

Morning Report

Monday, 21 February 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,222	-1.0%			Last	Overnight Chg		Australia		
US Dow Jones	34,079	-0.7%	10 yr bond		97.80	0.06		90 day BBSW	0.08	0.00
Japan Nikkei	27,122	-0.4%	3 yr bond		98.35	0.03		2 year bond	1.20	0.02
China Shanghai	3,659	0.7%	3 mth bill rate		99.89	0.00		3 year bond	1.64	0.02
German DAX	15,043	-1.5%	SPI 200		7,094.0	-51		3 year swap	1.86	0.02
UK FTSE100	7,514	-0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.25	0.04
Commodities (close & change)*			TWI	60.3	-	-	60.6	United States		
CRB Index	263.6	-0.1	AUD/USD	0.7191	0.7228	0.7164	0.7168	3-month T Bill	0.32	-0.04
Gold	1,898.43	0.0	AUD/JPY	82.64	83.33	82.35	82.36	2 year bond	1.47	0.00
Copper	9,996.50	29.5	AUD/GBP	0.5281	0.5300	0.5273	0.5274	10 year bond	1.93	-0.03
Oil (WTI futures)	91.07	-0.7	AUD/NZD	1.0745	1.0752	1.0698	1.0709	Other (10 year yields)		
Coal (thermal)	167.50	1.5	AUD/EUR	0.6330	0.6356	0.6318	0.6334	Germany	0.19	-0.04
Coal (coking)	434.50	0.5	AUD/CNH	4.5547	4.5698	4.5327	4.5330	Japan	0.22	-0.01
Iron Ore	132.35	-0.9	USD Index	95.82	96.17	95.73	96.04	UK	1.38	-0.09

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

Main Themes: Investors continued to weigh the prospect of Russian invasion and monetary policy tightening. The US has warned that Russia may invade the Ukraine within days, targeting multiple cities beyond Kyiv. Diplomatic talks between Russia, France and the US are set to continue today.

Share Markets: Equity markets fell on continued concerns over Russia-Ukraine border tensions and Fed tightening. The NASDAQ led the decline, dropping 1.2%. The S&P 500 and the Dow Jones both lost 0.7%.

The ASX 200 fell 1.0% on Friday. Futures are pointing to a weak open today.

Interest Rates: The US 2-year treasuries yield was broadly unchanged at 1.47%, while the 10-year yield fell 3 basis points to 1.93%.

The Australian 3-year (futures) yield shed 3 basis points to 1.65%. The Australian 10-year (futures) yield lost 5 basis points to 2.21%.

The first 15 basis point rate hike from the Reserve Bank (RBA) is fully priced for June, according to interbank cash rate futures.

Foreign Exchange: The Australian dollar closed broadly unchanged at 0.7184 on Friday, after retracing from a high of 0.7288. The AUD/USD pair had opened lower today and is currently trading around the 0.7168 handle.

The USD strengthened against a basket of its G10 peers. The USD index traded from a low of 95.73 to

a high of 96.17. It is currently trading around 96.04.

Commodities: Copper and coal jumped, while iron and oil softened. Gold remained steady at US\$1,898 an ounce.

Australia: There were no major economic data releases on Friday.

The border reopened to international travellers today. Fully-vaccinated visa holders will be allowed to enter the country without a travel exemption.

Eurozone: Consumer confidence dropped to -8.8 in February, from -8.5 in January. Confidence is now at its lowest level in almost 12 months. Geopolitical tensions and Omicron infections likely weighed on consumer confidence over February.

Japan: Consumer prices increased by 0.5% over the year to January. This follows a 0.8% annual rise in December. Core inflation, which excludes fresh food items, was also weaker than in December. The core measure increased 0.2% in annual terms, compared to a 0.5% annual rise in December.

New Zealand: The producer price index (PPI) jumped 1.4% in the December quarter. The result follows a 1.8% rise in producer prices over the September quarter. Producer prices rose 7.2% in annual terms.

United Kingdom: Retail sales volumes jumped by 1.9% in January, alongside easing COVID-19 curbs restrictions. This was the highest monthly increase since April. Meanwhile, the December figure was

revised down to -4.0% from -3.7%, reflecting the impacts of the Omicron outbreak.

United States: Existing home sales surged 6.7% in January, beating consensus expectations of a 1.3% decline. The result follows a revised 3.8% fall in December and is the fastest monthly increase in existing home sales since July 2020. The value of existing home sales reached a 12-month high of \$6.5 million.

The leading index fell for the first time in 12 months in January. The index dropped 0.3%, following a 0.7% rise in December.

Federal Reserve officials echoed calls for a rate hike in March. John Williams, President of the New York Fed branch, supported a March rate hike, alongside steady and predictable balance sheet reduction later this year. Charles Evans, President of the Chicago Fed branch, noted that policy had been “wrong-footed” by high inflation and needs “substantial adjustment”. He continues to believe that much of the inflationary pressures are due to supply-side constraints, but is concerned about a broadening of inflation.

Today's key data and events:

UK Rightmove House Prices Feb prev 0.3% (11:01am)
JN Nikkei PMI Mfg Feb Prel. prev 55.4 (11:30am)
JN Nikkei Services PMI Feb Prel. prev 47.6 (11:30am)
EZ Markit Mfg PMI Feb Prel. exp 58.7 prev 58.7 (8pm)
EZ Markit Services PMI Feb Prel. exp 52.1 prev 51.1 (8pm)
UK Markit/CIPS Services PMI Feb Prel. exp 55.5 prev 54.1 (8:30pm)
UK Markit Mfg PMI Feb Prel. exp 57.0 prev 57.3 (8:30pm)

Times are AEDT. 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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