

Economic Analysis

Daily Report 29 March 2023

Interest Rates			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.6694	0.5%	WTI Crude Oil	73.79	\$0.83
90-day Bill	3.70	1	AUD/JPY	87.82	0.5%	Brent Crude Oil	79.06	\$0.94
3-year Bond	2.92	4	AUD/EUR	0.6172	0.2%	Mogas95*	101.96	\$3.24
10-year Bond	3.33	4	AUD/GBP	0.5427	0.2%	CRB Index	263.49	1.16
			AUD/NZD	1.0695	-0.4%	Gold	1970.29	\$12.32
			AUD/CNY	4.6018	0.4%	Silver	23.34	\$0.22
US			EUR/USD	1.0842	0.3%	Iron Ore (62% Fe)**	122.54	\$2.00
2-year Bond	4.08	12	USD/JPY	131.24	0.0%	Iron Ore (22-23 Average)	108.27	\$0.07
10-year Bond	3.57	4	USD/CNY	6.8745	-0.1%	Copper	8978.00	\$14.00
			RBA Policy			Equities		
			O/N Cash Rate Target (%)	3.60		ASX200	7038	-2
Other 10-year			Interbank O/N Cash Rate (%)	3.57		Dow Jones	32394	-38
Japan	0.31	-3	Probability of a 25bps Hike in Apr	18.5%		S&P500	3971	-6
Germany	2.29	6	RBA Bond Holdings (28 Feb)	A\$350.5b		Stoxx600	444	0
UK	3.46	8				CSI300	4000	-13

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel price.

**Iron ore is the second SGX futures contract.

Global equities gave up some of their recent gains overnight, while government bond yields continued to climb, particularly for shorter maturities, as fed funds rate expectations saw another slight increase. The Australian dollar appreciated against all the major currencies.

The data released overnight suggested that US consumers shrugged off the news of troubles in the US regional banks and further Fed tightening. Conference Board consumer confidence rose 0.8pts to 104.2 in March, driven by improvement in expectations. Despite this gain, consumer sentiment remained depressed.

Fed tightening continues to adversely impact the US housing market, however, with Case-Shiller index for the 20 major US cities declining by another 0.5% in January. The index is now just 2.5% up through the year, which is the slowest annual rate of growth since late 2019.

Fed officials did not speak on monetary policy overnight. However, Fed Governor Michael Barr, who is also the Fed's Vice Chair for supervision, confirmed before a US Senate panel that the Silicon Valley Bank was a "textbook case of mismanagement".

The markets continue to be split around 50-50 between no change and a 25bps hike in the fed funds rate at the May FOMC meeting. Cuts are still expected later this year, but a 50bps cumulative cut is no longer fully priced in.

In commodity markets, oil prices moved up slightly on disruptions in supply from Iraqi Kurdistan. Iron ore futures rose by another 1.7%, as data pointed to a decline in portside inventories of this commodity in China.

In Australia, **retail trade** rose by 0.2% in February, in line with the market expectations, taking the annual rate of growth down to 6.4%. The slight increase in retail sales in February followed a period of heightened volatility at the turn of 2022-23, caused by changes in seasonal spending patterns. The rise could suggest the resilience of consumer demand to high inflation and monetary tightening. However, the monthly retail sales are nominal, which means they reflect both changes in prices and volumes.

The numbers had no impact on RBA rate expectations. Commonwealth bond yields rose less than their US equivalents, while the ASX 200 rose by 1.0% yesterday before opening slightly lower this morning.

Another major set of data closely tracked by the RBA will be the monthly CPI indicator, to be released later this morning.

ECONOMIC DATA REVIEW

- **AU:** Retail Trade (MoM, Feb) – Actual 0.2%, Expected 0.2%, Previous 1.8% (revised).
- **US:** Case-Shiller House Price Index 20 Cities (YoY, Jan) – Actual 2.5%, Expected 2.5%, Previous 4.6%.
- **US:** Conference Board (Mar) – Actual 104.2, Expected 101.0, Previous 103.4 (revised).

ECONOMIC DATA PREVIEW

- **AU:** Monthly CPI Indicator (YoY, Feb) – Expected 7.2%, Previous 7.4%.

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