

# Morning Report

Tuesday, 23 March 2021

| Equities (close & % change)              |          |       | Sydney Futures Exchange (close & change) |      |             |                      |         | Interest rates (close & change) |                               |       |       |
|--|----------|-------|--|------|-------------|----------------------|---------|---------------------------------|-------------------------------|-------|-------|
| S&P/ASX 200                              | 6,752    | 0.7%  |  |      | <b>Last</b> | <b>Overnight Chg</b> |         | <b>Australia</b>                |                               |       |       |
| US Dow Jones                             | 32,731   | 0.3%  | 10 yr bond                               |      | 98.19       | -0.02                |         | 90 day BBSW                     | 0.03                          | 0.00  |       |
| Japan Nikkei                             | 29,174   | -2.1% | 3 yr bond                                |      | 99.73       | 0.00                 |         | 2 year bond                     | 0.09                          | -0.01 |       |
| China Shanghai                           | 3,609    | 1.1%  | 3 mth bill rate                          |      | 99.95       | 0.00                 |         | 3 year bond                     | 0.11                          | 0.01  |       |
| German DAX                               | 14,657   | 0.2%  | SPI 200                                  |      | 6,705.0     | -20                  |         | 3 year swap                     | 0.31                          | 0.00  |       |
| UK FTSE100                               | 6,726    | 0.3%  | FX Last 24 hrs                           | Open | High        | Low                  | Current | 10 year bond                    | 1.76                          | -0.04 |       |
| <b>Commodities (close &amp; change)*</b> |          |       | TWI                                      |      | 64.5        | -                    | -       | 64.3                            | <b>United States</b>          |       |       |
| CRB Index                                | 189.1    | 0.3   | AUD/USD                                  |      | 0.7715      | 0.7757               | 0.7705  | 0.7744                          | 3-month TBill                 | 0.00  | 0.00  |
| Gold                                     | 1,738.85 | -6.4  | AUD/JPY                                  |      | 83.77       | 84.38                | 83.73   | 84.28                           | 2 year bond                   | 0.15  | 0.00  |
| Copper                                   | 9,123.75 | 47.5  | AUD/GBP                                  |      | 0.5571      | 0.5602               | 0.5567  | 0.5584                          | 10 year bond                  | 1.69  | -0.03 |
| Oil (WTI)                                | 61.55    | 0.1   | AUD/NZD                                  |      | 1.0805      | 1.0813               | 1.0783  | 1.0814                          | <b>Other (10 year yields)</b> |       |       |
| Coal (thermal)                           | 94.75    | 3.9   | AUD/EUR                                  |      | 0.6501      | 0.6505               | 0.6485  | 0.6489                          | Germany                       | -0.31 | -0.02 |
| Coal (coking)                            | 113.00   | 2.0   | AUD/CNH                                  |      | 5.0200      | 5.0461               | 5.0192  | 5.0389                          | Japan                         | 0.08  | -0.03 |
| Iron Ore                                 | 151.20   | -3.0  | USD Index                                |      | 91.9        | 92.2                 | 91.7    | 91.8                            | UK                            | 0.81  | -0.02 |

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 continue to digest the impact of health outcomes and stimulus packages on earnings and inflation.

**Share Markets:** Lower bond yield propelled US markets higher. The Nasdaq rose 1.2%, the S&P500 was up 0.7% and the Dow rose 0.3%. Each market remains close to record highs.

European markets were modestly positive. The FTSE100 was up 0.3% and the Dax rose 0.2%.

In Australia, the ASX200 rose 0.7%. However, the futures market is pointing to a soft start to the day's trade with the SPI200 down 20 points.

**Interest Rates:** US 10-year government bond yields moved 3 basis points lower overnight to 1.69%. Australian 10-year government bond yields were down 4 basis points, falling to 1.76%. Have bond markets concluded that inflation will not be a major threat? Shorter-term yields were mostly steady.

China's policy makers appear content with the current level of official interest rates; low enough to support recovery but not excessively low so as to inflame financial risks. Chinese Loan Prime Rates were held steady in March for an 11th month in a row.

**Foreign Exchange:** The US dollar index was marginally weaker and the AUD firmed.

**Commodities:** Oil edged higher on Monday as investors looked past the uneven demand recovery

around the world following crude's worst weekly decline since October last year. Copper was firmer but iron ore continues to edge down from its recent highs.

**Australia:** No major data released but heavy rain and flooding are disrupting activity along the Eastern seaboard.

**Europe:** The Eurozone current account surplus fell from €36.7bn in January to €30.5bn in February. The surplus had risen from a low of €10bn in April last year.

**New Zealand:** Prime Minister Jacinda Ardern says a date for the commencement of a quarantine-free travel corridor between New Zealand and Australia will be announced on April 6.

The New Zealand government has extended support to the aviation sector to the end of October 2021 to help keep the country connected with trade partners and maintain international passenger services.

**United States:** February Existing Home Sales fell more than anticipated to an annual rate of 6.22mn against 6.66mn in January. The National Association of Realtors believe the decline reflects a shortage of supply and that demand remains strong. They noted that rising US mortgage interest rates will impact affordability and so slow down growth in sales in coming months. By their measure, the

median house price is now up 15.8% on a year earlier and inventory is at a record low of 1.03mn units with properties selling in 20 days, a record low.

The Chicago Fed National Activity Index slipped backwards in February, the first decline since April 2020. The index aggregates 85 individual measures of activity. In February 34 indicators made positive contributions while 51 made negative contributions. Seasonally poor weather in parts of the US is thought to lay behind the overall decline in the index.

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

UK ILO Unemploy Rate Jan exp 5.2% prev 5.1% (6:00pm)

US New Home Sales Feb exp 6.50mn prev 6.69mn (1:00am)

US Richmond Fed Index Mar exp 15 prev 14 (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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