

Tuesday, 15 February 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,244	0.4%			Last	Overnight Chg		Australia		
US Dow Jones	34,566	-0.5%	10 yr bond	97.79				90 day BBSW	0.07	-0.01
Japan Nikkei	27,080	-2.2%	3 yr bond	98.31				2 year bond	1.13	-0.06
China Shanghai	3,593	-1.0%	3 mth bill rate	99.87				3 year bond	1.60	-0.07
German DAX	15,114	-2.0%	SPI 200	7,083.0				3 year swap	1.90	0.02
UK FTSE100	7,532	-1.7%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.14	-0.07
Commodities (close & change)*			TWI	60.1	-	-	60.0	United States		
CRB Index	265.4	2.3	AUD/USD	0.7133	0.7150	0.7086	0.7122	3-month T Bill	0.35	0.00
Gold	1,871.64	12.9	AUD/JPY	82.25	82.65	81.55	82.33	2 year bond	1.58	0.08
Copper	9,894.50	-410.5	AUD/GBP	0.5264	0.5277	0.5247	0.5266	10 year bond	2.00	0.06
Oil (WTI futures)	94.92	1.8	AUD/NZD	1.0734	1.0781	1.0725	1.0774	Other (10 year yields)		
Coal (thermal)	191.25	-3.8	AUD/EUR	0.6288	0.6314	0.6265	0.6305	Germany	0.28	-0.01
Coal (coking)	432.33	0.7	AUD/CNH	4.5406	4.5511	4.5108	4.5284	Japan	0.22	-0.01
Iron Ore	142.35	-6.1	USD Index	96.08	96.44	95.91	96.34	UK	1.59	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 volatile as traders continued to weigh the prospect that Russia may invade Ukraine and concerns over US Federal Reserve tightening. Stocks finished down and US bond yields rose. Oil prices hit their highest level since 2014.

Share Markets: Equities prices fluctuated on ongoing concerns over Russia-Ukraine tensions and Fed tightening, although de-escalation signals from Russia's Foreign Minister provided some relief.

The Dow finished down 0.5%, the S&P 500 dropped 0.4% and the Nasdaq finished unchanged. The ASX 200 rose 0.4%.

Interest Rates: US 2-year treasury yields jumped 8 basis points to 1.58% alongside comments from Fed official Bullard. US 10-year treasury yields climbed 6 basis points to 2.00%.

Markets are continuing to price in some chance of a 50 basis point Fed rate hike in March, and are betting on six or seven hikes this year.

Australian 10-year (futures) yields rose 6 basis points to 2.21% while 3-year futures yields were up 4 basis points to 1.69%.

Markets are fully priced for the RBA to hike 15 basis points in June.

Foreign Exchange: The AUD/USD pair fluctuated between 0.7086 and 0.7150, finishing slightly weaker at 0.7122. The US dollar strengthened.

The Russian ruble partly reversed its sharp decline

from yesterday following the comments from the Russian Foreign Minister.

Commodities: WTI crude oil rose above \$95 for the first time since 2014 before settling slightly lower. Traders balanced the implications of possible sanctions on Russia with a potential rise in supply from Iran.

Australia: There were no major economic data releases yesterday.

Europe: European Central Bank President Lagarde emphasised the central bank's gradual approach, noting the ECB will act when appropriate but with due regard to the volatility in prices.

United States: Fed officials reaffirmed their support for tightening, although differences remain over the speed and magnitude. Federal Open Markets Committee (FOMC) member Bullard reiterated his call for 100 basis points of hikes by July, warning "our credibility is on the line". FOMC member George pushed back on an inter-meeting hike but suggested that a 50bps move in March was up for discussion. Meanwhile, Barkin (non-voter) spoke of the need to "steadily move back" towards normalising policy, appearing less hawkish than some other Fed officials.

World: Russian Foreign Minister Lavrov indicated his support for de-escalation, saying he backs ongoing diplomatic efforts with the West.

Meanwhile, the US National Security Adviser and

UK Foreign Secretary have both advised that Russia could invade Ukraine at any moment. EU leaders will hold a summit on Ukraine this week.

Today's key data and events:

NZ Net Migration Dec prev 130 (8:45am)
JN GDP Q4 Prel. exp 1.5% prev -0.9% (10:50am)
AU RBA Board Meeting Minutes (11:30am)
JN Industrial Production Dec Final prev -1.0% (3:30pm)
UK ILO Unemploy. Rate Dec exp 4.1% prev 4.1% (6pm)
EZ EU ZEW Expectations Feb prev 49.4 (9pm)
EZ Trade Balance Dec exp -€4.7bn prev -€1.3bn (9pm)
EZ GDP Q4 Prel. exp 0.3% prev 0.3% (9pm)
EZ Employment Q4 Prel. prev 0.9% (9pm)
US NY Empire Mfg Feb exp 11.0 prev -0.7 (12:30am)
US PPI Final Jan y/y exp 9.0% prev 9.7% (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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