

Morning Report

Friday, 19 February 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
			Last		Overnight Chg		Australia			
S&P/ASX 200	6,886	0.0%	10 yr bond			98.60	-0.03			90 day BBSW
US Dow Jones	31,526	-0.3%	3 yr bond			99.78	-0.01			0.01
Japan Nikkei	30,236	-0.2%	3 mth bill rate			99.99	0.00			0.00
China Shanghai	3,853	0.6%	SPI 200			6,809.0	-28			3 year bond
German DAX	13,887	-0.2%	FX Last 24 hrs			Open	High	Low	Current	3 year swap
UK FTSE100	6,617	-1.4%	TWI			63.8	-	-	63.9	10 year bond
Commodities (close & change)*			AUD/USD			0.7753	0.7790	0.7731	0.7767	1.37
CRB Index	188.7	0.0	AUD/JPY			82.10	82.30	81.83	82.08	-0.04
Gold	1,775.15	-1.0	AUD/GBP			0.5592	0.5602	0.5548	0.5558	0.12
Copper	8,398.25	-17.8	AUD/NZD			1.0784	1.0797	1.0756	1.0766	0.00
Oil (WTI)	60.48	-0.7	AUD/EUR			0.6438	0.6449	0.6408	0.6427	0.18
Coal (thermal)	77.65	-1.6	AUD/CNH			4.9909	5.0267	4.9876	5.0196	0.01
Coal (coking)	146.35	0.3	USD Index			90.9	91.0	90.6	90.6	0.05
Iron Ore	169.52	2.6								

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 global equity rally has hit pause in the face of rising interest rates. Commodities continue to be supported by optimism surrounding the global economic recovery.

Share Markets: Major market equities declined modestly. In the US, the Dow and the S&P500 closed 0.3% lower on concerns that higher borrowing costs could hamper the recent rally and an unexpected increase in jobless claims.

European markets were softer. The FTSE fell 1.4% and the Dax was down 0.2%.

The ASX200 finished unchanged. The futures market points to a soft opening to today's trade.

Interest Rates: US 10-year Treasury yields increased 1 basis point to 1.31%. Meanwhile, Australian 10-year government bond yields declined 4 basis points, closing at 1.37%. The potential for a pickup in US inflation, led by US fiscal stimulus, remains in focus.

Foreign Exchange: The US dollar index declined from 90.9 to 90.6 overnight. The AUD/USD rose from 0.7753 to a high of 0.7790 before declining to 0.7767.

Commodities: Iron ore continued to push higher to US\$166.9 per metric tonne on hopes of a sustained global economic recovery. West Texas Intermediate crude oil declined but held above US\$60 per barrel. Gold and copper eased.

COVID-19: US Chief Medical Advisor Fauci does not expect the US to return to normality until about Christmas. Bad weather in the US is slowing vaccine deployment.

Australia: The unemployment rate fell from 6.6% in December to 6.4% in January following the creation of a further 29.1k jobs. The level of employment in Australia is just 0.5% below its pre-COVID-19 level in February, representing the loss of 64k jobs.

During January, 59.0k full-time jobs were created while 29.8k part-time jobs were lost.

We expect the unemployment rate to stand at 6.0% in December 2021 and 5.2% in December 2022. A key uncertainty is how the labour market will weather the tapering of fiscal support, most notably the conclusion of JobKeeper at the end of March.

Europe: Eurozone consumer confidence in February was close to expectations at -14.8, up slightly from the January print of -15.5.

United States: US building permits surged 10.4% in January, against expectations for a 1.4% decline, reaching their highest level since 2006. This is a sign of market strength. In contrast, US housing starts were weaker than expected, falling 6%. Recent reports have noted rising construction costs and declining affordability.

The Philadelphia Fed business survey remained elevated although declined to 23.1, beating

expectations of a fall to 20.0.

Initial jobless claims unexpectedly jumped to a four-week high of 861,000 from 848,000. Consensus was for a decline to 773,000. The current level of claims reflects weak labour market conditions.

Today's key data and events:

AU Retail Sales Prelim. Jan exp 2.0% prev -4.1% (11:30am)

CH Current Account Q4 prev US\$92.2bn

EZ Markit Services PMI Feb exp 45.9 prev 45.4 (8:00pm)

UK GfK Consumer Sentiment Feb exp -26 prev -28 (11:01am)

US Markit Manuf. PMI Feb exp 58.7 prev 59.2 (1:45am)

US Markit Services PMI Feb exp 58.0 prev 58.3 (1:45am)

US Existing Home Sales Jan exp -2.4% prev 0.7% (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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