

# Morning Report

Thursday, 4 March 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,818	0.8%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	31,431	0.1%	10 yr bond	98.25			-0.08	90 day BBSW	0.03	0.00
Japan Nikkei	29,559	0.5%	3 yr bond	99.68			-0.03	2 year bond	0.11	0.00
China Shanghai	3,749	1.9%	3 mth bill rate	99.97			0.00	3 year bond	0.12	0.00
German DAX	14,080	0.3%	SPI 200	6,760.0			-19	3 year swap	0.33	0.05
UK FTSE100	6,675	0.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.68	-0.05
<b>Commodities (close &amp; change)*</b>			TWI	64.1	-	-	64.6	<b>United States</b>		
CRB Index	190.3	0.3	AUD/USD	0.7828	0.7838	0.7771	0.7793	3-month T Bill	0.03	0.00
Gold	1,716.65	-21.7	AUD/JPY	83.56	83.76	83.13	83.37	2 year bond	0.14	0.02
Copper	9,120.75	-74.5	AUD/GBP	0.5605	0.5615	0.5571	0.5581	10 year bond	1.47	0.07
Oil (WTI)	61.39	1.6	AUD/NZD	1.0723	1.0756	1.0722	1.0748	<b>Other (10 year yields)</b>		
Coal (thermal)	85.50	0.6	AUD/EUR	0.6475	0.6484	0.6447	0.6458	Germany	-0.29	0.06
Coal (coking)	126.75	-3.9	AUD/CNH	5.0666	5.0732	5.0344	5.0476	Japan	0.12	-0.01
Iron Ore	170.00	1.2	USD Index	90.8	91.1	90.6	90.9	UK	0.78	0.09

Data as at 6:15am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** US government bond yields moved higher, US share investors grappled with worries about share valuations and US economic data disappointed market expectations.

**Share Markets:** US government bond yields rose overnight and dragged most share market indices lower, as stock traders grappled with concern over stretched equity valuations. Weaker-than-expected US economic data also weighed on valuations. The S&P 500 index at the time of writing this report is down 23 points (or -0.6%) and the Nasdaq is off 303 points (or -2.3%). However, the narrower share market index, the Dow Jones, is currently 26 points higher (or +0.1%).

**Interest Rates:** US government bond yields rose overnight with the 2-year yield up 2 basis points at the time of writing and the 10-year yield 7 basis points firmer.

**Foreign Exchange:** The Australian dollar stuck to a tight range of 0.7820-0.7840 against the US dollar during much of the European trading session overnight. In New York, the AUD/USD lost ground falling to an overnight low of 0.7702 before recovering the 0.7800 handle.

**Commodities:** Oil prices jumped overnight after a US government report showed a record drop in domestic gasoline inventories in the aftermath of a deep freeze that shuttered refineries in the US

South. An OPEC meeting is due tonight.

**Australia:** GDP rose by 3.1% in the December quarter, beating consensus expectations and leaving growth for 2020 down just 1.1%. Economic activity was aided by the easing of restrictions and Victoria emerging from its second lockdown.

Households are dipping into their large saving buffers accumulated over the year, which is helping to boost spending. The household saving ratio declined to 12.0% from 18.7% in the previous quarter, also partly due to a decline in household incomes as government support began tapering.

Business investment came back to the table - driven by tax incentives, lifting 2.6% in the December quarter, after declining for the previous six quarters.

All states and territories recorded growth in the December quarter with Victoria exploding out the blocks with its strongest quarterly growth on record.

The AiG Performance of Construction index slipped marginally to 57.4 in February, from 57.6 in January. The index remains firmly in growth mode.

Payroll jobs in mid February were 0.5% lower than a year earlier, according to figures released by the Australian Bureau of Statistics in conjunction with the ATO. Payroll jobs in mid February 2021 remained 1.3% below the start of the pandemic.

**China:** The Caixin services purchasing managers' index (PMI) fell to 51.5 in February. The index has fallen steadily since hitting 57.8 in November. While the index is still above 50, its trend suggests activity in the Chinese services sector could be modest in the first half of 2021.

**Eurozone:** Producer prices jumped 1.4% in February but were flat in year-on-year terms.

**New Zealand:** Building permits continued to climb higher in January; residential permits lifted 2.1%. Annual residential permit or consent numbers are at their highest level since 1974 and a period of very strong home building is on the cards over 2021. A lift in construction is expected to ease housing shortages, especially in Auckland.

**United Kingdom:** The UK Budget was handed down overnight and it was nothing short of extraordinary for its largesse and the desire of the government to continue to throw a huge amount of money at those businesses and individuals impacted by Covid-19.

**United States:** Employment rose 117k in February, according to the ADP report. It was below consensus forecasts and follows from a lift of 195k in January.

The ISM services index also missed consensus expectations. The index deteriorated to 55.3 in February, from 58.7 in January.

The Beige Book provides a summary of the current economic conditions across the 12 Federal Reserve districts. The latest Beige Book indicated that economic activity expanded modestly from January to mid February for most districts. Moreover, most businesses remain optimistic regarding the next six to twelve months as COVID-19 vaccines become more widely distributed.

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

AU Retail Sales Jan Final exp 0.6% prev -4.1% (11:30am)  
 AU Trade Balance Jan exp \$8.3bn prev \$67.8bn (11:30am)  
 EZ Unemployment Rate Jan exp 8.3% prev 8.3% (9:00pm)  
 EZ Retail Sales Jan exp -1.4% prev 2.0% (9:00pm)  
 Challenger Job Cuts Feb y/y prev 17.4% (11:30pm)  
 US Factory Orders Jan exp 2.1% prev 1.1% (2:00am)  
 US Durable Goods Orders Jan Final exp 1.4% prev 1.4% (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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