

Morning Report

Thursday, 11 March 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,714	-0.8%			Last	Overnight Chg		Australia		
US Dow Jones	32,307	1.5%	10 yr bond	98.33		0.03		90 day BBSW	0.04	0.00
Japan Nikkei	29,037	0.0%	3 yr bond	99.77		0.01		2 year bond	0.10	-0.01
China Shanghai	3,519	0.0%	3 mth bill rate	99.96		-0.01		3 year bond	0.10	-0.01
German DAX	14,540	0.7%	SPI 200	6,752.0		44		3 year swap	0.31	-0.07
UK FTSE100	6,726	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.71	-0.07
Commodities (close & change)*			TWI	64.0	-	-	64.1	United States		
CRB Index	191.8	0.4	AUD/USD	0.7716	0.7746	0.7669	0.7735	3-month T Bill	0.03	0.00
Gold	1,725.45	9.4	AUD/JPY	83.73	83.93	83.48	83.83	2 year bond	0.15	-0.01
Copper	8,877.75	80.3	AUD/GBP	0.5556	0.5561	0.5533	0.5552	10 year bond	1.52	-0.01
Oil (WTI)	64.76	0.8	AUD/NZD	1.0758	1.0775	1.0740	1.0753	Other (10 year yields)		
Coal (thermal)	83.30	0.8	AUD/EUR	0.6484	0.6497	0.6461	0.6486	Germany	-0.31	-0.01
Coal (coking)	120.14	-2.5	AUD/CNH	5.0284	5.0383	5.0027	5.0238	Japan	0.13	0.00
Iron Ore	158.58	1.0	USD Index	92.0	92.2	91.8	91.8	UK	0.71	-0.01

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

Main Themes: Weakness in tech stocks but equity markets generally firmer. US dollar weakness but US long bond yields largely steady.

Share Markets: The broader US equity markets surged higher, but the tech laden Nasdaq barely moved. The Dow rose 1.5% and the S&P500 was up 0.7%.

European markets, apart from the FTSE100, were firmer. The Dax rose 0.7%, the French CAC40 was up 1.1% but the UK's FTSE100 edged down 0.1%.

The Australian market is set to open higher with the ASX SPI 200 up 44 points.

Interest Rates: In a speech yesterday, RBA Governor Lowe pushed back against markets, which had priced in an earlier tightening of monetary policy. He reiterated that interest rates are unlikely to rise until 2024.

The benchmark 3-year bond yield fell as low as 0.09%, dipping below the RBA's 0.1% target for the first time this year, before settling back in line with the goal.

The Governor highlighted that wages growth would likely need to be above 3% to achieve the goal of inflation at 2%-3% per annum. It is currently at a record-low 1.4%.

Following yesterday's speech by the RBA Governor, 3-year swap rates retreated 7 basis points to 0.31%. Ten-year bond yields also fell 7 basis points, to

1.71%.

In the US, long bond yields remained broadly steady at 1.52% in the face of a weak CPI result for February.

Foreign Exchange: The US dollar was weaker overnight with the USD index falling from 92.0 to 91.8. The AUD moved back into the US 77 cent range overnight but is little changed against the NZD.

Commodities: West Texas crude oil remains close to recent highs lifting to \$US64.71 per barrel. Copper rebounded but did not push back through the \$US9000 per tonne mark seen earlier in the week. Iron ore was firm but off its recent highs at \$US158 per tonne.

Australia: The Westpac/Melbourne Institute Index of Consumer Sentiment rose 2.6% to 111.8 in March. This follows business confidence hitting its highest level in 11-years. Confidence has been buoyed by improving economic conditions and the commencement of the vaccine rollout.

The uptick in consumer sentiment was consistent across all states except Victoria which eased 3.4% following a strong reading in February.

The sustained high level of consumer confidence is an encouraging sign for the next leg of the economic recovery.

In a speech yesterday RBA Governor Lowe

reiterated that policymakers will not respond to concerns about overheating in the house market with an increase in interest rates but implied changes could be made to macroprudential regulation.

China: Producer prices rose at the fastest pace in more than two years in February, increasing 1.7% over the year. The rise mainly reflects higher commodity prices. Chinese producer prices have been a major contributor to global inflation over recent decades as supply chains have become more integrated.

Consumer prices declined by 0.2% in the year to February, slightly better than a projected 0.3% decline. Prices were largely drawn down by pork prices. The decline reflects the recovery in hog supplies after outbreaks of African swine fever in recent years.

New Zealand: House prices in New Zealand rose 14.6% over the 12 months to February.

United States: The US CPI rose 0.4% in February for an annual rate of 1.7%. Core inflation rose only 0.2% in February for an annual rate of just 1.4%. The soft result appeared to calm US bond markets which have seen yields rise on the fear of inflation as the next round of US stimulus spending prepares to be unleashed.

Today's key data and events:

AU Consumer Inflation Expectations Mar prev 3.7%
(11:00am)

EZ ECB Monetary Policy Meeting prev 0.0% exp 0.0%
(11:45pm)

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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