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Morning Report

Thursday, 18 March 2021

Equities (close & % change)		
S&P/ASX 200	6,795	-0.5%
US Dow Jones	33,015	0.6%
Japan Nikkei	29,914	0.0%
China Shanghai	3,612	0.0%
German DAX	14,597	0.3%
UK FTSE100	6,763	-0.6%
Commodities (close & change)*		
CRB Index	192.7	-0.8
Gold	1,745.33	13.9
Copper	9,079.50	111.0
Oil (WTI)	64.48	-0.3
Coal (thermal)	86.85	1.4
Coal (coking)	115.70	5.5
Iron Ore	159.93	0.2

Sydney Futures Exchange (close & change)				
	Last		**Overnight Chg**	
10 yr bond	98.22		-0.03	
3 yr bond	99.75		0.01	
3 mth bill rate	99.95		0.00	
SPI 200	6,777.0		-14	
FX Last 24 hrs	Open	High	Low	Current
TWI	64.5	-	-	64.4
AUD/USD	0.7748	0.7810	0.7699	0.7798
AUD/JPY	84.44	85.01	84.13	84.86
AUD/GBP	0.5576	0.5597	0.5548	0.5583
AUD/NZD	1.0771	1.0784	1.0749	1.0768
AUD/EUR	0.6507	0.6519	0.6467	0.6510
AUD/CNH	5.0371	5.0668	5.0121	5.0574
USD Index	91.9	92.0	91.4	91.4

Interest rates (close & change)		
Australia		
90 day BBSW	0.03	0.00
2 year bond	0.09	0.00
3 year bond	0.09	0.00
3 year swap	0.28	-0.02
10 year bond	1.72	0.03
United States		
3-month T Bill	0.00	-0.01
2 year bond	0.13	-0.02
10 year bond	1.64	0.02
Other (10 year yields)		
Germany	-0.29	0.05
Japan	0.10	0.00
UK	0.83	0.04

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: The US Federal Reserve left its benchmark rate in the zero to 0.25% range and will maintain its asset purchase program at $US120bn per month.

Share Markets: The Dow poked its head above 33,000 while the S&P500 is closing in on 4000. The Dow was up 0.6% and the S&P500 rose 0.3%. The tech laden Nasdaq was up 0.4%.

European markets were mixed as traders awaited comments from the US Federal Reserve. The FTSE100 fell 0.6% but the German Dax posted a 0.3% gain. The French CAC40 was flat.

The ASX200 retreated 0.5% yesterday and the SPI200 futures index is down 14 points suggesting a soft opening.

Interest Rates: The US Federal Reserve Open Market Committee (FOMC) left asset purchases unchanged at $US120 billion a month and repeated that this pace would be maintained until “substantial further progress” is made on their employment and inflation goals.

The target range of the benchmark federal funds rate was also kept at zero to 0.25%. It has been at that range since March 2020. The decision was unanimous.

Federal Reserve officials continued to project near-zero interest rates at least through 2023 despite upgrading their US economic outlook. Seven of 18 officials predicted higher rates by the end of 2023 compared with five of 17 at the December meeting.

US 10-year bond yields ended their session just 2 basis points higher at 1.64%. Earlier in the session US 10-year yields had risen to almost 1.69% before settling back after the FOMC announcements.

Yesterday, Australian 10-year government bond yields moved 3 basis points higher to 1.72% while yields at the shorter end of the yield curve remained steady.

Foreign Exchange: The US dollar weakened following the FOMC announcement, pushing the AUD briefly back into the US 78 cent range. It slipped back below US78 cents in later trade.

Commodities: Gold, copper, coal and iron ore advanced overnight while oil edged lower. The global economic growth story is underpinning commodity prices.

Australia: Labour force figures are due for release today. We expect jobs growth of 30k and a marginal decline in the unemployment rate to 6.3%.

Yesterday, the Westpac-Melbourne Institute Leading index posted a marginal 0.1% gain in February. This follows a strong result in January and the index continues to point to above trend growth over the next six to nine months. Positive elements in the February result were international factors such as commodity prices and US industrial production. Domestically, building approvals lifted the index but a weaker equity market acted as a counterbalance.

China: No major data released.

Europe: Core consumer price inflation in the eurozone remains subdued at an annual pace of just 1.1%. Headline consumer price inflation was also weak at an annual pace of 0.9%.

New Zealand: New Zealand's annual current account deficit for the year ended December 2020 was NZ$2.5 billion, 0.8% of GDP. It was the smallest deficit in almost 19 years and compares favourably with a deficit of NZ$10.6 billion (3.3% of GDP) for the year ended December 2019. The improvement was aided by lower oil and car imports as well as fewer citizens travelling overseas. Net external debt stood at NZ$177.1bn at the end of 2020.

United States: The Fed expects that a bump in inflation this year will be short-lived. Officials saw their preferred core measure of price pressures slowing to 2% next year following a spike to 2.4% in 2021. Excluding food and energy, inflation is forecast to hit 2.2% this year and fall to 2% in 2022.

Housing starts fell 10.3% in February as harsh winter weather held back activity. Building approvals were down 10.8% in February. Despite this setback, the number of approvals continues to exceed the number of starts.

Backlogs in housing construction continue to mount, and the number of homes authorised for construction, but not yet started, is at its highest level since 2006.

Today's key data and events:

NZ GDP Q4 exp 0.2% prev 14.0% (8:45am)

AU Labour Force Feb (11:30am)

Employment Change exp 30k prev 29.1k

Unemployment Rate exp 6.3% prev 6.4%

Participation Rate exp 66.2% prev 66.1%

EZ Trade Balance Jan exp €29.0bn prev €27.5bn (9:00pm)

UK BoE Bank Rate exp 0.10% prev 0.10% (11:00pm)

US Philadelphia Fed Index Mar exp 23.0 prev 23.1 (11:30pm)

US Conference Board Leading Index Feb exp 0.3% prev 0.5% (1:00am)

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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