

Wednesday, 6 March 2024

Equities (close & % change)			Sydney Futures Exchange (last & change)					Interest rates (close & change)		
S&P/ASX 200	7,724	-0.1%			Last	Overnight Chg		Australia		
US Dow Jones	38,585	-1.0%	10 yr bond	4.05				90 day BBSW	4.35	0.01
Japan Nikkei	40,098	0.0%	3 yr bond	3.65				2 year bond	3.74	-0.04
China Shanghai	3,195	0.3%	3 mth bill rate	4.34				3 year bond	3.65	-0.04
German DAX	17,698	-0.1%	SPI 200	7,690.0				3 year swap	3.87	-0.06
UK FTSE100	7,646	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	4.04	-0.05
Commodities (close & change)			TWI	61.1	-	-	61.1	United States		
CRB Index	275.8	-1.5	AUD/USD	0.6509	0.6521	0.6478	0.6506	3-month T Bill	5.21	-0.01
Gold	2,127.95	13.5	AUD/JPY	97.97	98.06	97.43	97.53	2 year bond	4.56	-0.04
Copper	8,421.75	-54.8	AUD/GBP	0.5129	0.5132	0.5110	0.5120	10 year bond	4.15	-0.06
Oil (WTI futures)	78.15	-0.6	AUD/NZD	1.0679	1.0695	1.0665	1.0690	Other (10 year yields)		
Coal (thermal)	141.35	1.3	AUD/EUR	0.5996	0.6000	0.5972	0.5992	Germany	2.32	-0.07
Coal (coking)	305.25	-3.8	AUD/CNH	4.6931	4.7011	4.6717	4.6918	Japan	0.71	-0.01
Iron Ore	114.10	-0.3	USD Index	103.84	103.95	103.58	103.76	UK	4.01	-0.11

Data as at 8:50am AEDT. Change is from the previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Broadly weak economic data out of the US weighed on sentiment overnight. This prompted a sell-off in equity markets and pushed treasury yields lower across the curve. The US dollar edged lower.

Share Markets: US equities fell overnight as weaker data dented enthusiasm around the resilience of earnings. The S&P 500 fell 1.0%, while the Dow Jones and the NASDAQ dropped 1.0% and 1.7%, respectively.

The ASX 200 fell 0.1% yesterday. Futures are pointing to a muted open this morning.

Interest Rates: Yields slipped across the treasury curve as US survey data reinforced disinflation optimism. Traders upped bets for Fed rate cuts, lifting the odds of a June rate cut to around 87%.

The 2-year bond yield fell 4 basis points to 4.56%, while the 10-year yield slipped 6 basis points to 4.15%.

Foreign Exchange: The Aussie dollar traded heavily yesterday despite partial data painting a more positive picture for December quarter economic growth. The AUD/USD pair slipped to an intra-day low of 0.6478, before a slide in US yields helped regain ground above the 0.6500 handle. The pair was trading around 0.6506 at the time of writing.

The US dollar edged down on softer yield support. The DXY traded between a high of 103.95 and a low

of 103.58 and is currently trading near 103.76.

Commodities: Gold continued to surge higher, taking out a new all-time high at US\$2,141.79 per ounce.

Australia: The December quarter National Accounts are due out later today. Following a string of partial data earlier in the week, we are expecting growth to print at 0.3% in the quarter and 1.5% through the year.

Australia's trade position in the December quarter surprised meaningfully to the upside as a sharp fall in imports outstripped weaker exports. Services imports were particularly soft as the post-COVID travel boom appears to have run its course. The external sector is expected to contribute around 0.6 percentage points to growth in the December quarter.

The Government sector looks to have added modestly to growth in the December quarter, contributing 0.1 percentage points. A surprise build-up in public inventories will add another 0.4 percentage points to growth, providing an important offset to the sharp slide in private inventories which will shave a full percentage point from activity in the December quarter.

China: A 5% annual growth target for 2024 was set at the annual National People's Congress, matching the growth target from 2023. The announcements from the Congress were of little surprise to markets,

which were somewhat underwhelmed there was no clear indication of more forceful stimulus.

The Caixin purchasing managers' index (PMI) edged down to 52.5 in February from 52.7 in January. The fall comes despite the Lunar New Year festivities during February, potentially pointed to a more muted boost from the festive holiday.

Eurozone: The producer price index (PPI), a measure of input cost inflation for businesses, fell 0.9% in January. This was the third consecutive monthly decline. In annual terms the PPI fell 8.6%, increasing slightly from a revised 10.7% fall in December. The outcome points to a strong disinflation pulse among European businesses.

United States: Factory orders slipped 3.6% in January, weighed down by aircraft orders. Excluding transportation, factory orders were 0.8% lower in the month.

The ISM services PMI slipped from 53.4 in January to 52.6 in February. The closely watched prices paid measure, which is considered an important leading indicator for services inflation, fell heavily from 64.0 to 58.6, though remains elevated.

Today's key data and events:

AU GDP Q4 (11:30am)

q/q exp 0.3% prev 0.2%

y/y exp 1.5% prev 2.1%

EZ Retail Sales Jan prev -1.1% (9pm)

US ADP Employment Change Feb prev 107k (12:15am)

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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The Detail

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