

Thursday, 11 February 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,857	0.5%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	31,438	0.2%	10 yr bond	98.80		0.02		90 day BBSW	0.01	0.00
Japan Nikkei	29,563	0.2%	3 yr bond	99.83		0.00		2 year bond	0.10	0.00
China Shanghai	3,832	1.4%	3 mth bill rate	99.98		-0.01		3 year bond	0.11	0.00
German DAX	13,933	-0.6%	SPI 200	6,766.0		-33		3 year swap	0.14	-0.01
UK FTSE100	6,524	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.22	-0.01
<b>Commodities (close &amp; change)*</b>			TWI	63.6	-	-	63.6	<b>United States</b>		
CRB Index	184.1	-0.2	AUD/USD	0.7737	0.7756	0.7717	0.7721	3-month TBill	0.04	0.01
Gold	1,842.60	4.3	AUD/JPY	80.90	81.10	80.76	80.79	2 year bond	0.11	-0.01
Copper	8,304.00	147.3	AUD/GBP	0.5600	0.5607	0.5578	0.5582	10 year bond	1.12	-0.03
Oil (WTI)	58.45	0.1	AUD/NZD	1.0689	1.0728	1.0680	1.0706	<b>Other (10 year yields)</b>		
Coal (thermal)	82.15	-0.1	AUD/EUR	0.6385	0.6390	0.6367	0.6371	Germany	-0.44	0.01
Coal (coking)	150.25	-0.6	AUD/CNH	4.9657	4.9803	4.9619	4.9650	Japan	0.08	0.01
Iron Ore	161.27	2.7	USD Index	90.5	90.5	90.3	90.4	UK	0.49	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:** The soggy inflation report in the US steered global bond prices higher and left the share market session mixed. The AUD/USD continues to push higher after losing ground through late January.

**Share Markets:** US share markets ended the session mixed. The Dow Jones rose 62 points (or +0.2%), clawing back earlier losses, and the S&P 500 lost 1 point. The Nasdaq also lost ground, by 35 points (or-0.3%).

**Interest Rates:** US bond yields fell after a weak US inflation report reinforced concerns about the economic outlook. US 2-year yields fell by 1 basis point and 10-year yields fell by 3 basis points.

**Foreign Exchange:** Since falling to a low of 0.7564 on February 2, the AUD/USD has appreciated to 0.7756 where it encountered a modest sell off. The price action of the AUD/USD suggests the AUD/USD will try again to push higher and break above 0.7800 in the near term.

In other currencies, the AUD/NZD pair hit a two-year high of 1.0728 before slipping closer to the 1.0700 mark.

**Commodities:** US crude stockpiles dropped by 6.6 million barrels to the lowest level since March 2020, falling more than expected and extending oil's gain to the longest in two years (using the West Texas Intermediate quote for oil).

**COVID-19:** The World Health Organisation (WHO) recommended AstraZeneca's shot for all adults over 18, paving the way to speed up immunisation in developing countries. The company is studying how to boost output.

**Australia:** Consumer sentiment rose 1.9% in February to 109.1, according to the latest Melbourne Institute survey. The index continues to hover around the ten-year high from December, suggesting consumers remain optimistic about the economic recovery.

The results were mixed across States. NSW increased 3.5% and Victoria rose 4%, as they made progress in containing the virus. Victoria is now registering the strongest print amongst the States, reflecting the progress it has made in managing the pandemic after its extended lockdown in 2020.

In contrast, sentiment declined by 8.3% in Queensland and 7.8% in Western Australia after both States implemented brief lockdowns following a long run without local virus transmission.

**China:** Inflation in China remains subdued. Consumer prices fell 0.3% in the twelve months to January. The decline partly reflects a fall in pork prices which soared in January 2020 following an outbreak of African Swine Fever.

Producer prices rose just 0.3% over the same period. It was noted that steel, copper and coal

prices had risen in China through the year.

**United States:** The latest inflation report showed that consumer prices growth remained soggy. Consumer prices rose 0.3% in January, meeting consensus expectations. In the 12 months through January the CPI increased 1.4% after lifting 1.3% in December.

Consumer prices excluding food and energy, or core consumer prices, were unchanged for a second straight month. The core CPI was restrained by a 3.2% plunge in the cost of airline tickets. That offset increases in the prices of health care, motor vehicle insurance and tobacco. The core CPI rose 1.4% on a year-on-year basis, slowing from December's 1.6% advance.

US Chair Jerome Powell said the US job market remains "very far" from a full recovery and called on lawmakers to support workers. Noting that employment last month was nearly 10 million below February 2020 levels, the Fed Chair emphasised the need for fiscal support and played down concerns that the economy might overheat as a result. It could take "many years" to overcome scars from long-term unemployment and signs of inflation are scarce, he said in signalling monetary policy will stay ultra-easy for some time.

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

NZ Card Spending Jan (8:45am)

AU Consumer Inflation Expectations Feb prev 3.4% (11am)

UK RICS House Price Balance Jan exp 60% prev 65%  
(11:01am)

US Initial Jobless Claims Feb 6 exp 760k prev 779k (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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