

# Morning Report

Monday, 22 February 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,794	-1.3%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	31,494	0.0%	10 yr bond	98.50				90 day BBSW	0.01	0.00
Japan Nikkei	30,018	-0.7%	3 yr bond	99.75				2 year bond	0.12	0.01
China Shanghai	3,875	0.6%	3 mth bill rate	99.98				3 year bond	0.12	0.01
German DAX	13,993	0.8%	SPI 200	6,721.0				3 year swap	0.21	0.02
UK FTSE100	6,624	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.43	0.07
<b>Commodities (close &amp; change)*</b>			TWI	63.9	-	-	64.0	<b>United States</b>		
CRB Index	188.6	0.0	AUD/USD	0.7767	0.7877	0.7758	0.7875	3-month T Bill	0.03	0.00
Gold	1,784.25	8.6	AUD/JPY	82.08	83.16	81.99	83.04	2 year bond	0.10	0.00
Copper	8,923.75	361.5	AUD/GBP	0.5558	0.5622	0.5557	0.5618	10 year bond	1.34	0.04
Oil (WTI)	59.24	-1.3	AUD/NZD	1.0766	1.0794	1.0755	1.0797	<b>Other (10 year yields)</b>		
Coal (thermal)	79.00	1.3	AUD/EUR	0.6427	0.6496	0.6420	0.6498	Germany	-0.31	0.04
Coal (coking)	145.45	-0.9	AUD/CNH	5.0196	5.0865	5.0130	5.0822	Japan	0.11	0.01
Iron Ore	168.44	-1.1	USD Index	90.6	90.7	90.2	90.4	UK	0.70	0.08

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:** Markets ended the week with a cautious tone as long-term yields continued to increase. Australia commenced its vaccine rollout.

**Share Markets:** US stocks finished largely unchanged on Friday as climbing interest rates remained in focus.

In Europe, the Dax rose 0.8% while the FTSE100 was finished little changed.

The ASX200 declined 1.3% following a round of profit-taking. Futures point to a weak start to today's trade.

**Interest Rates:** In the US, short-term rates were unchanged while the 10-year Treasury yield continued to climb, moving up 4 basis points to 1.34%. Investors remain concerned the increase in yields could weigh on riskier investments like equities.

Australian 10-year yields rose 7 basis points to 1.43%. This is its highest level since March 2020.

**Foreign Exchange:** The AUD/USD rose from 0.7767 to break through 0.7800, as we suggested in our morning report last week. The pair touched a 2-year high of 0.7877 during trade and is currently at 0.7875. The US dollar index declined from 90.6 to 90.4.

**Commodities:** The price of West Texas Intermediate crude oil fell below \$60 as some production in Texas began to come back online. Freezing temperatures

have disrupted supply and pushed up the oil price.

Gold and copper were firmer while iron ore softened.

**COVID-19:** Australia launched its vaccination program on the weekend. The staged rollout will prioritise the vulnerable and healthcare and border workers. The entire population is expected to receive at least their first dose by October. The program will reduce the need for border closures and lockdowns in the future.

**Australia:** Preliminary data suggests retail sales was 0.6% stronger in January, somewhat weaker than the 2% increase that was expected. The key message is that retail sales have strong underlying momentum, reflected in the 10.7% year ended growth.

The ABS released its Household Impacts of COVID-19 Survey which found that around one fifth of Australians were receiving JobKeeper payments in December. JobKeeper is due to expire at the end of March.

**China:** The current account surplus for the December quarter was \$130.2b (or 1.9% of GDP) up from \$90.2b in the previous quarter.

The pick up in the current account surplus partly reflects the growth in China's trade surplus, which hit a record high in December. China has benefitted from global demand for work-from-home

technology and healthcare equipment following the outbreak of COVID-19.

**UK:** The GfC index of consumer confidence rose to -23 in February, up from -28 in January, beating expectations. Expectations for personal finances and the economy over the next 12 months improved, as did the climate for major purchases.

**Europe:** The composite PMI was stronger than expected in February. This was driven by surprising strength in manufacturing, which rose to 57.7 from 54.8. The services PMI was weaker-than-expected, declining to 44.7 from 45.5. A print above 50 indicates growth.

**United States:** PMIs in the US remained around their highest levels in the past ten years in February. The manufacturing PMI edged down to 58.8 from 59.2, falling short of expectations, but remaining strong. Meanwhile, the services PMI was stronger than expected, increasing from 58.3 to 58.9. The solid readings reflect the prospect of additional fiscal stimulus and the partial reopening of the economy.

In January, existing home sales remained around their highest level since 2006. There were 6.7m sales, beating expectations, up from their level in December. The red-hot housing market has been driven by record-low mortgage rates and a desire to upsize following the shift to working from home.

**Today's key data and events:**

EZ IFO Business Climate Survey Feb exp 89.7 prev 90.1 (8pm)

NZ Credit Card Spending Jan (1pm)

US Chicago Fed Nat Act Index Jan prev 0.52 (12:30am)

US Leading Index Jan exp 0.3% prev 0.3% (2am)

US Dallas Fed Index Feb prev 7 (2:30am)

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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