

# Morning Report

Wednesday, 3 February 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,763	1.5%	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	30,688	1.6%	10 yr bond	98.84	0.00			90 day BBSW	0.01	0.00
Japan Nikkei	28,362	1.0%	3 yr bond	99.82	0.00			2 year bond	0.11	0.01
China Shanghai	3,704	0.8%	3 mth bill rate	99.99	0.00			3 year bond	0.11	0.00
German DAX	13,835	1.6%	SPI 200	6,748.0	60			3 year swap	0.15	-0.01
UK FTSE100	6,517	0.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.15	0.00
<b>Commodities (close &amp; change)*</b>			TWI	63.0	-	-	62.8	<b>United States</b>		
CRB Index	178.0	0.8	AUD/USD	0.7624	0.7662	0.7564	0.7597	3-month T Bill	0.05	-0.01
Gold	1,835.74	-25.0	AUD/JPY	80.02	80.37	79.54	79.79	2 year bond	0.11	0.01
Copper	7,784.50	-18.1	AUD/GBP	0.5581	0.5594	0.5551	0.5562	10 year bond	1.10	0.02
Oil (WTI)	54.80	1.3	AUD/NZD	1.0652	1.0678	1.0595	1.0612	<b>Other (10 year yields)</b>		
Coal (thermal)	85.00	-0.7	AUD/EUR	0.6321	0.6340	0.6290	0.6311	Germany	-0.49	0.03
Coal (coking)	152.05	-0.3	AUD/CNH	4.9366	4.9528	4.8879	4.9062	Japan	0.05	-0.01
Iron Ore	144.37	-6.7	USD Index	91.0	91.3	90.8	91.1	UK	0.35	0.03

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 'rebellion' losses steam and money. Silver tarnished. US dollar gains.

**Share Markets:** The US retail led, anti-short seller 'rebellion' lost steam for a second day. The popular shorted stocks saw heavy losses overnight following their spectacular gains of last week. The Dow gained 476 points or 1.6%, the S&P500 rose 1.7% and the Nasdaq was up 1.6% as the US earnings season continues to unfold.

In Europe, markets were also positive, the FTSE gaining 0.8% and the Dax up 1.6%.

The ASX200 rose 100 points or 1.5% to 6763. Investors were encouraged by the RBA's stance on low interest rates, especially their efforts to keep longer-term yields at historically low levels.

SPI200 futures are up 54 points suggesting a strong start to the day.

**Interest Rates:** The RBA announced a \$100bn extension to its bond purchase or quantitative easing (QE) program. When the current program ends in mid-April, the RBA intends to purchase \$5bn worth of bonds per week. This should see the program extended until around September.

The RBA kept its cash, and its 3-year bond yield target rates on hold at 0.10% and does not expect lift its cash rate until at least 2024.

The RBA announcement extracted minimal reaction

in interest rates markets. 2-year government bond yields rose 1 basis point to 0.11% while 3-year swap yields fell 1 basis point 0.15%.

US markets were similarly subdued. US 10-year government bond yields rose 2 basis points to 1.10%. This compares to Australian 10-year yields at 1.15%.

**Foreign Exchange:** The AUD dipped on the extension of the RBA's bond purchase program and slipped further overnight as the US dollar lifted. The AUD hit a low of \$US0.7564 overnight but gained ground in late overnight trade.

**Commodities:** Silver fell 8.6% having risen 9.7% in the previous two days. Oil pushed higher but gold, copper and iron were down in US dollar terms as the USD strengthened.

**Australia:** Payroll jobs, reported to the ABS via the ATO 'single touch' payroll system, lifted in the two weeks to 16<sup>th</sup> January. Firms with under 20 employees remain the weakest sector, in terms of job losses since mid-March, with payroll jobs down 8.4%. This was an improvement on the 9.8% shortfall reported in early January.

**Europe:** The euro-area economy shrank 0.7% in the December quarter on the back of measures to curb the spread of COVID-19. This followed a 12.4% bounce in the previous quarter. The Eurozone economy contracted 5.1% in the year to December.

**New Zealand:** House prices in New Zealand rose 12.8% in the 12 months to January 2021 according to CoreLogic. Prices have been spurred on by historically low interest rates.

**United Kingdom:** House prices in the UK slipped 0.3% in January but are still up 6.4% on a year earlier. This was down from the 7.3% gain in the 12 months to December.

**United States:** Fed FOMC member (non-voting) Robert Kaplan warned in a speech that the US would see sluggish Q1 GDP growth. He expressed the view that “the US isn’t out of the woods by a long shot.”

**Today’s key data and events:**

AU Building Approvals Dec exp 7.5% prev 2.6% (11:30am)

AU RBA Governor Lowe speaking (12:30pm)

CH Caixin Services PMI Jan exp 54.8 prev 56.3 (12:45pm)

EZCPI Jan y/y prev -0.3% (9:00pm)

NZ Private Wages Q4 prev 0.4% (8:45am)

NZ Employment Q4 prev -0.8% (8:45am)

NZ Unemployment Rate Q4 prev 5.3% (8:45am)

US ADP Emp. Ch Jan exp 75k prev -123k (12:15am)

US ISM Non-Mfg Jan exp 56.9 prev 57.2 (2am)

US Fed's Bullard (5am) and Harker (6am) speaking

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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