

Morning Report

Friday, 28 April 2023



| Equities (close & % change) | | | Sydney Futures Exchange (last & change) | | | | | Interest rates (close & change) | | |
|-------------------------------|----------|-------|---|---------|-------------|----------------------|---------|---------------------------------|------|-------|
| S&P/ASX 200 | 7,293 | -0.3% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 33,826 | 1.6% | 10 yr bond | 3.43 | | | 0.06 | 90 day BBSW | 3.66 | -0.02 |
| Japan Nikkei | 28,458 | 0.1% | 3 yr bond | 3.06 | | | 0.07 | 2 year bond | 3.05 | 0.07 |
| China Shanghai | 3,444 | 0.7% | 3 mth bill rate | 3.71 | | | 0.04 | 3 year bond | 3.02 | 0.07 |
| German DAX | 15,800 | 0.0% | SPI 200 | 7,345.0 | | | 55 | 3 year swap | 3.50 | 0.01 |
| UK FTSE100 | 7,832 | -0.3% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 3.37 | 0.06 |
| Commodities (close & change)* | | | TWI | 59.8 | - | - | 59.8 | United States | | |
| CRB Index | 265.2 | 0.3 | AUD/USD | 0.6604 | 0.6635 | 0.6595 | 0.6628 | 3-month T Bill | 5.01 | 0.02 |
| Gold | 1,987.76 | 0.0 | AUD/JPY | 88.26 | 88.86 | 88.14 | 88.76 | 2 year bond | 4.07 | 0.12 |
| Copper | 8,583.50 | 31.8 | AUD/GBP | 0.5297 | 0.5318 | 0.5295 | 0.5305 | 10 year bond | 3.52 | 0.07 |
| Oil (WTI futures) | 74.76 | 0.5 | AUD/NZD | 1.0797 | 1.0802 | 1.0752 | 1.0783 | Other (10 year yields) | | |
| Coal (thermal) | 192.50 | -3.6 | AUD/EUR | 0.5981 | 0.6016 | 0.5976 | 0.6012 | Germany | 2.46 | 0.06 |
| Coal (coking) | 236.25 | -1.4 | AUD/CNH | 4.5828 | 4.5968 | 4.5807 | 4.5940 | Japan | 0.47 | 0.00 |
| Iron Ore | 105.15 | 1.2 | USD Index | 101.38 | 101.80 | 101.28 | 101.48 | UK | 3.79 | 0.06 |

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

Main Themes: Equities jumped overnight on strong earnings reports from the tech sector. However, US economic data revealed an economy that is slowing with inflationary pressures still elevated.

Share Markets: US share markets rose as solid tech earnings dimmed the impact of the GDP report. The S&P 500 jumped 2% and the Nasdaq added 2.4%.

Amazon's results beat and its quarterly outlook range topped estimates, sending shares up more than 7% in late trading.

Interest Rates: Treasury yields climbed, with 2-years adding 12 basis points and 10-years up 7 basis points.

Foreign Exchange: Trading in the AUD/USD exchange rate was volatile overnight. The AUD remains vulnerable to the downside in the short term, especially as there is a risk next week the Reserve Bank leaves the cash rate on hold. The AUD/USD could test support at 0.6565.

Commodities: Oil recovered modestly and gold was flat.

Australia: Short-term visitor arrivals (mostly tourists) have been recovering strongly since Australia's borders fully reopened in February 2022. Most of these arrivals tend to spend their time in the capital cities along the east coast of Australia, including Sydney and Melbourne.

The monthly rate is still below pre-pandemic levels. Over the 12 months to February 2023, there were a total of 12.2 million arrivals into Australia. Of those, around 4.6 million were short-term visitor arrivals. This compares with pre-pandemic levels of 21.4 million arrivals over the 12 months to February 2020 and 9.3 million short-term arrivals over that same 12-month period.

Looking over a shorter three-month period to February 2023, there were a total of 4.2 million arrivals into Australia. Of those, around 1.7 million were short-term visitor arrivals. Compared to pre-pandemic levels, this represents almost 75% of the 5.7 million total arrivals over the three months to February 2020 and almost 70% of the 2.5 million short-term arrivals over that same three-month period.

Many factors are impacting the speed of recovery of overseas tourist arrivals, including limited capacity of international flights and high costs of international travel during a period of elevated inflationary pressures and a squeeze on household budgets.

United States: US GDP rose by 1.1% on annualised basis in the first quarter, which is an underwhelming result. It represents a slowing from the 2.6% annualised pace recorded in Q4. Even more concerning, the core personal consumption

expenditure (PCE) deflator picked up to 4.9% year-on-year, from 4.4% previously.

Separately, weekly jobless claims unexpectedly dropped from 246k to 230k in the latest week ending April 22, underscoring a resilient labour market.

In regional US banking news, a US House panel is investigating the role the San Francisco branch and other regulators played in Silicon Valley Bank's failure. Fed emergency bank loans rose to \$155.2 billion from \$143.9 billion a week prior.

Today's key data and events:

NZ Consumer Confidence Apr prev 77.7 (8am)
JN Jobless Rate exp 2.5% prev 2.6% (9:30am)
JN Industrial Production exp 0.4% prev 4.6% (9:50am)
JN Bank of Japan Meeting Apr
Policy Balance Rate exp -0.1% prev -0.1%
10-Year Yield Target exp 0.0% prev 0.0%
AU Priv. Sector Credit Mar exp 0.3% prev 0.3% (11:30am)
AU Producer Price Index Q1 prev 0.7% (11:30am)
EZ GDP Q1 exp 0.2% prev -0.1% (7pm)
US ECI Q1 exp 1.1% prev 1.0% (10:30pm)
US Personal Income Mar exp 0.2% prev 0.3% (10:30pm)
US Personal Spending Mar exp -0.1% prev 0.2% (10:30pm)
US Core PCE Deflator Mar exp 0.3% prev 0.3% (10:30pm)
US UoM Cons. Sent. Apr Final exp 63.5 prev 63.5 (12am)
US Kansas City Fed Serv Activity Apr prev -4 (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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