

# Morning Report

Tuesday, 2 April 2024



Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)			
S&P/ASX 200	7,897	1.0%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>			
US Dow Jones	39,567	-0.6%	10 yr bond		4.00	0.00		90 day BBSW	4.34	0.00	
Japan Nikkei	39,803	-1.4%	3 yr bond		3.57	0.00		2 year bond	3.76	0.00	
China Shanghai	3,226	1.2%	3 mth bill rate		4.30	0.02		3 year bond	3.62	0.01	
German DAX	18,492	0.1%	SPI 200		7,951.0	0		3 year swap	3.78	-0.04	
UK FTSE100	7,953	0.3%	FX Last 24 hrs		Open	High	Low	Current	10 year bond	3.96	0.00
Commodities (close & change)			TWI		0.0	-	-	0.0	<b>United States</b>		
CRB Index	292.3	2.0	AUD/USD		0.6520	0.6539	0.6481	0.6489	3-month T Bill	5.21	0.00
Gold	2,229.87	35.1	AUD/JPY		98.65	98.95	98.27	98.41	2 year bond	4.71	0.09
Copper	8,787.84	19.8	AUD/GBP		0.5162	0.5174	0.5157	0.5171	10 year bond	4.31	0.11
Oil (WTI futures)	83.71	0.5	AUD/NZD		1.0898	1.0918	1.0895	1.0901	<b>Other (10 year yields)</b>		
Coal (thermal)	132.00	0.0	AUD/EUR		0.6042	0.6057	0.6035	0.6042	Germany	2.30	0.00
Coal (coking)	235.00	-10.0	AUD/CNH		4.7317	4.7432	4.7064	4.7114	Japan	0.74	0.01
Iron Ore	102.70	1.4	USD Index		104.47	105.08	104.42	104.96	UK	3.93	0.00

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

**Main Themes:** A strong ISM manufacturing report in the US sent US bond yields, the US dollar index and the price of gold sharply higher. US share markets came under selling pressure but follows a strong finish for the quarter.

**Share Markets:** The S&P 500 share market index fell 0.2% after notching the strongest quarter in 5 years. The Dow also ended lower, down 0.6%, but the Nasdaq managed to make a small gain of 0.1%. European equity markets were closed.

**Interest Rates:** US bond yields rose to their highest levels in two weeks on Monday as markets tempered expectations for Fed rate cuts after a strong ISM report. A hefty corporate issuance pipeline was also a driver and Friday's strong personal consumption expenditure deflator data. The US 2-year yield jumped 9 basis points and the 10-year yield increased 11 basis points. The jump in yields — which move inversely to price — would respectively rank as 2024's third- and fifth-largest increases for the two-year and 10-year bonds.

**Foreign Exchange:** The US dollar index pushed up immediately after the strong ISM report, rising to a 5-month high of near 105.1. The euro and yen both lost ground against the greenback. The AUD/USD fell to a 1-month low overnight of 0.6481, a level which it has tested three times in the past month. A break under, could see the AUD/USD test 0.6450 and then make a stretch to 0.6400. The market may

be awaiting the Board meeting minutes from the Reserve Bank later today.

In other major fx movements, the AUD/NZD pair rose from 1.0905 to a 5-month high of 1.0918 as the NZD sold off more heavily against the USD.

**Commodities:** The price of gold rose to a fresh record high in the wake of stronger activity (overnight) and inflation data (Friday night) in the US.

**Australia:** It was a public holiday yesterday with no key data releases. Earlier today, CoreLogic released its housing prices data. The CoreLogic home value index rose by 0.6% in March, matching the size of the monthly rise in February. The index lifted 8.8% over the year to March. All capital cities recorded growth in the month except Darwin (-0.2%). The strongest price gain was in Perth (+1.9%) followed by Adelaide (+1.4%).

**China:** Caixin's purchasing managers' index (PMI) for the manufacturing sector rose to 51.1 in March, from 50.9 in February. Last month, the official PMI expanded after a 5-month lull. A reading above 50.0 indicates expansion in activity.

**United States:** The ISM manufacturing index jumped from 47.8 in February to 50.7 in March. The result beat market consensus forecasts for a smaller rise to 48.3. A reading above 50.0 indicates expansion in activity. It is the first expansion since September 2022.

Other details of the report showed that the employment index edged higher to 47.4 from 45.9, the new orders Index climbed to 51.4 from 49.2 and the prices paid index, the inflation component, rose to a 20-month high of 55.8 from 52.5.

Construction spending fell 0.3% in February after a decline of 0.2% in January.

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

AU Melb Inst Inflation Gauge Mar y/y prev 4.0% (11am)

AU RBA Board Meeting Minutes (11:30am)

AU ANZ Job Ads Mar prev -2.8% (11:30am)

EZ ECB 1-Yr and 3-Yr Inflation Expectations Feb (7pm)

EZ PMI Mfg Mar Final exp 45.7 prev 45.7 (7pm)

UK N'wide House Prices Mar exp 0.3% prev 0.7% (5pm)

UK Consumer Credit Mar y/y prev 8.9% (7:30pm)

UK PMI Mfg Mar Final exp 49.9 prev 49.9 (7:30pm)

US JOLTS Job Openings exp 8770k prev 8863k (1am)

US Factory Orders Feb exp 1.0% prev -3.0% (1am)

US Durable Goods Orders Feb Final (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.

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