

30 April 2024

MORNING REPORT

Today's economic developments and market movements.

Key themes

The commencement of the Fed's two-day meeting tonight kept the magnitude of most market moves under-wraps as traders await any nuance in the messaging of Fed officials.

US equities continued to trudge higher as earnings optimism outweighs the threat of delayed rate cuts.

The US yield curve was lower, led by the long end of the curve, while the US dollar lost ground against every G-10 currency.

A sharp correction in the Japanese Yen prompted speculation of intervention from the Ministry of Finance after the currency sank rapidly to its lowest level against the US dollar since early 1990. The country's top currency official refused to comment on whether authorities intervened.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	62.6	0.5%
AUD/USD	0.6566	0.5%
AUD/JPY	102.64	-0.8%
AUD/GBP	0.5227	-0.1%
AUD/NZD	1.0985	-0.1%
AUD/EUR	0.6125	0.2%
AUD/CNH	4.7565	0.2%
AUD/SGD	0.8927	0.3%
AUD/HKD	5.1377	0.5%
AUD/CAD	0.8970	0.4%
EUR/USD	1.0722	0.3%
USD/JPY	156.32	-1.3%
USD Index	105.64	-0.3%

Equities	Close	Change
S&P/ASX 200	7,637	0.8%
S&P 500	5,116	0.3%
Japan Nikkei	37,935	0.8%
Hang Seng	17,747	0.5%
Euro Stoxx 50	4,981	-0.5%
UK FTSE100	8,147	0.1%
VIX Index	14.67	-2.4%

Commodities	Current	Change
CRB Index	295.30	-0.5%
Gold	2335.66	-0.1%
Copper	10057.47	1.8%
Oil (WTI futures)	82.63	-1.5%
Coal (thermal)	265.25	-0.7%
Coal (coking)	138.60	0.8%
Iron Ore	117.20	0.0%
ACCU	33.25	0.4%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.35	-0.01
90 day BBSY	4.46	0.00
180 day BBSY	4.75	-0.01
1 year swap	4.48	-0.01
2 year swap	4.38	-0.02
3 year swap	4.31	-0.01
4 year swap	4.29	0.00
5 year swap	4.33	-0.01
6 year swap	4.37	-0.01
7 year swap	4.43	-0.01
8 year swap	4.48	-0.02
9 year swap	4.53	-0.02
10 year swap	4.71	-0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	4.11	-0.03
10 year bond	4.49	-0.03
United States		
3-month T Bill	5.24	-0.01
2 year bond	4.98	-0.02
10 year bond	4.61	-0.05
Other (10 year yields)		
Germany	2.53	-0.04
Japan	0.89	0.00
UK	4.29	-0.03

Sydney Futures Exchange	Current	Change
10 yr bond	4.47	-0.03
3 yr bond	4.08	-0.03
3 mth bill rate	4.43	0.00
SPI 200	7,671	0.8%

Data as at 7:50am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). **Source:** Bloomberg.



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Share markets:

US equities continued their end of month rally overnight supported by earnings optimism. The S&P 500 rose 0.3% while the NASDAQ gained 0.4%.

Implied equity market volatility continued to pull back as resilient earnings soothe concerns that rates will remain higher for longer. The VIX index closed below 15 for the first time in almost four weeks.

The ASX 200 jumped 0.8% yesterday supported by strong gains in the US on Friday. Futures were slightly higher overnight.

Interest rates:

US treasury yields slipped across the curve ahead of the Fed's April meeting which kicks off tonight. Moves at the short end of the curve were muted, the policy sensitive 2-year yield traded its narrowest range this year, closing down 2 basis points at 4.97%. The 10-year yield eased 5 basis points to 4.61%.

Expectations for Fed rate cuts were little changed. There remains just one 25-basis point rate cut fully priced in by year-end. The implied odds of a second cut is sitting around 35%.

The 3-year Aussie bond (futures) yield fell 3 basis points to 4.08%, while the 10-year futures yield fell 3 basis points to 4.47%.

Markets still see an RBA rate hike as a more likely outcome than a cut this year.

Foreign exchange:

The US dollar softened against every G-10 currency. The DXY eased from a high of 106.08 to a low of 105.46 but found buyers below 105.50 to steady back above the 105.60 handle.

The Aussie dollar jumped to its highest level since the hotter-than-expected US inflation report on April 10. The AUD/USD pair rose to 0.6587 in Asian trade yesterday before pulling back a little overnight to trade around 0.6566 at the time of writing.

There were large swings in the Japanese Yen yesterday after the currency dropped rapidly to its lowest level against the US dollar since April 1990 before a

sharp correction moved the the USD/JPY pair almost 5 Yen lower. The large decisive swing prompted speculation that authorities intervened to support the currency, but Japan's top currency official declined to comment on whether authorities had a hand in the move. The USD/JPY has since preserved most of the sharp fall, trading around 156.32 at the time of writing - some 4 Yen above yesterday's low.

Commodities:

The West Texas Intermediate (WTI) price of oil fell 1.5% on renewed optimism of a potential ceasefire deal between Israel and Hamas. WTI futures closed at US\$82.63 per barrel, the lowest close since late March.

Copper futures jumped above US\$10,000 for the first time since mid-2022 extending a rapid surge since early February which now stands at almost 24%.

Australia:

There were no major economic data releases yesterday.

Eurozone:

German inflation data accelerated on higher energy prices in April but remained within consensus expectations. The consumer price index (CPI) rose 0.5% in the month, the fastest monthly increase since March 2023. In annual terms the CPI was unchanged at 2.2%. While the data didn't throw up any big surprises it was a further reminder that the disinflation path is likely to prove bumpy.

Today's key data and events

Time	Event	Exp	Prev
9:30am	JN Job to Applicant Ratio Mar	1.26	1.26
9:45am	JN Industrial Production Mar Prel.	3.3%	-0.6%
11am	NZ ANZ Business Confidence Apr	-	22.9
11:30am	AU Private Sector Credit Mar	0.4%	0.5%
	AU Retail Sales Mar	0.4%	0.3%
	CH Manufacturing PMI Apr	50.3	50.8
	CH Non-Manufacturing PMI Apr	52.3	53.0
11:45am	CH Caixin Manufacturing PMI Apr	51.0	51.1
7pm	EZ CPI Apr Prel. y/y	2.4%	2.4%
	EZ GDP Q1 Advance	0.1%	-0.1%
10:30pm	US Employment Cost Index Q1	1.0%	0.9%
11pm	US FHFA House Prices Feb	0.1%	-0.1%
	US S&P CoreLogic House Prices Feb	0.1%	0.1%
11:45pm	US Chicago PMI Apr	45.0	41.4
12am	US Consumer Confidence Index Apr	104.0	104.7
	US FOMC Begins Two-Day Meeting		

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.

Consumer confidence in the Eurozone was finalised unchanged at -14.7 in April, the strongest reading since February 2022. Economic confidence wavered slightly, dropping to 95.6 in April from 96.2 in March. Economic confidence has drifted sideways so far in 2024.

United States:

The Dallas Fed manufacturing index missed consensus expectations in April edging down to -14.5 against forecasts for an improvement to -11.2. Manufacturing activity in the Dallas district has remained weak since early 2022 and is yet to show any signs of staging a meaningful improvement.



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