



10 May 2024

MORNING REPORT

Today's economic developments and market movements.

Key themes

Markets were buoyed by the higher-than-expected jobless claims coming out of the US, which supported the view that the US Fed may start cutting rates this year.

Dovish statements made by the Bank of England (BoE) Governor, after the BoE Committee remained on hold for the sixth consecutive time, also supported sentiment.

US and European equities finished higher. US bond yields and the US dollar were lower. The Aussie outperformed, while gold continued to climb.

Data snapshot

FX Last 24 hrs	Current	Change
TWI	62.5	0.2%
AUD/USD	0.6623	0.6%
AUD/JPY	102.90	0.6%
AUD/GBP	0.5286	0.4%
AUD/NZD	1.097	0.1%
AUD/EUR	0.6141	0.3%
AUD/CNH	4.7826	0.5%
AUD/SGD	0.8955	0.4%
AUD/HKD	5.1753	0.6%
AUD/CAD	0.9056	0.3%
EUR/USD	1.0784	0.3%
USD/JPY	155.37	0.0%
USD Index	105.24	-0.3%

Equities	Close	Change
S&P/ASX 200	7,722	-1.1%
S&P 500	5,214	0.5%
Japan Nikkei	38,074	-0.3%
Hang Seng	18,538	1.2%
Euro Stoxx 50	5,054	0.3%
UK FTSE100	8,381	0.3%
VIX Index	12.69	-2.4%

Commodities	Current	Change
CRB Index	289.99	0.3%
Gold	2346.39	1.6%
Copper	9776.10	-1.3%
Oil (WTI futures)	79.26	0.8%
Coal (thermal)	255.00	0.4%
Coal (coking)	142.65	-1.9%
Iron Ore	115.45	1.0%
ACCU	33.88	1.5%

AUS Interest Rate Swaps	Last	Change
30 day BBSY	4.36	0.01
90 day BBSY	4.43	0.00
180 day BBSY	4.69	0.01
1 year swap	4.41	0.01
2 year swap	4.27	0.02
3 year swap	4.18	0.02
4 year swap	4.15	0.03
5 year swap	4.18	0.04
6 year swap	4.24	0.04
7 year swap	4.30	0.04
8 year swap	4.36	0.04
9 year swap	4.41	0.04
10 year swap	4.55	0.01

Government Bond Yields	Close	Change
Australia		
3 year bond	3.99	0.05
10 year bond	4.35	0.05
United States		
3-month T Bill	5.23	-0.01
2 year bond	4.82	-0.02
10 year bond	4.45	-0.04

Other (10 year yields)		
Germany	2.50	0.03
Japan	0.92	0.04
UK	4.14	0.00

Sydney Futures Exchange	Current	Change
10 yr bond	4.35	-0.01
3 yr bond	3.98	0.00
3 mth bill rate	4.40	0.01
SPI 200	7,767	0.3%

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.

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Pat Bustamante
Senior Economist, Westpac Group
P: +61 468 571 786
E: pat.bustamante@westpac.com.au

Share markets:

US equities finished higher with the S&P 500 finishing above 5,200. The higher-than-expected jobless increased the likelihood that the Fed may be able to take a less restrictive stance this year. US Fed official, Mary Daly, said that restrictive policy is weighing on the economy.

The S&P 500 rose 0.5% to finish above 5,200. The tech-heavy Nasdaq closed 0.3% higher, while the Dow Jones closed 0.9% higher.

European markets also finished higher. The FTSE 100 closed 0.3% higher on the back of dovish comments made by the BoE Governor. There are now two (from a total of nine) BoE Committee members that are voting for rates to come down. Markets have fully priced in a cut by August. The DAX and the Euro Stoxx 50 also finished in the green.

The ASX 200 closed 1.1% lower. Eight of eleven sectors were lower. Consumer discretionary stocks posted the largest loss, falling 2.6%. This was followed by financials, which dropped 1.7%. Futures are pointing to a positive open today.

