

Bonds firm as equities rally fizzles

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AAP

The Australian bond market closed stronger after equities markets failed to follow Monday's rally that had been sparked by optimism over a resolution to problems in Japan and the Middle East.

At 1630 AEDT on Tuesday on the ASX 24, the June 10-year bond futures contract price was 94.570 (implying a yield of 5.430 per cent) up from 94.545 (5.455 per cent) on Monday.

The June three-year bond futures contract was trading at 94.990 (5.010 per cent), up from the previous close of 94.980 (5.020 per cent).

Equities markets offshore rallied overnight as concerns eased over the possible economic impact of Japan's earthquake and nuclear crisis, and forces loyal to Libyan President Muammar Gaddafi came under attack from rebels and international forces enforcing a no-fly zone.

The Australian share market opened strongly on Tuesday, with the benchmark S&P/ASX200 index touching 4,677 points, but by 1615 AEDT was marginally firmer at 0.6 points, or 0.01 per cent, up at 4,643.4 points.

FIIG Securities associate director Andrew Hicks said the bond market was strengthened as equities rally lost steam.

"I guess the main reason is there hasn't been the follow through that we might have been expecting," he said.

"Even though the equities markets were higher, they haven't been as convincing as they might of liked."

Mr Hicks said the situation in Japan, Libya and the broader Middle East would continue to drive bond markets.

"We don't have a lot of economic data releases this week in Australia, so the geopolitical situation and the events in Japan will certainly be centre stage," he said.