

# Morning Report

Wednesday, 24 March 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	6,745	-0.1%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>			
US Dow Jones	32,422	-0.9%	10 yr bond		98.27	0.03		90 day BBSW	0.03	0.00	
Japan Nikkei	28,996	-0.6%	3 yr bond		99.75	0.02		2 year bond	0.09	0.00	
China Shanghai	3,576	-0.9%	3 mth bill rate		99.96	0.00		3 year bond	0.11	0.00	
German DAX	14,662	0.0%	SPI 200		6,715.0	-2		3 year swap	0.29	-0.02	
UK FTSE100	6,699	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.73	-0.03	
<b>Commodities (close &amp; change)*</b>			TWI		64.3	-	-	64.1	<b>United States</b>		
CRB Index	184.5	-4.6	AUD/USD		0.7744	0.7750	0.7624	0.7626	3-month T Bill	0.01	0.01
Gold	1,727.84	-11.2	AUD/JPY		84.28	84.35	82.77	82.80	2 year bond	0.14	0.00
Copper	9,123.75	47.5	AUD/GBP		0.5584	0.5592	0.5545	0.5547	10 year bond	1.62	-0.08
Oil (WTI)	57.47	-4.1	AUD/NZD		1.0814	1.0938	1.0807	1.0899	<b>Other (10 year yields)</b>		
Coal (thermal)	91.20	-3.6	AUD/EUR		0.6489	0.6495	0.6435	0.6438	Germany	-0.34	-0.03
Coal (coking)	113.00	0.0	AUD/CNH		5.0389	5.0428	4.9700	4.9715	Japan	0.08	0.00
Iron Ore	155.10	3.9	USD Index		91.8	92.3	91.8	92.3	UK	0.76	-0.05

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:** Risk appetite was stifled by news of further lockdowns in Europe. Equities are down, oil fell and the US dollar strengthened.

**Share Markets:** In the US, stocks fell amid concerns that rising virus cases and new restrictions in Germany could signal a delay in the global reopening. The Dow declined 0.9%. Companies that would benefit from an end to lockdowns, like travel-related stocks, fared the worst.

In Europe, the Dax was little changed while the FTSE slumped 0.4%.

The ASX 200 ticked down 0.1%. Futures point to a soft open.

**Interest Rates:** The yield on 10-year US Treasuries declined 8 basis points to 1.62% after Fed Chair Powell continued to downplay the risk that economic growth could see inflation overheating. Pent-up demand, supply-chain bottlenecks and base effects will push inflation higher. However, the Fed has emphasised that the impact on inflation won't be particularly large or persistent.

The Australian 10-year bond yield declined 3 basis points to 1.73%, around 20 basis points below its peak in late February.

**Foreign Exchange:** The AUD/USD pair steadily declined from 0.7744 to 0.7626 as the deterioration in risk appetite saw the US dollar strengthen.

**Commodities:** The price of West Texas Intermediate crude oil dropped below \$60 a barrel as headwinds

to the global reopening contributed to building worries around weaker global oil demand. Concerns the market is oversupplied also weighed.

**COVID-19:** German Chancellor Merkel announced a hard five-day lockdown over Easter as the country battles rising coronavirus infections. Germany's general lockdown measures will also be extended to April 18. The country has been under various levels of restrictions since mid-December.

**Australia:** Rain has eased in areas of the east coast hardest hit by floods, although water levels are yet to peak in some areas, according to the Bureau of Meteorology. The floods have caused widespread disruptions to activity, hampering coal production, freight and logistics services, and the agricultural sector.

**New Zealand:** New Zealand has introduced measures to cool its booming housing market. Investors will no longer be allowed to claim loan interest payments as a tax deduction. Also, the period that investors are required to hold a property to avoid paying capital gains tax, upon sale of the property, has been lifted from 5 to 10 years. These changes are in addition to recent macro-prudential rules that placed limits on new lending at certain loan to valuation ratios.

**United Kingdom:** The UK labour market showed moderate signs of improvement in January, with the unemployment rate inching down to 5.0% from

5.1%. The marginal progress could signal a turnaround after a lacklustre few months which saw large drops in employment and high rates of redundancies.

**United States:** US new home sales fell by more than expected to 775k in February from 923k in January. Existing home sales also declined to 6.2 million from 6.7 million in the month. The weak result was pinned on extreme weather conditions as freezing temperatures limited foot traffic. Housing demand is also being constrained by elevated prices and rising mortgage rates.

The Richmond Fed's manufacturing index rose to 17 from 14 in March. This is well above average levels. The index is based on a survey of mid-Atlantic region factories, where a positive reading signals an expansion.

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

NZ Trade Bal Feb exp \$NZ181mn prev \$NZ-626mn (8:45am)

UK CPI Feb exp 0.5% prev -0.2% (6:00pm)

EZ Markit Services PMI Mar exp 46.0 prev 45.7 (8:00pm)

US Durable Goods Ord Feb exp 0.6% prev 3.4% (11:30pm)

US Markit Manufact PMI exp 59.5 prev 58.6 Mar (12:45am)

US Markit Services PMI Mar exp 60.1 prev 59.8 (12:45am)

EZ Consumer Confidence Mar exp -14.5 prev -14.8 (2:00am)

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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