

Wednesday, 10 February 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,821	-0.9%			Last	Overnight Chg		Australia		
US Dow Jones	31,377	0.0%	10 yr bond	98.78		0.01		90 day BBSW	0.01	0.00
Japan Nikkei	29,506	0.4%	3 yr bond	99.83		0.00		2 year bond	0.10	0.00
China Shanghai	3,777	2.0%	3 mth bill rate	99.99		0.00		3 year bond	0.11	0.00
German DAX	14,012	-0.3%	SPI 200	6,767.0		13		3 year swap	0.14	0.00
UK FTSE100	6,532	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.23	-0.04
Commodities (close & change)*			TWI	63.3	-	-	63.6	United States		
CRB Index	184.2	0.7	AUD/USD	0.7704	0.7740	0.7700	0.7737	3-month T Bill	0.03	0.00
Gold	1,835.90	5.1	AUD/JPY	81.07	81.16	80.65	80.90	2 year bond	0.12	0.00
Copper	8,156.75	110.0	AUD/GBP	0.5608	0.5613	0.5592	0.5600	10 year bond	1.16	-0.01
Oil (WTI)	58.33	0.4	AUD/NZD	1.0666	1.0690	1.0653	1.0689	Other (10 year yields)		
Coal (thermal)	82.30	0.4	AUD/EUR	0.6393	0.6401	0.6374	0.6385	Germany	-0.45	0.00
Coal (coking)	150.85	0.0	AUD/CNH	4.9635	4.9779	4.9542	4.9657	Japan	0.07	0.00
Iron Ore	158.55	4.0	USD Index	91.0	91.0	90.4	90.5	UK	0.46	-0.01

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: The US equity market rally paused but optimism over growth continues. The US fiscal package remains a key market theme.

Share Markets: Equity markets were broadly unchanged overnight as investors considered the impact on inflation of another US stimulus package and extended easy Fed policy. The Dow was flat, the S&P 500 made a new intraday record high but finished down 0.1% while the Nasdaq rose 0.1%.

ASX/SPI futures point towards a mildly positive open.

Interest Rates: In a quiet night, short term yields in the US were steady while the 10-year yield eased by 1 basis point to 1.16%. It was a similar pattern in Australia where the short end of the yield curve was steady but 10-year government bond yields fell 4 basis points to 1.23%.

Foreign Exchange: The AUD traded in a narrow range and finished higher alongside a generally softer US dollar.

Commodities: Commodities closed modestly firmer with oil reaching a 12-month high. Copper was firmer but gold was little changed. Iron ore prices remain strong.

COVID-19: The UK announced more stringent rules on travel quarantine and testing, threatening fines and up to ten years in jail, as it recorded its lowest new case numbers since early December.

Australia: Business confidence, as measured by the NAB survey, rose 5 points in January to 10 and remains above the long run average and above its pre-pandemic level. The lift in confidence followed a dip in December as COVID-19 concerns weighed on sentiment. Driving the improvement in confidence were gains in Queensland, NSW and Tasmania.

Business conditions declined 9 points in January to 7 off the back of a strong print in December. Conditions are now around their long-run average level and above the level prevailing in the months prior to the pandemic being declared.

New Zealand: The Reserve Bank of New Zealand (RBNZ) imposed more stringent loan-to-value ratio restrictions to reduce financial stability risks. From March 1, owner-occupiers will need 20% to get a mortgage while investors will need 30%. From May 1, the required down-payment for investors will increase to 40%. The RBNZ said that it is concerned about the risk from a sharp correction in the housing market as many buyers become highly leveraged alongside speculative market dynamics.

United States: On Tuesday, US House of Representatives Leader Pelosi stated that the stimulus package will be passed to the Senate as soon as it passes the House. This implies that the impeachment of former president Trump will not impede progress of the stimulus through Congress

after the details of the current package were provided yesterday. Most investors agree the proposed package would be highly stimulatory in the near term. However, some believe it is too heavily weighted toward consumption rather than public investment to generate sustainably higher growth for the US.

Fed officials sound confident that any price spikes will at worst be a transitory problem. Fed Dallas Chief Kaplan noted a temporary jump in inflation wouldn't be surprising, but the question would be how persistent it is.

US job openings were larger than expected in December at 6.646m (vs. est. 6.4m) and remain close to the post-pandemic rebound high. Although not a key release for most in the market, this series has often been cited by Janet Yellen the former Fed chair and new US Treasury Secretary.

Today's key data and events:

AU WBC-MI Consumer Confidence Feb prev 107 (10:30am)

CH CPI Jan y/y exp 0.0% prev 0.2% (12:30pm)

CH PPI Jan y/y exp 0.3% prev -0.4% (12:30pm)

UK GDP Q4 exp 0.5% prev 16.0%

US CPI Jan exp 0.3% prev 0.4% (12:30am)

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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The Detail

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