

Tuesday, 14 December 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,379	0.4%			Last	Overnight Chg		Australia		
US Dow Jones	35,651	-0.9%	10 yr bond	98.43		0.05		90 day BBSW	0.06	0.00
Japan Nikkei	28,640	0.7%	3 yr bond	98.97		0.04		2 year bond	0.63	-0.01
China Shanghai	3,858	0.4%	3 mth bill rate	99.84		-0.01		3 year bond	0.89	-0.03
German DAX	15,622	0.0%	SPI 200	7,339.0		-41		3 year swap	1.24	-0.02
UK FTSE100	7,231	-0.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.60	-0.03
Commodities (close & change)*			TWI	60.3	-	-	60.5	United States		
CRB Index	225.4	-0.6	AUD/USD	0.7161	0.7176	0.7111	0.7130	3-month T Bill	0.05	-0.01
Gold	1,787.39	4.6	AUD/JPY	81.10	81.49	80.70	80.99	2 year bond	0.64	-0.02
Copper	9,507.50	-35.0	AUD/GBP	0.5410	0.5417	0.5368	0.5397	10 year bond	1.41	-0.07
Oil (WTI futures)	71.25	-0.4	AUD/NZD	1.0533	1.0563	1.0523	1.0561	Other (10 year yields)		
Coal (thermal)	160.05	2.5	AUD/EUR	0.6330	0.6354	0.6301	0.6318	Germany	-0.38	-0.04
Coal (coking)	346.00	-0.7	AUD/CNH	4.5630	4.5726	4.5337	4.5457	Japan	0.05	0.00
Iron Ore	115.20	-0.2	USD Index	96.10	96.45	96.05	96.37	UK	0.70	-0.04

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: Markets were trading water ahead of key central bank meetings later this week. Investors note central banks will need to strike a difficult balance between elevated inflation and COVID-19 uncertainties. US stocks slipped and bond yields declined. The US dollar was slightly stronger.

Share Markets: US stocks declined as investors weighed the potential impact of less generous central bank support amid pandemic challenges. The decision from US Federal Reserve's December meeting will be announced tomorrow. The Fed is widely expected to accelerate the tapering of bond purchases and signal rate hikes in 2022.

The S&P500 declined 0.7% from a record high, while the Dow was down 0.9% and the tech-heavy Nasdaq fell 1.4%.

The ASX 200 rose 0.4% although futures point to a soft open.

Interest Rates: The US 10-year treasury yield fell 7 basis points to 1.41% while the 2-year yield slipped 2 basis points to 0.64%.

The Australian 10-year and 3-year (futures) yields declined 4 basis points to 1.57% and 1.03% respectively.

The first Reserve Bank rate hike is fully priced for August 2022, according to interbank cash rate futures.

Foreign Exchange: The AUD/USD pair briefly moved

higher from 0.7161 to an intraday high of 0.7176 before declining to 0.7130, alongside a stronger US dollar.

Commodities: OPEC shrugged off concerns about Omicron, boosting its forecast for global crude demand in the first quarter of 2022, saying the impact of the variant is expected to be mild and short-lived.

WTI crude oil (futures) and copper slipped while gold firmed.

Australia: There were no major economic data releases yesterday.

Japan: The Tankan large manufacturing index was unchanged at 18 in the December quarter. A result above 0 indicates more respondents reporting good, rather than bad business conditions. The result is a positive sign for the economic recovery in Japan. However, the outlook for business conditions dropped one point to 13, reflecting potential uncertainty surrounding Omicron.

Core machinery orders jumped 3.8% in October, beating consensus estimates of a 1.8% increase. This follows a flat outcome in September. The rise was driven by the non-manufacturing sector, which increased 16.5%. Machinery orders for the manufacturing sector declined 15.4% decline over the month.

New Zealand: Net migration increased to 814 in October, following a migration inflow of 567

people in September. A net migration loss of 1,708 people was recorded in the year to October 2021. Overseas travel restrictions continue to limit migration. However, it is expected migration will begin to recover as vaccination rates increase and restrictions ease.

Today's key data and events:

AU NAB Business Survey Nov (11:30am)

Business Conditions prev 11

Business Confidence prev 21

EZ Industrial Production Oct exp 1.3% prev -0.2% (9pm)

JN Industrial Production Oct Final prev 1.1% (3:30pm)

UK ILO Unemployment Rate Oct exp 4.2% prev 4.3% (6pm)

US PPI Nov y/y Final exp 9.2% prev 8.6% (12:30am)

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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