

Morning Report

Wednesday, 17 February 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,917	0.7%			Last	Overnight Chg		Australia		
US Dow Jones	31,520	0.2%	10 yr bond	98.61				90 day BBSW	0.01	0.00
Japan Nikkei	30,468	1.3%	3 yr bond	99.80				2 year bond	0.10	0.00
China Shanghai	3,832	1.4%	3 mth bill rate	99.98				3 year bond	0.11	0.00
German DAX	14,065	-0.3%	SPI 200	6,833.0				3 year swap	0.16	0.01
UK FTSE100	6,749	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.32	0.00
Commodities (close & change)*			TWI	63.9	-	-	64.1	United States		
CRB Index	187.7	2.4	AUD/USD	0.7781	0.7805	0.7745	0.7760	3-month T Bill	0.04	0.00
Gold	1,795.76	-23.1	AUD/JPY	81.99	82.41	81.88	82.20	2 year bond	0.12	0.01
Copper	8,416.00	8.5	AUD/GBP	0.5596	0.5600	0.5573	0.5580	10 year bond	1.30	0.09
Oil (WTI)	60.21	0.7	AUD/NZD	1.0766	1.0769	1.0720	1.0765	Other (10 year yields)		
Coal (thermal)	78.50	-0.8	AUD/EUR	0.6416	0.6427	0.6397	0.6407	Germany	-0.35	0.03
Coal (coking)	144.65	-2.1	AUD/CNH	4.9847	5.0042	4.9791	4.9863	Japan	0.09	0.00
Iron Ore	163.91	2.4	USD Index	90.4	90.6	90.1	90.5	UK	0.62	0.05

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: Optimism as vaccines roll out, COVID-19 infection rates decline, interest rates remain low and fiscal stimulus pumps out.

Share Markets: The major US markets each hit fresh intraday highs before easing back in later trade. The Dow was up 0.2%, the S&P500 was flat and the Nasdaq fell 0.3%. Ultra-low interest rates and the promise of a vaccine rollout continue to engender confidence in investors.

European markets were softer. The FTSE100 fell 0.1% following a very solid rise the night before. The Dax was down 0.3% while the Euro Stoxx 50 fell 0.2%.

The ASX200 was up 0.7% yesterday but the futures market is down 25 points suggesting a soft opening to the day's trade.

Interest Rates: The Reserve Bank released the minutes from their February meeting, although there was little in the way of new information. The Bank reaffirmed its position that monetary policy will remain highly accommodative until at least 2024.

Ten-year government bond yields continue to move higher as optimism lifts in the face of better health outcomes and strong fiscal and monetary stimulus. US 10-year yields rose 9 basis points to 1.30%. In Australia, the comparable yield was steady at 1.32%. Shorter term bond and swap yields

remained relatively steady.

Foreign Exchange: The AUD broke into the \$US0.78 range overnight but eased back as the US dollar index picked up.

Commodities: West Texas Light crude oil rose back above \$US60 per barrel on firmer demand while iron ore continues to sit above \$US160 per metric tonne. Copper was marginally firmer, but gold edged back. An improved outlook for the global economy is helping to support commodity prices.

COVID-19: The number of new COVID-19 cases continues to decline in the US, the UK, Africa and the Asia Pacific. Numbers in Europe are falling but at a slower rate. The rollout of vaccines should improve these trends still further in coming months.

Australia: Payroll jobs increased 1.3% across the fortnight to 30 January and is now level with a year ago. This is a positive sign for the labour market ahead of the release of the labour force survey on Thursday.

Eurozone: The Eurozone economy contracted 0.6% in the December quarter to be down 5.0% over the year. Despite the weak quarter, employment in the region picked up 0.3% but was down 2.0% over the year.

While 2020 was a very difficult year for the Eurozone economy, the ZEW Survey of Expectations took a positive turn in its February reading. It rose

to 69.6 from 58.3 in January.

New Zealand: The housing market was more buoyant than usual in January, with sales increasing 3.2%, reaching its highest level for the month of January in five years. Typically, the market slows in January as people go on holiday. The Reserve Bank of New Zealand recently tightened macroprudential regulation on the back of concerns that the housing market is showing signs of overheating.

United States: The US Empire manufacturing survey, released by the New York Fed, rose solidly from 3.5 in January to 12.1 in February. This exceeded expectations and was a further indication of rising confidence in the US economy.

Today's key data and events:

AU WBC Leading Index Jan prev 4.18% (10:30am)

UK CPI Jan exp -0.4% prev 0.3% (6:00pm)

US FOMC Minutes (6am)

US Retail Sales Jan exp 1% prev -0.7% (12:30am)

US Industrial Production Jan exp 0.4% prev 1.6% (1:15am)

US NAHB Housing Market Index Feb exp 83 prev 83 (2am)

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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