

Morning Report

Thursday, 10 February 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	7,268	1.1%	Last		Overnight Chg			Australia			
US Dow Jones	35,722	0.7%	10 yr bond		97.88	0.00		90 day BBSW	0.07	0.00	
Japan Nikkei	27,580	1.1%	3 yr bond		98.42	0.01		2 year bond	1.07	-0.01	
China Shanghai	3,647	0.8%	3 mth bill rate		99.89	-0.01		3 year bond	1.54	-0.01	
German DAX	15,482	1.6%	SPI 200		7,176.0	24		3 year swap	1.73	-0.06	
UK FTSE100	7,643	1.0%	FX Last 24 hrs		Open	High	Low	Current	10 year bond	2.11	-0.02
Commodities (close & change)*			TWI		60.0	-	-	60.4	United States		
CRB Index	262.1	2.6	AUD/USD		0.7144	0.7195	0.7142	0.7179	3-month T Bill	0.26	-0.01
Gold	1,831.78	5.9	AUD/JPY		82.54	83.06	82.46	82.96	2 year bond	1.36	0.02
Copper	10,100.50	289.3	AUD/GBP		0.5273	0.5309	0.5272	0.5306	10 year bond	1.95	-0.02
Oil (WTI futures)	89.88	0.5	AUD/NZD		1.0750	1.0767	1.0731	1.0741	Other (10 year yields)		
Coal (thermal)	196.00	-1.9	AUD/EUR		0.6256	0.6289	0.6255	0.6285	Germany	0.21	-0.05
Coal (coking)	427.67	0.0	AUD/CNH		4.5491	4.5798	4.5476	4.5674	Japan	0.21	-0.01
Iron Ore	148.00	2.4	USD Index		95.60	95.67	95.38	95.55	UK	1.43	-0.06

Data as at 8:00am AEDT. Change from previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Risk sentiment improved overnight despite limited major data releases as central bank officials downplayed aggressive market pricing of interest rate increases. US share markets moved higher. The US yield curve flattened and the US dollar weakened.

Share Markets: US share markets extended their gains for a second consecutive day. The NASDAQ led the gains, rising 2.1%. The S&P 500 and the Dow Jones also climbed higher, increasing 1.4% and 0.7%, respectively.

The ASX 200 finished up 1.1% yesterday. Futures are pointing to a positive open this morning.

Interest Rates: The US 2-year Treasury yield rose 2 basis points to 1.36%, reaching its highest level since February 2020. The US 10-year yield fell 2 basis points to 1.95%.

The Australian 3-year government bond yield (futures) fell from a high of 1.60% to a low of 1.57%, while the 10-year yield (futures) jumped to 2.14%, from 2.10%.

The first hike in the cash rate from the Reserve Bank remains fully priced for June, according to interbank cash-rate futures.

Foreign Exchange: The Aussie dollar outperformed overnight, rising for a third consecutive day. The AUD/USD pair traded from a low of 0.7142 to a high of 0.7195, before settling around 0.7179.

The US dollar weakened slightly overnight. The USD

Index traded in a narrow range, closing at around 95.58.

Commodities: Oil fluctuated following the release of data from the US Energy Information Administration which revealed US crude stockpiles dropped to their lowest level since 2018 last week. Meanwhile US oil demand remains strong and analysts suggest that there is a risk of further price rises if supplies cannot be restored quickly.

Gold reached a 2-week high, while iron ore and copper also rose.

Australia: Consumer sentiment, as measured by Westpac and the Melbourne Institute, fell 1.3% to 100.8 in February. The index has fallen for three consecutive months since the emergence of the Omicron variant. It is down 4.3% since November 2021. The index is now at its lowest level since September 2020.

Cost-of-living pressures appear to have taken a toll on confidence, which was also dented by the growing prospects of interest rates rises.

Encouragingly, households are more upbeat about the economic outlook, consistent with the expectation that Omicron disruptions won't derail the recovery.

The time to buy a dwelling index fell by 2.4% to 84.9. The prospect of interest rate increases on the horizon is likely weighing on sentiment for prospective purchasers. In February, 66% of

respondents expected interest rates to move up over the next year, up from 55% in January.

United States: Cleveland Fed President Loretta Mester spoke overnight. She suggested that inflation risks remain tilted to the upside. However, she flagged that there is currently no compelling case for a 50 basis point hike. Atlanta Fed President Raphael Bostic expects three 25 basis point rate hikes in 2022 and is leaning towards four.

Today's key data and events:

AU Consumer Inflation Expect. Feb prev 4.4% (11am)

US CPI Jan exp 0.4% prev 0.5% (12:30am)

Times are AEDT. 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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