

Wednesday, 9 March 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,980	-0.8%			Last	Overnight Chg		Australia		
US Dow Jones	32,632	-0.6%	10 yr bond	97.67		-0.10	90 day BBSW	0.14	0.00	
Japan Nikkei	24,791	-1.7%	3 yr bond	98.22		-0.10	2 year bond	1.20	0.08	
China Shanghai	3,452	-2.4%	3 mth bill rate	99.84		0.00	3 year bond	1.66	0.09	
German DAX	12,832	0.0%	SPI 200	6,949.0		5	3 year swap	2.05	0.15	
UK FTSE100	6,964	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.23	0.09
Commodities (close & change)*			TWI	62.8	-	-	62.0	United States		
CRB Index	309.1	4.9	AUD/USD	0.7318	0.7348	0.7245	0.7270	3-month T Bill	0.34	-0.02
Gold	2,051.43	53.3	AUD/JPY	84.36	84.84	83.81	84.08	2 year bond	1.61	0.06
Copper	10,265.50	-435.5	AUD/GBP	0.5583	0.5600	0.5533	0.5549	10 year bond	1.86	0.08
Oil (WTI futures)	124.15	4.8	AUD/NZD	1.0724	1.0733	1.0649	1.0681	Other (10 year yields)		
Coal (thermal)	397.50	5.8	AUD/EUR	0.6733	0.6761	0.6644	0.6665	Germany	0.11	0.13
Coal (coking)	627.50	47.5	AUD/CNH	4.6300	4.6431	4.5837	4.5977	Japan	0.16	0.01
Iron Ore	167.70	2.2	USD Index	99.15	99.32	98.71	99.07	UK	1.45	0.14

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: Oil prices jumped higher after the US and UK announced they will ban Russian oil imports. Markets remained volatile. Equities finished lower while bond yields continued to climb in anticipation of higher inflation.

Share Markets: US equities finished in the red after choppy trade. The S&P 500 declined 0.7%, the Dow was down 0.6% and the Nasdaq slipped 0.3%.

Meanwhile, the ASX 200 fell 0.8%.

Interest Rates: Bond yields continued to climb as investors anticipate higher inflation. US 2-year treasury yields rose 7 basis points to 1.61% while 10-year treasury yields jumped 8 basis points to 1.86%. US 10-year breakeven inflation rose from 2.85% to 2.91% – a new record high.

Australian 2-year (futures) yields climbed 8 basis points to 1.77% and 10-year futures yields leapt 10 basis points to 2.34%.

Markets are fully priced for the Reserve Bank of Australia to hike the cash rate 15 basis points in June.

Foreign Exchange: The AUD/USD pair moved lower from 0.7318 to 0.7270. The pair are back around their level from the start of the month after climbing to a high of 0.7441 last week. The safe-haven US dollar moved down slightly.

Commodities: The US announced it will ban imports of Russian fossil fuels including oil, effectively immediately. The move was matched, in part, by

the UK, which will phase out crude oil imports by the end of the year but will continue to allow imports of Russian natural gas and coal.

In response, WTI crude oil futures rose to \$129 in intraday trade, before paring gains to finish at \$124. The WTI price remains around its highest level since 2008.

Gold climbed to a 19-month high and iron ore advanced.

Australia: Business confidence improved for a second consecutive month in February, jumping 9 index points to +13. Confidence has now rebounded since the 25-point plunge in December, when case numbers spiked as a result of the Omicron outbreak.

Conditions also improved in February, partly unwinding falls in December and January. The conditions index picked up 7 points, moving to +9, comfortably above the 10-year average.

All three of the sub-components improved in February. Employment led the rebound, jumping 9 points to +8, as absenteeism trended lower and labour demand was strong. The trading and profitability measures also increased from their January levels.

Input and labour cost pressures are becoming an increasingly large concern for businesses. This is especially the case for input intensive industries such as wholesale and manufacturing, as well as

construction, which is sensitive to both materials and labour inputs.

War in Ukraine, severe flooding across parts of Queensland and NSW, growing price pressures, and the prospect of rising interest rates are headwinds to confidence. However, we expect business conditions to continue to improve over 2022 as the economic recovery persists.

Separately, about 40,000 people in NSW were ordered to leave their homes, and another 20,000 were told to prepare to leave as floodwaters rise.

Eurozone: Unnamed sources said that the EU is mulling a plan to issue EU-wide EUR-denominated bonds to finance the energy and defence spending associated with the Ukraine conflict.

German industrial production rose 2.7% in January to be 1.8% higher over the year.

Eurozone GDP growth was finalised at 0.3% in the December quarter, in line with preliminary estimates, taking annual growth to 4.6%. Employment growth was finalised at 0.5% in the quarter, consistent with preliminary numbers.

Japan: Japan reported a current account deficit of ¥1,188.7bn in January, the widest deficit since January 2014. The result follows a current account deficit of ¥370.8bn in December.

United States: Consumer credit increased at its slowest pace in a year in January. Consumer borrowing lifted by \$6.8bn in the month, while December's figure was revised up to a \$22.4bn rise. The result was considerably softer than the \$24.3bn jump expected by consensus.

The trade deficit widened 9.4% to \$89.7 billion in January – a record high. The result reflects the sharp increase in the value of crude oil imports, alongside the Ukraine conflict, and pickups in the value of imported capital equipment and consumer goods.

Today's key data and events:

AU RBA's Governor Lowe Speech (9:15am)

AU RBA's Deputy Governor Debelle Panel Participation (7pm)

AU WBC-MI Consumer Conf. Mar prev 100.8 (10:30am)

JN GDP Q4 Final exp 1.4% prev 1.3% (10:50am)

CH PPI Feb y/y exp 8.6% prev 9.1% (12:30pm)

CH CPI Feb y/y exp 0.9% prev 0.9% (12:30pm)

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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