

Morning Report

Wednesday, 24 February 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,839	0.9%			Last	Overnight Chg		Australia		
US Dow Jones	31,498	-0.1%	10 yr bond	98.38				90 day BBSW	0.01	0.00
Japan Nikkei	30,156	Closed	3 yr bond	99.74				2 year bond	0.12	0.00
China Shanghai	3,812	-0.2%	3 mth bill rate	99.99				3 year bond	0.13	0.00
German DAX	13,865	-0.6%	SPI 200	6,772.0				3 year swap	0.24	-0.04
UK FTSE100	6,626	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.56	-0.04
Commodities (close & change)*			TWI	64.8	-	-	65.0	United States		
CRB Index	192.5	-0.1	AUD/USD	0.7915	0.7935	0.7880	0.7911	3-month T Bill	0.02	-0.01
Gold	1,804.29	-5.4	AUD/JPY	83.17	83.33	82.92	83.32	2 year bond	0.11	0.00
Copper	9,111.00	187.3	AUD/GBP	0.5628	0.5635	0.5603	0.5607	10 year bond	1.36	-0.01
Oil (WTI)	61.86	0.2	AUD/NZD	1.0803	1.0828	1.0776	1.0779	Other (10 year yields)		
Coal (thermal)	76.15	-0.8	AUD/EUR	0.6513	0.6517	0.6493	0.6514	Germany	-0.32	0.02
Coal (coking)	146.80	1.1	AUD/CNH	5.1191	5.1237	5.1021	5.1112	Japan	0.13	Closed
Iron Ore	169.04	-2.5	USD Index	90.1	90.26	89.94	90.1	UK	0.72	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: Markets were soothed by comments from Fed Chair Powell which made it clear that the central bank is nowhere close to tapering QE.

Share Markets: Stocks were mixed overnight. In the US, equities initially declined before paring losses after Fed Chair Powell's comments. The Dow closed little changed although tech stocks extended their falls. This follows concerns the rally had gotten out of hand amid a potential rebound in inflation.

In Europe, the Dax declined by 0.6% while the FTSE was up 0.2%.

The ASX200 increased by 0.9%. Futures point to a weak open.

Interest Rates: Yields were rangebound. The yield on 10-year US Treasuries declined by 1 basis point to 1.36%. Australian 10-year government bond yields declined by 4 basis points to 1.56%.

Foreign Exchange: The AUD/USD pair slipped from 0.7915 to 0.7880 before consolidating to 0.7911. The US dollar index finished largely unchanged.

Commodities: West Texas Intermediate crude oil was flat alongside comments from the International Energy Agency that oil demand was likely to remain weak this year. Gold and iron ore edged lower. Copper firmed.

COVID-19: Boris Johnson said he is 'very optimistic' for the UK to fully reopen by June 21.

Australia: Australia recorded a trade surplus of

\$8.8bn in January. Import of goods fell 10%, while exports fell 9%. Exports of iron ore remain at near record highs while exports of coal and meat were down in the month. Imports of cars and industrial machinery fell in January.

Apart from a few outlying months, Australia has achieved trade surpluses since the end of 2016.

New Zealand: Retail spending fell 2.7% in the December quarter. That followed a massive 28% rise in Q3 after the economy exited lockdown. In the bigger picture, spending remains firm.

China: House prices in China's 70 major cities rose 0.3% in January following a 0.1% rise in December. Over the 12 months to January, prices have risen 3.7%. The increase comes despite moves by the authorities to curb house price growth. As in Australia, a relative shortage of supply has been contributing towards the increase in prices.

United Kingdom: The ILO unemployment rate rose to 5.1% in the three months to December, from 5% in November. The print was in line with expectations.

Chancellor Sunak suggested support for companies and workers will extend beyond the end of lockdown as he prepares to announce his budget in early March. Bloomberg has forecast unemployment may peak at 7.5% next quarter if the furlough scheme ends as scheduled.

United States: Markets were focused on Fed Chair

Powell's testimony before the Senate Banking Committee. The key takeaway was that Powell gave absolutely no indication that the Fed is thinking about changing its policy stance. He noted the economy remains a long way from the Fed's employment and inflation goals. It was reiterated that the central bank remains committed to the current level of accommodation and asset purchases and any shift in policy would be signalled well in advance. He played down concerns over an inflationary outbreak, noting any inflationary pressures due to further fiscal stimulus or pent-up demand were likely to be transitory.

Conference Board consumer confidence increased to 91.3 in February, up from 89.3, alongside a loosening of restrictions in California. The Richmond Fed manufacturing index was solid, unchanged at 14, although slightly weaker than expected.

Housing data continued to underscore strength in the sector into end of last year. The FHFA house price index gained 1.1% in the month while Corelogic prices rose 1.25% in the month, or 10.1% in year-ended terms.

Today's key data and events:

AU Construction Work Done Q4 exp 0.7% prev -2.6%
(11:30am)

Wage Price Index Q4 (11:30am)

q/q exp 0.3% prev 0.1%

y/y exp 1.1% prev 1.4%

NZ RBNZ OCR Decision prev 0.25% (12pm)

US New Home Sales Jan exp 1.5% prev 1.6% (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.

Matthew Bunny, Economist
Ph: 02-8254-0023

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Senior Economist

Hans Kunnen
hans.kunnen@banksa.com.au
(02) 8254 1316

Economist

Matthew Bunny
matthew.bunny@banksa.com.au
(02) 8254 0023

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