

# Morning Report

Friday, 12 March 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,714	0.0%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	32,486	0.6%	10 yr bond	98.33			-0.02	90 day BBSW	0.04	0.00
Japan Nikkei	29,212	0.6%	3 yr bond	99.78			0.00	2 year bond	0.10	0.00
China Shanghai	3,602	2.4%	3 mth bill rate	99.94			-0.01	3 year bond	0.09	-0.01
German DAX	14,569	0.2%	SPI 200	6,756.0			37	3 year swap	0.30	-0.01
UK FTSE100	6,737	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.65	-0.06
<b>Commodities (close &amp; change)*</b>			<b>TWI</b>		64.1	-	-	64.4	<b>United States</b>	
CRB Index	194.5	2.8	AUD/USD	0.7735	0.7794	0.7723	0.7792	3-month T Bill	0.03	-0.01
Gold	1,724.14	-2.6	AUD/JPY	83.83	84.54	83.79	84.49	2 year bond	0.14	-0.01
Copper	9,069.00	191.3	AUD/GBP	0.5552	0.5579	0.5548	0.5569	10 year bond	1.52	0.01
Oil (WTI)	66.09	1.7	AUD/NZD	1.0753	1.0785	1.0740	1.0776	<b>Other (10 year yields)</b>		
Coal (thermal)	85.35	2.1	AUD/EUR	0.6486	0.6513	0.6480	0.6499	Germany	-0.33	-0.02
Coal (coking)	118.65	-1.5	AUD/CNH	5.0238	5.0537	5.0213	5.0473	Japan	0.10	-0.03
Iron Ore	164.69	6.1	USD Index	91.8	91.9	91.4	91.4	UK	0.74	0.02

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

**Main Themes:** US President Joe Biden signed the \$1.9 trillion pandemic-relief bill into law, one day earlier than anticipated. It helped equities rally and led to a sell off in the US dollar.

**Share Markets:** US share markets jumped to record highs, powered by a renewed rally in tech shares. US President Joe Biden has signed the \$1.9 trillion pandemic-relief bill into law.

The Dow added 189 points (or +0.6%), the S&P 500 rose 43 points (or +1.1%) and the Nasdaq lifted by 330 points (or 2.5%). Both the Dow and S&P 500 indexes closed at record highs.

**Interest Rates:** US Treasuries showed signs of stabilising. However, US Treasury yields slipped after a \$24 billion auction of 30-year notes.

**Foreign Exchange:** The US dollar weakened against every G-10 currency except the Japanese yen. The Australian dollar was one of the strongest performing currencies against the US dollar.

The Australian dollar lifted to an overnight high of 0.7794 where it is currently trading at the time of writing. The Australian dollar has now gained nearly two US cents since hitting this month's low of 0.7621 on March 3. Importantly, the AUD/USD held its head well above the major resistance level of 0.7560, which keeps the longer-term uptrend intact for the AUD. In the very near term, the AUD/USD is likely to regain the 0.7850 handle.

**Commodities:** Oil prices jumped and OPEC downgraded the outlook for demand for its crude over the next two quarters. This downgrade is in keeping with the group's plans to keep a tight rein on supply. The group trimmed estimates for the crude it will need to pump in the second quarter of this year by 690,000 barrels a day.

**Australia:** The Australian government yesterday announced a \$1.2 billion support package for the travel, tourism and aviation sectors. The package is a mix of half-price airline tickets, cheap loans for businesses and direct support to help keep planes in the air, and airline workers in their jobs.

The cost of up to 800,000 airfares or around 45,000 seats each week will be halved. The Tourism Aviation Network Support (TANS) program will run from 1 April to 30 July 2021, with discounted tickets to an initial 13 regions across the country available on airline websites beginning 1 April 2021. Flights, routes and the total number of tickets will be driven by demand and are subject to final discussions with airlines.

The SME Loan Guarantee Scheme will be extended and expanded to support up to \$40 billion in lending to small and medium enterprises. The Scheme will be targeted and tailored to support those businesses that have been relying on JobKeeper during the March quarter.

The \$50 million Business Events Grants Program will

be extended by three months to support Australian businesses to hold multi-day business events, covering up to 50 per cent of costs incurred in participating business events during the 2021 calendar year.

The support package also includes a range of other aviation industry assistance measures.

An article from the Australian Financial Review said the S&P credit ratings agency has warned that any slippage in the Morrison government's projected reining in of its budget deficit blowout could trigger the loss of Australia's AAA sovereign credit rating. S&P's lead credit analyst for Australia, Anthony Walker, was quoted as saying that federal and state deficits of about 14% of GDP forecast for fiscal 2021 are "inconsistent with a triple-A rating if it were to remain anywhere near that level".

**Europe:** The European Central Bank (ECB) left key policy rates unchanged (marginal lending facility at zero, deposit facility at -0.50%), as universally expected. However, the ECB pledged to ramp up government debt purchases in coming months to contain rising bond yields.

The Emergency Purchasing Programme (PEPP), which had been increased by €500 billion in December, would continue to "at least March 2023". However, purchases under the PEPP over the next quarter would be conducted at a "significantly higher pace than during the first months of this year".

ECB President Lagarde made it clear that the intention of this higher pace of purchasing was to maintain favourable financing conditions.

Lagarde also repeated the statement that the envelope (EUR1.85 trillion limit) could be "re-calibrated" (increased) if needed. The ECB's statement also affirmed that the ECB's asset purchase programme would continue at EUR20bn per month for as long as necessary with continued re-investing. The long-term repurchasing operations (TLTRO III) would also continue, providing ample liquidity for banks.

In terms of its economic forecasts, the ECB upgraded its inflation forecast for this year to 1.5% from 1.0% but long-term expectations remain subdued. Lagarde said it's possible inflation may hit 2% by year's end, but said the bank would consider such an increase temporary and technical. The GDP forecast for this year was lifted to 4.0% from 3.9% but lowered for 2022. Lagarde said risks to the outlook have become more balanced.

On the euro, Lagarde said the ECB is monitoring the

euro but not targeting its rate.

**United States:** US President Joe Biden has signed the \$1.9 trillion pandemic-relief bill into law. The bill was signed one day earlier than expected. The new bill includes the provision of \$1,400 to low- and middle-income households.

Green shoots continue to appear in the labour market. New jobless filings fell more than expected last week to 712,000 from a revised 754,000. Continuing claims declined to 4.14 million from a revised 4.34 million, also better than the consensus forecast. In other jobs data, JOLTS job openings in January rose to 6.9 million - a post-pandemic high and close to pre-pandemic levels.

#### Today's key data and events:

NZ BusinessNZ Mfg PMI Feb prev 57.5 (8:30am)

EZ Industrial Production Jan exp 0.3% prev -1.6% (9:00pm)

US PPI Final Demand Feb y/y exp 0.4% prev 1.3% (12:30am)

US UoM Cons.Sent. Mar Prel. exp 78.5 prev 76.8 (2:00am)

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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