

Morning Report

Tuesday, 16 March 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	6,773	0.1%			Last	Overnight Chg		Australia			
US Dow Jones	32,953	0.5%	10 yr bond		98.22	0.05		90 day BBSW	0.04	0.00	
Japan Nikkei	29,767	0.2%	3 yr bond		99.71	0.00		2 year bond	0.09	0.00	
China Shanghai	3,585	-1.0%	3 mth bill rate		99.93	-0.01		3 year bond	0.09	0.00	
German DAX	14,461	-0.3%	SPI 200		6,804.0	26		3 year swap	0.34	0.01	
UK FTSE100	6,750	-0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.79	0.09	
Commodities (close & change)*			TWI		64.4	-	-	64.6	United States		
CRB Index	193.4	-0.4	AUD/USD		0.7792	0.7776	0.7706	0.7756	3-month T Bill	0.01	-0.02
Gold	1,731.87	4.8	AUD/JPY		84.49	84.73	84.12	84.63	2 year bond	0.15	0.00
Copper	9,164.25	60.3	AUD/GBP		0.5569	0.5583	0.5551	0.5578	10 year bond	1.61	-0.02
Oil (WTI)	65.33	-0.3	AUD/NZD		1.0776	1.0812	1.0743	1.0768	Other (10 year yields)		
Coal (thermal)	86.00	0.5	AUD/EUR		0.6499	0.6504	0.6469	0.6501	Germany	-0.33	-0.03
Coal (coking)	121.00	1.9	AUD/CNH		5.0473	5.0497	5.0125	5.0390	Japan	0.11	-0.01
Iron Ore	158.09	-1.9	USD Index		91.4	92.0	91.5	91.8	UK	0.80	-0.02

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

Main Themes: US stocks reach record highs as the US administration contemplates tax increases for high income earners. Chinese economic growth solid. Iron ore price slips.

Share Markets: The Dow and the S&P500 reached new record highs as the US vaccine rollout gained pace. The Dow was up 0.5% and the S&P500 rose 0.7%. The tech laden Nasdaq index was up 1.1% but is below the 14,000-level seen last month.

European markets were softer as their vaccine rollout faced uncertainties regarding the use of the AstraZenica vaccine. The FTSE100 fell 0.2% as did the French CAC40 while the German Dax index was down 0.3%.

Australia's S&P/ASX200 edged 0.1% higher yesterday. SPI200 futures are up 26 points suggesting a positive opening to the day's trade.

Interest Rates: US 10-year government bond yield fell 2 basis point to 1.61% while their Australian equivalents rose 9 basis points to 1.79%. Solid data out of China hints at firmer growth in Australia in the months ahead.

At the shorter end of the Australian yield curve, 3-year bond yields were steady at 0.09% while 3-year swap rates were up 1 basis point to 0.34%.

German 10-year bond yields remain negative while in the UK they stand at 0.80%.

Foreign Exchange: The US dollar index was firmer

overnight with the AUD losing a little ground but holding within the US 77 cent range.

Commodities: Copper was firmer on the back of solid Chinese data. Iron was marginally weaker as was oil.

Australia: The Reserve Bank Governor gave remarks at a conference yesterday. He again pushed back on market expectations for a tightening of monetary policy, noting that the unemployment rate of 6.4% is too high and the economy is operating well short of its capacity.

China: A large batch of data was released yesterday. This data showed that the Chinese economic recovery has picked up pace in the first two months of this year. The key indicators grew at sizable growth rates of more than 30%. Last year's low base, stimulatory policies and a steady acceleration of manufacturing has helped propel the economic recovery.

The data from January-February signals that China may record a GDP growth rate of between 15-20% for the March quarter of this year. An expansion of this size would likely be the highest among the major economies.

Industrial production rose 35.1% in the first two months of this year compared with the same two-month period a year ago. Moreover, over the first two months of this year compared with twelve

months earlier, retail sales expanded at 33.8%, fixed-asset investment shot up 35.1% and property investment jumped 38.3%.

The surveyed jobless rate lifted 0.3 percentage points to 5.5% in February, despite the deepening economic recovery.

Europe: EU formally began its legal response to the UK altering the protocol in Northern Ireland (predominantly relating to supermarket products from UK) stating that the violation of the Brexit deal is an “enormous problem”. The UK stated that it should be dealt with within the existing EU-UK Joint Committee in a spirit of cooperation. UK reiterated that the issues are temporary and due to operational steps to limit disruption

New Zealand: The performance of services index improved by 1.1 points in February to 49.0. The index remains below the critical level of 50, suggesting that the services sector still faces challenges.

United Kingdom: House prices lifted 0.8% in February, according to Rightmove data published yesterday. The annual pace of growth eased slightly to 2.7%.

United States: The New York Fed’s Empire State manufacturing index rose to 17.4 in March, up from 12.1 in February. It was the largest monthly gain since November 2018 and came on the back of increased shipments and expectations of growth in employment over the next six months.

The Biden administration is said to be planning the first major federal tax hike since 1993, with the aim of delivering on one of his campaign promises. President Biden’s proposal will mostly affect those earning more than \$400,000 a year and could assist in funding his long-standing economic and infrastructure plans.

Today’s key data and events:

AU Roy Morgan Cons Sentiment Mar 14 prev 111.9 (9:30am)
 AU ABS House Price Index Q4 exp 1.8% prev 0.8% (11:30am)
 AU Weekly Payroll Jobs & Wages Feb 27 (11:30am)
 AU Reserve Bank Board Meeting Minutes (11:30am)
 NZ Credit Card Spending Jan prev 0.1% (1pm)
 GE ZEW Survey Expect. Index Mar exp 74.0 prev 71.2 (9pm)
 EZ ZEW Survey Expect. Index Mar prev 69.6 (9pm)
 US Import and Export Prices Feb (11:30pm)
 US Retail Sales Feb exp -0.5% prev 5.3% (11:30pm)
 US Industrial Production exp 0.3% prev 0.9% (12:15am)
 US Business Inventories Jan exp 0.3% prev 0.6% (1am)
 US NAHB Housing Market Index exp 84 prev 84 (1am)

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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