	10 year bond	4.22	0.04
Oil (WTI futures)	78.73	-1.2	AUD/NZD		1.0689	1.0700	1.0676	1.0679	<b>Other (10 year yields)</b>		
Coal (thermal)	140.10	4.1	AUD/EUR		0.6018	0.6025	0.5995	0.5996	Germany	2.39	-0.02
Coal (coking)	309.00	3.0	AUD/CNH		4.7031	4.7108	4.6922	4.6931	Japan	0.72	0.00
Iron Ore	115.35	-0.3	USD Index		103.86	103.96	103.73	103.84	UK	4.12	0.00

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:** Gold took the limelight overnight as it hit its highest closing level on record. US bond yields recorded notable jumps across the yield curve.

**Share Markets:** US share markets retreated from record highs. At the close, the Dow was 0.3% lower and the S&P 500 0.1% weaker.

**Interest Rates:** US bond yields rose across the curve with the 2-year yield jumping 8 basis points and the 10-year yield lifting 4 basis points causing the curve to invert overnight. The first rate cut in the cycle is still fully priced in for September for the US and for July in Australia. GDP data tomorrow could cause a shift in rate-cut expectations, especially if it is outside of the range of consensus forecasts (of 0.0% to 0.5% for the quarterly outcome).

**Foreign Exchange:** The US dollar index sold off during the overnight session. The sell off in the US dollar coincided with the spike in the gold price. Despite the softer USD and stronger gold price, AUD/USD failed to strengthen. The AUD/USD traded to a low to 65.08, from an overnight high of 0.6535.

**Commodities:** The price of gold was one of the biggest movers overnight. The latest record high would have been boosted by a weaker US dollar overnight. It may also be due to speculative flows from futures traders in somewhat thinner market

conditions.

Oil prices fell after OPEC extended its oil supply cutbacks to mid year in a bid to avert a global surplus and underpin oil prices.

**Australia:** Inventories could be the biggest drag on GDP for the quarter (out tomorrow). The rundown in inventories in the final quarter of 2023 could lop as much as 1.0 percentage point off GDP.

Job advertisements showed a fall of 2.8% in February, suggesting employment growth is likely to let up from the current rate and that the unemployment rate will continue to gradually lift higher.

**United States:** Federal Reserve member Raphael Bostic expects the Fed's first rate cut, which he's pencilled in for the third quarter, will be followed by a pause. In a separate commentary, he expressed concern that businesses are too exuberant and could unleash a burst of new demand after easing boosts price pressures.

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

AU Balance of Payments Q4 (11:30am)

Current Acct Q4 exp \$4.0bn prev -\$0.2bn

Net Exports Contrib to GDP ppt Q4 exp 0.1 prev -0.6

AU Government Finance Statistics (11:30am)

CH Caixin PMI Composite Feb prev 52.5 (12:45pm)

CH Caixin PMI Services Feb exp 52.9 prev 52.7 (12:45pm)

EZ Producer Prices Jan y/y exp -8.1% prev -10.6%

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.

**Besa Deda, Chief Economist**

Ph: +61 404 844 817

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## Contact Listing

**Chief Economist**

Besa Deda  
dedab@bankofmelbourne.com.au  
+61 404 844 817

**Senior Economist**

Jarek Kowcza  
jarek.kowcza@bankofmelbourne.com.au  
+ 61 481 476 436

**Senior Economist**

Pat Bustamante  
pat.bustamante@bankofmelbourne.com.au  
+61 468 571 786

**Economist**

Jameson Coombs  
jameson.coombs@bankofmelbourne.com.au  
+61 401 102 789

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