

# Morning Report

Wednesday, 27 January 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,825	closed	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	30,938	-0.1%	10 yr bond	98.92	-0.02			90 day BBSW	0.01	closed
Japan Nikkei	28,546	-1.0%	3 yr bond	99.82	0.00			2 year bond	0.10	closed
China Shanghai	3,742	-1.5%	3 mth bill rate	99.98	-0.01			3 year bond	0.11	closed
German DAX	13,871	1.7%	SPI 200	6,743.0	-27			3 year swap	0.16	closed
UK FTSE100	6,654	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.11	closed
<b>Commodities (close &amp; change)*</b>			TWI	63.6	-	-	63.6	<b>United States</b>		
CRB Index	175.4	1.0	AUD/USD	0.7710	0.7754	0.7669	0.7751	3-month T Bill	0.07	-0.01
Gold	1,855.93	0.3	AUD/JPY	80.00	80.35	79.61	80.30	2 year bond	0.12	0.01
Copper	8,011.75	39.8	AUD/GBP	0.5640	0.5654	0.5628	0.5641	10 year bond	1.04	0.01
Oil (WTI)	52.50	-0.3	AUD/NZD	1.0712	1.0755	1.0682	1.0702	<b>Other (10 year yields)</b>		
Coal (thermal)	86.00	1.5	AUD/EUR	0.6350	0.6373	0.6331	0.6369	Germany	-0.53	0.02
Coal (coking)	149.70	6.1	AUD/CNH	5.0050	5.0228	4.9764	5.0153	Japan	0.04	-0.01
Iron Ore	162.09	-3.8	USD Index	90.4	90.6	90.1	90.2	UK	0.27	0.00

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:** The IMF has upgraded its global growth forecasts, the S&P500 hit an intraday high but the US is still struggling to stitch together an economic aid package.

**Share Markets:** US markets were a touch weaker overnight. The Dow fell 0.1%, the S&P500 was flat after reaching a new record high during the session and the Nasdaq fell 0.1%. The US continues to move through its corporate earnings reporting season.

Markets in Europe were firmer. The FTSE100 was up 0.2% and the Dax rose a solid 1.7%

**Interest Rates:** Interest rate markets remain subdued. Australian markets were closed for the public holiday while in the US, 10-year government bond yields edged up 1 basis point to 1.04%. Their Australian equivalent sits a 1.11%. The yield curves in the US and Australia are expected to steepen as economic growth picks up in 2021.

**Foreign Exchange:** The US dollar index is down 0.2% on the day to 90.2. The AUD moved up to \$US0.7751 and the NZD was also firmer against the USD. AUD/NZD extended its decline from 1.0712 to 1.0702

**Commodities:** Iron ore dipped but remains above \$US160 per metric tonne. Oil slipped while gold was marginally higher. The stronger IMF global growth forecasts suggest commodity prices can retain their

current levels.

The IMF raised its forecast for global GDP growth in 2021, from 5.2% to 5.5%, citing COVID-19 vaccinations and additional fiscal stimulus as offsets to the resurgent pandemic. Geographically, the US was upgraded vs downgrades in the euro area and UK.

**COVID-19:** The UK passed the grim landmark of 100,000 COVID-19 deaths. The world passed 100m infections.

Pfizer has said that it will be able to supply the US with 200 million COVID-19 vaccine doses by the end of May, two months earlier than previously expected.

**Australia:** There was no data released yesterday being a public holiday.

**Europe:** Italy's PM Conte has resigned. There is now a period in which Conte or other political leaders will seek to form alternative coalitions. The consensus is to try to avoid elections during the pandemic crisis.

**New Zealand:** The performance of services index deteriorated to 46.2 in December, from 49.2 in November.

**United Kingdom:** UK's labour data for November proved to be 'less weak' than feared during the pre-Christmas COVID-19 restrictions. The

unemployment rate edged up to 5.0% from 4.9% in October. Expectations had been for a higher rate of unemployment.

**United States:** The US Conference Board's consumer confidence index rose to 89.3 from a 4-month low of 87.1 in December. The gain was due to a rise in the expectations component to 92.5 from 87.0. The present situations component fell to an 8-month low of 84.4. The outcome likely reflects stimulus spending and vaccine distributions.

The Richmond Fed manufacturing survey fell 5 points to 14 but remains in expansionary territory (since July).

The Federal Housing Finance Agency (FHFA) measure of house prices rose 1.0% in November following a 1.5% rise in October. This was a touch lower than the CoreLogic 20-city measure which rose 1.4% in November for year on year growth of 9.1%.

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

AU Consumer Price Index Q2 (11:30am)

Headline q/q exp 0.7% prev 0.7%

Headline y/y exp 0.7% prev 1.6%

Trimmed Mean q/q 0.3% prev 0.4%

Trimmed Mean y/y 1.1% prev 1.2%

Weighted Median q/q 0.3% prev 0.3%

Weighted Median y/y 1.2% prev 1.3%

CH Industrial Profits Dec y/y prev 15.5% (12:30pm)

US Durable Goods Orders Dec exp 1.0% prev 1.0% (12:30am)

US FOMC Meeting (6am)

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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