

Morning Report

Friday, 28 January 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,838	-1.8%	Last		Overnight Chg			Australia		
US Dow Jones	34,161	0.0%	10 yr bond	98.00	0.05			90 day BBSW	0.08	0.01
Japan Nikkei	26,170	-3.1%	3 yr bond	98.48	0.01			2 year bond	0.99	0.07
China Shanghai	3,557	-1.8%	3 mth bill rate	99.80	0.01			3 year bond	1.47	0.07
German DAX	15,524	0.4%	SPI 200	6,810.0	101			3 year swap	1.62	-0.02
UK FTSE100	7,554	1.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.02	0.08
Commodities (close & change)*			TWI	59.9	-	-	59.8	United States		
CRB Index	250.9	-1.0	AUD/USD	0.7112	0.7121	0.7024	0.7030	3-month T Bill	0.19	-0.01
Gold	1,795.93	-52.1	AUD/JPY	81.54	81.76	80.92	81.10	2 year bond	1.19	0.04
Copper	9,955.50	122.8	AUD/GBP	0.5284	0.5293	0.5251	0.5254	10 year bond	1.81	-0.06
Oil (WTI futures)	87.01	-0.3	AUD/NZD	1.0696	1.0721	1.0680	1.0689	Other (10 year yields)		
Coal (thermal)	188.25	-6.3	AUD/EUR	0.6328	0.6352	0.6296	0.6308	Germany	-0.06	0.02
Coal (coking)	409.50	0.0	AUD/CNH	4.5075	4.5194	4.4738	4.4764	Japan	0.16	0.02
Iron Ore	139.30	1.7	USD Index	96.48	97.29	96.46	97.23	UK	1.23	0.03

Data as at 8:00am AEDT. Change from previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

Main Themes: Markets continued to digest yesterday's signal from the Fed that it would start hiking rates in March. US equities declined slightly, the US dollar strengthened, and the yield curve flattened.

Share Markets: The S&P 500 closed down 0.4% and the Nasdaq fell 1.4%. The Dow finished unchanged.

The ASX 200 fell 1.8%, to land 10.3% below its peak in early January. However, futures are pointing to a strong open this morning.

Interest Rates: The US yield curve flattened overnight. The US 2-year treasury yield jumped 4 basis points to 1.19%, while the 10-year yield fell 6 basis points to 1.81%.

The Australian 3-year government bond yield (futures) traded from a high of 1.55% to a low of 1.51%. The 10-year government bond yield (futures) eased from 2.06% to 1.89%.

Foreign Exchange: The AUD was sold off overnight, falling from a high of 0.7121 to a low of 0.7024. The AUD/USD pair broke through the 0.7090 support level after testing the support twice in the past 4 days.

The USD dollar strengthened, the DXY increasing to an 18-month high of 97.3, from a low of 96.5.

Commodities: The price of oil pulled back from recent highs. Gold also eased, while iron ore and natural gas climbed.

Australia: Export prices jumped 3.5% in the

December quarter, driven by strong global commodity demand. Import prices surged 5.8% over the same period, the fastest quarterly pace in more than 8 years. The surge in import prices was underpinned by a 14.6% increase in petroleum prices, as global oil demand continued to outstrip supply.

The six-month annualised growth rate in the Westpac-Melbourne Institute leading index rose to -0.15% in December. The index indicates the likely pace of economic activity relative to trend for three to nine months ahead.

New Zealand: Annual inflation accelerated to its fastest pace in more than 31 years. The consumer price index (CPI) increased at a brisk 1.4% in the December quarter, pushing the annual pace up to 5.9% - the highest level since 1990.

United States: Economic output surprised to the upside in the December quarter. Annualised GDP increased 6.9% in Q4, beating market expectations of a 5.5% rise. Output is growing at the fastest annual pace since September 2020.

Durable goods orders pulled back for the first time in three months in December. Orders dropped 0.9% according to preliminary estimates. This follows a revised 3.2% increase in orders in November and is a signal that capital investment stalled at the end of the December quarter.

Core personal consumption expenditure (PCE),

which excludes food and energy, jumped 4.9% in the December quarter in annualised terms. This is up from 4.6% in the previous quarter. The inflation measure is closely watched by the Fed.

Pending homes sales dropped 3.8% in December, the largest fall since April 2021. The decline in sales has been driven by diminishing housing supply and an increase in borrowing rates which has pushed away marginal buyers.

Manufacturing activity picked up in January according to the Kansas City Fed Index. The index rose to 24 in January, while the December figure was revised down to 22. A lift in employment offset a decline in new orders and drove the increase.

Today's key data and events:

NZ ANZ Consumer Confidence Jan prev 1.8% (8am)
AU PPI Q4 q/q prev 1.1% (11:30am)
EZ M3 Money Supply Dec y/y exp 6.8% prev 7.3% (8pm)
EZ Economic Confidence Jan exp 114.5 prev 115.3 (9pm)
EZ Consumer Confidence Jan Final prev -8.5 (9pm)
US Employ. Cost Index Q4 exp 1.2% prev 1.3% (12:30am)
US Personal Income Dec exp 0.5% prev 0.4% (12:30am)
US Personal Spending Dec exp -0.6% prev 0.6% (12:30am)
US PCE Core Deflator Dec exp 0.5% prev 0.5% (12:30am)
US UoM Cons. Sent. Jan Final exp 68.7 prev 68.8 (2am)
CH Mfg PMI exp 50.0 prev 50.3 (30 Jan 12:30am)
CH Non-Mfg PMI exp 50.5 prev 52.7 (30 Jan 12:30am)
CH Caixin Mfg PMI Dec exp 50.0 prev 50.9 (30 Jan 12:45am)

Times are AEDT. 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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