

Friday, 29 January 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,650	-1.9%			Last	Overnight Chg		Australia		
US Dow Jones	30,603	1.0%	10 yr bond	98.89			-0.03	90 day BBSW	0.01	0.00
Japan Nikkei	28,197	-1.5%	3 yr bond	99.83			0.00	2 year bond	0.10	0.00
China Shanghai	3,674	-1.9%	3 mth bill rate	99.98			-0.01	3 year bond	0.11	0.00
German DAX	13,666	0.3%	SPI 200	6,659.0			69	3 year swap	0.15	0.00
UK FTSE100	6,526	-0.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.11	0.03
Commodities (close & change)*			TWI	63.6	-	-	62.9	United States		
CRB Index	174.3	-1.0	AUD/USD	0.7651	0.7698	0.7592	0.7677	3-month T Bill	0.05	-0.01
Gold	1,842.69	-1.3	AUD/JPY	79.72	80.24	79.20	80.04	2 year bond	0.12	0.00
Copper	7,882.15	55.4	AUD/GBP	0.5595	0.5602	0.5565	0.5594	10 year bond	1.04	0.03
Oil (WTI)	52.22	-0.6	AUD/NZD	1.0697	1.0713	1.0673	1.0701	Other (10 year yields)		
Coal (thermal)	89.00	0.1	AUD/EUR	0.6325	0.6344	0.6271	0.6333	Germany	-0.54	0.01
Coal (coking)	120.40	0.4	AUD/CNH	4.9720	4.9818	4.9290	4.9711	Japan	0.04	-0.01
Iron Ore	153.90	-9.1	USD Index	90.7	90.9	90.4	90.6	UK	0.29	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: Retail-trading restrictions dominated markets overnight with the move drawing criticisms from some investors and politicians.

Share Markets: Online US brokers curbed trading by retail investors on several highly popular but volatile stocks. These stocks had recently been affected by large-scale short squeezes.

The move has drawn criticism from some users and politicians. The brokers included large brokers such as Schwab and Robinhood and the shares included GameStop, AMC and Blackberry.

US share markets roared back from their worst sell off in three months after the imposition of these retail-trading restrictions. The return of hedge funds that had recently been forced to abandon trading positions returned helped share markets move higher.

The S&P 500 index added 37 points (or +1.0%), the Dow increased 300 points (or +1.0%) and the Nasdaq ended 67 points higher (or +0.5%).

Interest Rates: The improvement in sentiment towards riskier assets like shares helped lift global bond yields. The US yield curve steepened with a 3 basis-point lift in the US 10-year yield and the 2-year bond yield remaining unchanged on the day.

Foreign Exchange: The Australian dollar appreciated against the US dollar, as US equity markets rallied. The AUD/USD lifted from an

overnight low of 0.7592 to an overnight high of 0.7698, but remains within its recent trading range.

Commodities: Oil and gold both fell.

Australia: Export prices rose 5.5% in the December quarter. The increase was driven primarily by an 11.5% rise in iron ore and scrap metal prices. Import prices fell 1.0% over the same period, with pharmaceutical prices down 3.3%. Over the course of 2020, export prices rose 0.3% while import prices fell 7.3%.

Europe: Several confidence measures were released last night. Services and industrial confidence deteriorated. Consumer confidence stayed the same while economic confidence improved.

New Zealand: The trade surplus in December was lower than expected at \$17 million. The market's expectation was for a surplus of \$800 million. The December monthly surplus narrowed as imports rose 4.2% while exports fell 2.7%. The twelve-month surplus fell back from its record level of \$3.3 billion in November 2020 to \$2.9 billion in December. This is still the second highest 12-month surplus on record.

United States: The US economy grew more slowly than forecast in the fourth quarter. GDP rose at an annualised rate of 4.0% in the December quarter compared to the consensus forecast for a 4.2%

pace. The outcome was also well below the post-lockdown surge of 33.4% recorded in the September quarter.

The outcome was a touch below consensus forecasts. For 2020 as a whole, GDP fell by 3.5% from the prior year. This decline was the worst since 1946. It was also the first decline since 2009.

The biggest contributor of US economic growth – the consumer – grew at a soft pace of 2.5% in the December quarter. This rate is a sharp deceleration from the record 41.0% increase in the September quarter.

The Kansas City Federal index rose three points to 17 in January. New orders and employment recorded improvements during the month. It suggests an improvement in manufacturing activity is ahead in coming months.

Initial jobless claims fell by 67k to 847k last week, but the previous week's result of 914k was revised upward by 14k. Initial jobless claims continue to run at an elevated level, suggesting the job recovery in the US will be slow. The pace of recovery could change, depending on the success of the vaccines and its rollout.

New home sales rose 1.6% in December, after a downwardly revised fall of 12.6% in November. The rebound in new home sales was less than consensus had anticipated. New home sales remain at a high level. On an annual basis, new home sales were up 15.2%.

Today's key data and events:

AU PPI Q4 prev 0.4% (11:30am)
AU Private Sector Credit Dec exp 0.2% prev 0.1% (11:30am)
CH Manuf. PMI Jan exp 51.5 prev 51.9 (12pm Sun 31 Jan)
CH Non Mfg PMI Jan exp 55.0 prev 55.7 (12pm Sun 31 Jan)
US Personal Income Dec exp 0.1% prev -1.1% (12:30am)
US Personal Spending Dec exp -0.4% prev -0.4% (12:30am)
US PCE Core inflation exp 1.2% prev 3.5% Dec (12:30am)
US Employ. Cost Index Q4 exp 0.5% prev 0.5% (12:30am)
US Pending Home Sales Dec exp -0.5% prev -2.6% (2am)
US UoM Cons. Sentiment Jan final exp 79.2 prev 79.2 (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.

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