

Morning Report

Friday, 15 March 2024



Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,714	-0.2%			Last	Overnight Chg		Australia			
US Dow Jones	38,906	-0.4%	10 yr bond		4.15	0.08		90 day BBSW	4.34	0.00	
Japan Nikkei	38,807	0.3%	3 yr bond		3.75	0.06		2 year bond	3.80	0.03	
China Shanghai	3,185	-0.2%	3 mth bill rate		4.27	0.03		3 year bond	3.68	0.03	
German DAX	17,942	-0.1%	SPI 200		7,665.0	-56		3 year swap	3.94	0.07	
UK FTSE100	7,743	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.06	0.04	
Commodities (close & change)			TWI		61.6	-	-	61.6	United States		
CRB Index	282.9	1.9	AUD/USD		0.6621	0.6632	0.6570	0.6581	3-month T Bill	5.23	-0.01
Gold	2,162.19	-12.2	AUD/JPY		97.84	97.94	97.43	97.61	2 year bond	4.69	0.06
Copper	8,840.01	269.8	AUD/GBP		0.5174	0.5180	0.5158	0.5160	10 year bond	4.29	0.10
Oil (WTI futures)	81.12	1.4	AUD/NZD		1.0754	1.0760	1.0728	1.0736	Other (10 year yields)		
Coal (thermal)	129.50	-1.4	AUD/EUR		0.6046	0.6058	0.6036	0.6048	Germany	2.43	0.06
Coal (coking)	288.00	0.0	AUD/CNH		4.7621	4.7707	4.7322	4.7400	Japan	0.78	0.01
Iron Ore	101.80	-1.4	USD Index		102.81	103.40	102.74	103.36	UK	4.09	0.07

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: Equities fell, bond yields increased across the curve and the US dollar advanced following stronger than expected producer prices data coming out of the US. On commodities, the price of oil increased while iron ore continued its slide.

Share Markets: US equities declined following the release of produce prices data which suggests inflationary pressures remain elevated. This complicates the outlook for the Fed's rate cut timing. As a result, we saw US bond yields increased across the curve.

At the same time retail sales were softer than expected. This outcome, coupled with significant downward revisions to sales over the past two months, point to a possible slowdown in the consumer sector.

The S&P 500 and the NASDAQ closed 0.3% lower, while the Dow Jones was 0.4% lower.

The ASX 200 fell 0.2% yesterday. Five of eleven sectors recorded losses. Futures are pointing to a soft opening today.

Interest Rates: Treasury yields were higher across the curve. The policy sensitive 2-year yield increased 6 basis points to 4.69%. The 10-year yield increased 10 basis points to 4.29%.

Traders have pared the odds of a Fed rate cut in recent sessions. There are now just over three 25-basis point cuts priced in by the end of the year.

There is around a 65% chance of a cut at the June meeting, a cut was almost fully priced last week before US inflation and producer price data were released this week.

Yields in Aussie bond futures were also higher. The 3-year (futures) yield increased 6 basis points to 3.75%, while the 10-year (futures) yield increased 8 basis points to 4.15%.

Interest rate markets are fully pricing an RBA rate cut by September and have two 25-basis point cuts priced in by the end of the year.

Foreign Exchange: The US dollar advanced supported by higher bond yields. The DXY index shot up from a low of 102.74 to a high of 103.40 following the release of the producer prices data. It continues to trade around this high – sitting at 103.36 at time of writing.

The Aussie dollar declined. The AUD/USD pair fell from a high of 0.6632 to a low of 0.6570 and is currently trading around this low. The Aussie is under pressure from lower commodity prices and the turnaround in yield support.

Commodities: Oil advanced after the International Energy Agency flipped its 2024 prediction to a supply deficit as OPEC plus looks set to continue output cuts. The West Texas Intermediate (WTI) price of oil jumped around 1.4% to US\$81.12.

Australia: There were no major economic data

releases yesterday.

New Zealand: Net overseas migration was 133.8k over the year to the end of January. In the month of January, net overseas migration increased by 2.9k following a 10.3k gain in December. Updated statistics show that the migration peak was higher than previously reported – 141.4k over the year to the end of November, higher than the previous estimate of 134.4k.

United States: Prices paid to producers were much stronger than expected, increasing 0.6% in February. This was well above the 0.3% gain markets were expecting and was the largest increase since August 2023. Rising energy costs was the major driver of the strong read. The prices of used cars and clothing also increased in February following falls in January.

The core rate, which excludes more volatile items like food and energy, increased 0.3%, slightly above the 0.2% gain markets were expecting. The outcome for producer prices suggests the February personal consumption expenditures price index — the Fed’s preferred inflation metric — will come in strong again when released later this month.

Retail sales grew 0.6% in February. This was below the 0.8% gain markets were expecting. In addition, the January and December retail sales figures were revised lower, with the January figures revised to a fall of 1.1% from a 0.8% fall and the December figures revised to a gain of 0.1% from a 0.4% gain. These outcomes suggest that the consumer sector is finally slowing following a period of resilience.

The “control group sales,” which excludes food services, auto dealers, building materials stores and gasoline stations, and is used to calculate GDP, was unchanged in February after falling in January. The measure suggests weaker economic activity so far in the March quarter 2024.

Today’s key data and events:

NZ BusinessNZ Mfg PMI Feb prev 47.3 (8:30am)

US NY Empire Mfg Mar prev -2.4 (11:30pm)

US Import Price Index Feb prev 0.8% (11:30pm)

US Industrial Production Feb prev -0.1% (12:15am)

US UoM Consumer Sentiment Mar (1am)

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.

Pat Bustamante, Senior Economist

Ph: +61 468 571 786

Contact Listing

Chief Economist

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

Senior Economist

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

Senior Economist

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

Economist

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

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