

# Morning Report

Wednesday, 24 April 2024



Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,684	0.4%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	38,504	0.7%	10 yr bond	4.31		0.03		90 day BBSW	4.37	0.00
Japan Nikkei	37,552	0.3%	3 yr bond	3.86		0.03		2 year bond	3.90	-0.03
China Shanghai	3,168	-0.7%	3 mth bill rate	4.35		0.02		3 year bond	3.85	-0.04
German DAX	18,138	1.6%	SPI 200	7,725.0		27		3 year swap	4.08	0.00
UK FTSE100	8,045	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.27	-0.05
<b>Commodities (close &amp; change)</b>			TWI	61.3	-	-	61.3	<b>United States</b>		
CRB Index	297.5	-0.6	AUD/USD	0.6450	0.6490	0.6441	0.6486	3-month T Bill	5.20	-0.01
Gold	2,322.02	-5.3	AUD/JPY	99.84	100.45	99.71	100.37	2 year bond	4.93	-0.04
Copper	9,631.59	-132.6	AUD/GBP	0.5222	0.5233	0.5202	0.5210	10 year bond	4.60	-0.01
Oil (WTI futures)	83.36	1.5	AUD/NZD	1.0897	1.0937	1.0894	1.0934	<b>Other (10 year yields)</b>		
Coal (thermal)	140.00	-1.2	AUD/EUR	0.6055	0.6066	0.6038	0.6060	Germany	2.50	0.02
Coal (coking)	248.00	-5.0	AUD/CNH	4.6765	4.7120	4.6742	4.7091	Japan	0.89	0.00
Iron Ore	114.20	1.4	USD Index	106.13	106.24	105.61	105.69	UK	4.24	0.04

Data as at 7:45am AEST. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

**Main Themes:** Markets softened their stance towards risk overnight. Equities rallied in the US and across the pond, bond yields traded lower, and the US dollar softened. Markets appear to be pausing to reassess the sharp repricing in rate cut expectations in the US, softer US business activity in April supported such re-examination.

**Share Markets:** US equities rose for a second straight session led by a rally in tech heavyweights. Markets are optimistic that upcoming earnings will be solid enough to justify lofty valuations and offset the recent repricing in interest rates. The S&P 500 gained 1.2%, while the NASDAQ jumped 1.6%.

The ASX 200 rose 0.4% yesterday, futures are pointing to some mild strength at the open this morning.

**Interest Rates:** US treasury yields were lower across the curve, led by the short end. The 2-year yield fell 4 basis points to 4.93%, while the 10-year yield was 1 basis point lower at 4.60%.

One 25-basis point rate cut from the Fed remains fully baked in by the end of 2024 with the implied odds of a second sitting around 70%.

Aussie bond futures beat to their own drum overnight. Both the 3-and-10-year futures yields rose 3 basis points to 3.86% and 4.31%, respectively.

Markets have trimmed the odds of an RBA rate cut this year to just shy of 90%, responding largely to

the movements in the US. Aussie inflation data today will be the first major test of this sharp pull back in rate cut expectations.

**Foreign Exchange:** An improvement in risk sentiment pushed drove a sell off in the US dollar which dropped against every G10 pair apart from the Norwegian Krone. The DXY index fell back below 106.0, falling from an intraday high of 106.24 to a 7-session low of 105.61.

The Aussie dollar benefitted from the weaker US dollar and the tilt towards risk regaining further ground above the 0.64 handle. The AUD/USD pair rose from a low of 0.6441 to a high of 0.6490 and was trading just shy of this high at the time of writing. AUD/USD price action has been largely dictated by US developments in recent sessions, but today's domestic inflation report could provide a local catalyst for direction, especially if the data surprises.

FX traders will be on alert for any intervention from the Japanese Ministry of Finance (MOF) in the Yen market after reports from Nikkei Asia that the Bank of Japan will focus on the weakening currency at this week's meeting.

**Commodities:** The price of oil edged higher but remained within its recent range following a sharp fall this time last week. The West Texas Intermediate (WTI) price of oil closed at US\$83.36 per barrel.

**Australia:** There were no major economic data releases yesterday.

**Eurozone:** The composite purchasing managers' index (PMI) rose to 51.4 in April, topping expectations for a softer reading of 50.7. This was the strongest reading for the composite measure since May 2023.

The monthly improvement was underpinned by a firmer than expected rise in services conditions. The services PMI jumped to an 11-month high of 52.9, marking the third consecutive monthly expansion in services activity.

Strong services activity was partially offset by ongoing and deepening softness in manufacturing activity. The manufacturing PMI fell to 45.6 in April from 46.1 in March. This was the 22<sup>nd</sup> consecutive monthly reading below the threshold of 50, which separates expansion and contraction.

**United Kingdom:** PMI figures in the UK echoed the tone over in Europe in April - weak manufacturing activity partly offsetting a strong services sector.

The Manufacturing PMI fell to 48.7 in April after briefly touching above 50 in March for the first time since July 2022. The services PMI surged to 54.9, its highest level since May 2023.

Public sector borrowing rose to £11.0bn in March from £8.6bn in February.

**United States:** Business activity continued to expand in April, but at its slowest pace in four months pointing to some emerging softness in parts of the US economy.

The Manufacturing PMI dropped back below 50 for the first time this year halting what looked like growing momentum in manufacturing activity. The services sector was similarly soft but held marginally within expansionary territory. The services PMI pulled back to 50.9 in April from 51.7 in March – again marking the weakest reading so far this year.

New home sales jumped 8.8% in March continuing a recent string of volatility. Over the last 15 months the monthly percentage swing has only been below a magnitude of 3% on three occasions. The number of new home sales rose to the highest level since September, supported by very strong building completions which are bringing a wave of new inventory to the market. This is helping to offset very low levels of advertised supply for existing homes as higher mortgage rates disincentives sellers as it would trigger a refinance.

The Richmond Fed manufacturing index lifted to -7

in April from -11 in March. This was the sixth consecutive monthly reading below zero.

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

NZ Trade Balance Mar prev -\$218m (8:45am)

AU CPI Q1 (11:30am)

Headline Q1 q/q exp 0.8% prev 0.6%

Headline Q1 y/y exp 3.5% prev 4.1%

Underlying Q1 q/q exp 0.8% prev 0.8%

Underlying Q1 y/y exp 3.8% prev 4.2%

AU CPI Indicator Mar y/y exp 3.2% prev 3.4% (11:30am)

EZ IFO Biz. Climate Survey Apr exp 88.8 prev 87.8 (6pm)

US Durable Goods Orders Mar exp 2.5% prev 1.3% (10:30pm)

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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