

Friday, 10 December 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,384	-0.3%			Last	Overnight Chg		Australia		
US Dow Jones	35,755	0.0%	10 yr bond	98.35			0.03	90 day BBSW	0.06	0.01
Japan Nikkei	28,725	-0.5%	3 yr bond	98.91			0.04	2 year bond	0.66	-0.02
China Shanghai	3,850	1.0%	3 mth bill rate	99.84			-0.01	3 year bond	0.95	-0.01
German DAX	15,639	-0.3%	SPI 200	7,369.0			-9	3 year swap	1.27	-0.08
UK FTSE100	7,321	-0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.68	0.06
Commodities (close & change)*			TWI	60.1	-	-	60.4	United States		
CRB Index	225.4	-1.8	AUD/USD	0.7176	0.7187	0.7136	0.7150	3-month T Bill	0.05	-0.01
Gold	1,775.70	-7.3	AUD/JPY	81.57	81.67	80.92	81.13	2 year bond	0.69	0.01
Copper	9,658.50	42.0	AUD/GBP	0.5424	0.5438	0.5406	0.5408	10 year bond	1.49	-0.03
Oil (WTI futures)	70.59	-1.8	AUD/NZD	1.0530	1.0538	1.0513	1.0519	Other (10 year yields)		
Coal (thermal)	158.20	0.7	AUD/EUR	0.6324	0.6341	0.6308	0.6331	Germany	-0.35	-0.04
Coal (coking)	345.00	0.0	AUD/CNH	4.5554	4.5652	4.5396	4.5601	Japan	0.05	0.00
Iron Ore	110.50	1.4	USD Index	95.88	96.34	95.89	96.22	UK	0.76	-0.02

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: Risk sentiment decreased as investors weighed concerns around the economic implications of the Omicron variant. Equities retreated, longer-term bond yields fell, and the US dollar strengthened. Evergrande was labelled a defaulter by ratings agency Fitch following its failure to pay two bond coupon payments by the end of a grace period on Monday.

Share Markets: US equity markets broke a three-day winning streak as concerns around the economic implications of the Omicron variant outweighed optimism regarding vaccine efficacy.

The S&P 500 fell by 0.5% and the Nasdaq was down 1.7%. The Dow Jones bucked the trend and finished unchanged.

The ASX 200 fell by 0.3% and futures are pointing to a weaker open today.

Interest Rates: Longer-term interest rates fell in line with a decline in risk sentiment. The US 10-year treasury yield fell 3 basis points to 1.48%. However, the 2-year yield gained 1 basis point, to close at 0.69%.

The Australian 10-year government bond yield (futures) fell from 1.69% to 1.66%. The 3-year government bond yield (futures) declined from 1.13% to 1.09%.

Foreign Exchange: The US dollar strengthened against every G-10 pair except the pound and yen. The USD Index rose from a low of 95.9 to a high of

96.3. It is currently trading around 96.2 at the time of writing.

The AUD/USD pair was weaker on the day but traded in a relatively narrow range compared to recent days. The pair traded between a low of 0.7136 and a high of 0.7187, before settling at 0.7150 at the time of writing.

Commodities: Gold and oil prices were lower on the day. Copper and iron ore were firmer, while coal was broadly unchanged.

COVID-19: A study using data from South Africa's Gauteng province suggested that Omicron is 4.2 times more transmissible than Delta during its early stages. The US FDA authorised Pfizer booster shots for 16- and 17-year-olds. A World Health Organisation panel recommended that it is best to provide people with two doses of the same vaccine, however, mixing vaccines was viewed as a good solution for countries with supply issues.

Australia: The Reserve Bank's (RBA) Governor Lowe spoke yesterday on payments. Lowe said the RBA is "open" to the possibility of a central bank digital currency (CBDC) in the retail market, although at this stage, does not see a strong policy case to move in this direction. This is a shift in the stance of the central bank which has historically been sceptical about developing a CBDC.

This follows an announcement from the Federal Treasury on Wednesday that it would lead a review

into the viability of a retail CBDC in Australia, in partnership with the RBA. The review will commence in the second half of next year, with advice provided to the government by the end of 2022.

China: The consumer price index (CPI) rose 2.3% in the year to November. This is the highest annual growth rate since August 2020, driven by higher fuel and energy prices. Core CPI, which excludes food and energy, only rose 1.2% over the year, down from 1.3% in October. Consumer price inflation remains well below levels observed in the US and Europe despite rising input costs.

Producer prices lost a little steam in November. The producer price index (PPI) rose 12.9% year on year, compared to a 13.5% gain in October.

While producer prices remain elevated, consumer prices are still relatively mild. These conditions are unlikely to stand in the way of authorities providing ongoing support for growth, while balancing efforts to reduce leverage in the economy.

Ratings agency Fitch labelled embattled property developer Evergrande a defaulter following its failure to pay two bond coupon payments by the end of a grace period on Monday. Fitch lowered its rating on Evergrande to restricted default. This action may trigger defaults across other debt obligations. The agency also took the same action on developer Kaisa.

The offshore yuan fell by the most since July after the People's Bank of China (China's central bank) increased the foreign currency reserve requirement ratio. The move was undertaken to address strength in the currency, following a rise to its highest level since 2018. This is the second time the central bank has taken this action this year.

United States: The jobs market continued its recovery in early December. Initial jobless claims fell to their lowest level in over 52 years. Claims fell to 184k for the week ending 4 December, down from a revised 227k outcome for the prior period. This was below consensus expectations of 220k and was the lowest outcome since 1969. Part of the fall likely reflected some difficulties in adjusting the numbers for seasonal patterns around public holidays. On a non-seasonally adjusted basis, initial claims increased by 64k. The four-week moving average, which smooths out some of the weekly volatility, also fell to around 219k.

Today's key data and events:

NZ BusinessNZ Mfg PMI Nov prev 54.3 (8:30am)
 NZ Card Spending Retail Nov prev 10.1% (8:45am)
 UK Industrial Production Oct exp 0.1% prev -0.4% (6pm)
 US CPI Nov exp 0.7% prev 0.9% (12:30am)
 US UoM Consumer Sentiment Dec Prel. exp 68.0 prev 67.4 (2am)

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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The Detail

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