

Monday, 15 February 2021

| Equities (close & % change)              |          |       | Sydney Futures Exchange (close & change) |         |             |                      |             | Interest rates (close & change) |       |       |
|--|----------|-------|--|---------|-------------|----------------------|-------------|---------------------------------|-------|-------|
| S&P/ASX 200                              | 6,807    | -0.6% |  |         | <b>Last</b> | <b>Overnight Chg</b> |             | <b>Australia</b>                |       |       |
| US Dow Jones                             | 31,458   | 0.1%  | 10 yr bond                               | 98.74   |             | -0.04                | 90 day BBSW | 0.01                            | 0.00  |       |
| Japan Nikkei                             | 29,520   | -0.1% | 3 yr bond                                | 99.82   |             | 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                               | 14,050   | 0.1%  | SPI 200                                  | 6,780.0 |             | 37                   | 3 year swap | 0.14                            | 0.00  |       |
| UK FTSE100                               | 6,590    | 0.9%  | FX Last 24 hrs                           | Open    | High        | Low                  | Current     | 10 year bond                    | 1.22  | 0.03  |
| <b>Commodities (close &amp; change)*</b> |          |       | TWI                                      | 63.6    | -           | -                    | 63.7        | <b>United States</b>            |       |       |
| CRB Index                                | 185.3    | 1.6   | AUD/USD                                  | 0.7752  | 0.7765      | 0.7718               | 0.7761      | 3-month T Bill                  | 0.04  | 0.00  |
| Gold                                     | 1,824.23 | -1.3  | AUD/JPY                                  | 81.20   | 81.49       | 81.09                | 81.43       | 2 year bond                     | 0.11  | 0.00  |
| Copper                                   | 8,351.50 | 62.8  | AUD/GBP                                  | 0.5611  | 0.5617      | 0.5589               | 0.5602      | 10 year bond                    | 1.21  | 0.04  |
| Oil (WTI)                                | 59.47    | 1.2   | AUD/NZD                                  | 1.0729  | 1.0759      | 1.0715               | 1.0745      | <b>Other (10 year yields)</b>   |       |       |
| Coal (thermal)                           | 84.90    | -0.6  | AUD/EUR                                  | 0.6390  | 0.6405      | 0.6376               | 0.6403      | Germany                         | -0.43 | 0.03  |
| Coal (coking)                            | 146.75   | -1.3  | AUD/CNH                                  | 4.9799  | 4.9857      | 4.9644               | 4.9836      | Japan                           | 0.07  | -0.02 |
| Iron Ore                                 | 153.49   | 0.1   | USD Index                                | 90.4    | 90.7        | 90.4                 | 90.5        | UK                              | 0.52  | 0.05  |

Data as at 7:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** Major US share markets closed at new all-time highs on Friday. The US 10-year bond yield closed at a near one-year high. The world price of oil closed trade at a one-year high. The AUD/USD is on the move up again and should try to flirt with breaching 0.7800.

**Share Markets:** It was a sea of green on global share markets on Friday.

The major US share markets closed at record highs. The US S&P 500 added 28 points (or +0.1%) and the Dow increased 18 points (or +0.5%). Energy and financial stocks led the rally.

In Europe, the Euro Stoxx 50 index climbed 24 points (or +0.7%).

**Interest Rates:** The strong performance in equities spilled over into a sell-off in US Treasuries at the longer end of the curve. The US 10-year bond yield rose 4 basis points to 1.21%, its highest close since late February last year. The US 2-year bond yield ended the session unchanged at 0.11%.

**Foreign Exchange:** In our morning reports last Thursday and Friday, we flagged that we expected the AUD/USD to try to push up again to try and breach 0.7800. After hitting a low of 0.7718 in Friday's London trading session, the AUD recovered ground and is now on the move higher. It is currently trading at around 0.7765. We expect the AUD/USD to try and make another attempt to get

near 0.7800 and break above it.

**Commodities:** Oil prices continued to rise on Friday with the West Texas Intermediate quote for world oil rising to nearly US\$60 a barrel, its highest close since 9 January 2020.

**COVID-19:** Victoria recorded two new local cases yesterday linked to the Holiday Inn outbreak. It takes the total Holiday Inn cluster to 16 cases.

NSW has recorded its 28<sup>th</sup> consecutive day without a locally acquired case, which is the State's longest period with zero cases since the start of the pandemic.

Auckland entered a three-day lockdown at midnight and tightened restrictions elsewhere across New Zealand.

The pace of the outbreak in the US eased further last week, as the week-to-week average fell to its lowest level in almost four months.

**Australia:** There was no major economic data released on Friday domestically.

**New Zealand:** Manufacturing activity started 2021 in a solid fashion. New Zealand's performance of manufacturing index jumped to 57.5 in January, from 48.3 in December. A reading above 50 indicates an expansion in manufacturing activity is expected over the next few months. The three-month moving average was also above 50.0 at 53.6 and exceeded the long-run average of 53.0. New

orders surged to 62.4, suggesting the strong result is not temporary.

**United Kingdom:** The UK economy narrowly avoided a double-dip recession last year. The latest figures showed the UK economy grew 1.0% in Q4, beating consensus expectations for a more modest gain. However, GDP shrunk 9.9% in 2020, which is its biggest annual decline since the Great Frost of 1709.

**United States:** The preliminary University of Michigan's consumer sentiment index fell to 76.2 in February, from 79.0 in January, well below consensus forecasts of 80.9. It is the lowest result since August of last year. The expectations part of the index slipped 4.2 points to 69.8 and the current conditions gauge fell half a point to 86.2. The fall was concentrated among lower-income households.

The US Senate acquitted the former US President Donald Trump in his impeachment trial.

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

NZ Performance of Services Index Jan prev 49.2 (8:30am)

JN GDP Q4 exp 2.5% prev 5.3% (10:50am)

UK Rightmove House Prices Feb prev -0.9% (11:01am)

EZ Trade Balance Dec exp €25.1bn prev €25.1bn (9pm)

EZ Industrial Production Dec exp -0.8% prev 2.5% (9pm)

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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