Interest rates:

US treasury yields were lower across the curve. The 2-year bond yield fell by 2 basis point to 4.82%. The 10-year treasury yield declined by 4 basis points to 4.45%.

Interest-rate markets are pricing a full rate cut by November. For 2024, the market is pricing in around 45 basis points of cuts – slightly less than two 25-basis-point moves.

Australian yields were also broadly unchanged. The 3-year government bond yield (futures) was unchanged at 3.98%. The 10-year (futures) yield fell by 1 basis points to 4.35%.

Interest-rate markets are pricing in around a 40% chance of another rate hike from the RBA.

Foreign exchange:

The US dollar was lower due to the fall in yields. The DXY index fell from a high of 105.74 to a low of 105.21, before settling at 105.23.

The Aussie rallied against the US Dollar, on the

Today's key data and events

Time	Event	Exp	Prev
8:30am	NZ BusinessNZ Mfg PMI Apr		47.1
9:50am	JN Current Account Mar	¥3.5tr	¥2.6tr
4pm	UK GDP Q1 Prel.	0.4%	-0.3%
12am	US UoM Consumer Sentiment May	76.2	77.2
TBC	CH Current Account Q1 Prel.		-\$56.2bn
11/5	CH PPI Apr y/y	0.9%	0.8%
11/5	CH CPI Apr y/y	0.2%	0.1%

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.

back of yield support and as key commodity prices continued to show strength. The AUD/USD moved from a low of 0.6566 to a high of 0.6621. The pair is currently trading at around this high.

Commodities:

Commodities were mixed. Gold, oil, and coking coal were higher. Copper, thermal coal and iron ore were lower.

The West Texas Intermediate (WTI) futures is currently sitting at around US\$79.26 per barrel.

Australia:

The Western Australia Government released its 2024-25 Budget yesterday. The Government announced additional cost of living support from 1 July, including extending electricity rebates of \$400 to all households and small businesses and providing school students with credits to help pay education related expenses. The infrastructure pipeline was also increased along with significant investments in housing. As a result, in the near term the bottom line deteriorated marginally, with the Government still expecting to record a surplus every year of the forward estimates period.

China:

China's trade surplus declined to US\$ 72.35 billion in April from US\$86.46bn a year ago. This was below the US\$81.00bn the market was expecting. Exports rose by 1.5% over the year to April, broadly in line with market expectations. Imports surged by 8.4% in annual terms, beating the 4.7% the market was expecting.

The data suggests a flurry of policy support measures over the past several months may be helping to stabilise consumer confidence.

United Kingdom:

The Bank of England (BoE) left rates on hold at 5.25% for the sixth consecutive meeting. The BoE Committee voted 7-2 to keep rates on hold, with two Committee members now calling for cuts. The BoE Governor, Andrew Bailey, said he was "optimistic" that things were moving in the right direction and that rates may

fall more sharply than the market currently expects. The BoE said inflation was on course to hit its target of 2% and would fall to around 1.6% in two years, opening the door to cuts. Traders now see a June move as a coin toss with a full rate cut now priced in for August.

United States:

Initial applications for unemployment benefits increased by 22k to 231k in the week ended 4 May. This was its highest level since August 2023 and above the 212k the market was expecting. More than half the increase was due to a jump in New York where public school workers are allowed to apply for benefits during the winter and spring breaks. However, even after accounting for this, there was a significant increase in applications which may be signalling a softening in the labour market.

US Fed official, Mary Daly, said that restrictive policy is weighing on the economy. She said that “we are restrictive, but it might take more time to just bring inflation down. There’s considerable uncertainty about what the next few months of inflation will be and what we should do in response”.



Authors

Westpac Economics

Besa Deda

M: +61 404 844 817

E: besa.deda@westpac.com.au

Pat Bustamante

M: +61 434 856 909

E: pat.bustamante@westpac.com.au

Jarek Kowcza

M: +61 481 476 436

E: jarek.kowcza@westpac.com.au

Jameson Coombs

M: +61 401 102 789

E: jameson.coombs@westpac.com.au



 westpaciq.com.au

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