

Monday, 15 March 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,767	0.8%	Last		Overnight Chg			Australia		
US Dow Jones	32,779	0.9%	10 yr bond	98.20				90 day BBSW	0.04	0.00
Japan Nikkei	29,718	1.7%	3 yr bond	99.75				2 year bond	0.09	-0.01
China Shanghai	3,619	0.5%	3 mth bill rate	99.93				3 year bond	0.09	0.00
German DAX	14,502	-0.5%	SPI 200	6,767.0				3 year swap	0.33	0.00
UK FTSE100	6,761	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.70	0.05
Commodities (close & change)*			TWI	64.4	-	-	64.6	United States		
CRB Index	193.8	-0.8	AUD/USD	0.7792	0.7800	0.7725	0.7752	3-month T Bill	0.02	-0.02
Gold	1,727.11	4.5	AUD/JPY	84.49	84.78	84.21	84.52	2 year bond	0.15	0.01
Copper	9,104.00	35.0	AUD/GBP	0.5569	0.5585	0.5556	0.5569	10 year bond	1.62	0.09
Oil (WTI)	65.61	-0.4	AUD/NZD	1.0776	1.0819	1.0772	1.0806	Other (10 year yields)		
Coal (thermal)	87.75	2.4	AUD/EUR	0.6499	0.6507	0.6484	0.6489	Germany	-0.31	0.03
Coal (coking)	119.10	0.4	AUD/CNH	5.0473	5.0534	5.0291	5.0361	Japan	0.12	0.02
Iron Ore	159.97	-4.7	USD Index	91.4	92.0	91.4	91.7	UK	0.82	0.09

Data as at 8:30am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Several major share market indexes in the US hit new record highs. US Treasury yields continued to rise with the US 10-year bond yield hitting a 13-month high. The US dollar was also stronger, knocking the AUD/USD off the 0.7800 perch.

Share Markets: The US Dow and S&P 500 share market indexes reached new all-time highs on Friday. However, rising US Treasury yields continued to weigh on technology stocks. The Dow rose 293 points (or +0.9%) and the S&P 500 added 4 points (or +0.1%). The Nasdaq lost 79 points (or -0.6%).

Interest Rates: The US 2-year bond yield finished up 1 basis point higher to 0.15%. However, the US 10-year yield surged 9 basis points to 1.62%. It is the highest close since February 2020. US Treasury Secretary Janet Yellen after the market's close said there is only a small risk of (persistent) inflation and it is manageable.

Foreign Exchange: The Australian dollar reached a one-week high of 0.7800 against the US dollar during Asian trade on Friday. However, the AUD/USD was not able to hold on to these gains, falling away in the European and New York trading sessions. The sell off in the AUD reflected a broad-based appreciation in the US dollar in the Friday night trading sessions. The AUD/USD fell to a Friday night low of 0.7725 before recovering some ground

to currently trade at around 0.7760. We expect the volatility in the AUD/USD to continue. We also expect the AUD/USD to try to stretch up again and try to breach resistance at around the 0.7850 level.

Bitcoin topped \$60,000 for the first time. The original cryptocurrency peaked at \$61,669 on Sunday, bouncing back from a rout at the end of February that followed another run-up.

Commodities: Oil lost ground on Friday, after a strong run up in the preceding days.

COVID-19: There are two active locally-acquired infections in Australia – one in Queensland and one in New South Wales.

Australia and Singapore are planning for a travel bubble by July.

More countries have suspended the use of the AstraZeneca vaccine following reports of patients developing blood clots after inoculation. Ireland is the latest country to suspend. There are a dozen other European countries that have already suspended this vaccine.

Australia: The West Australian government led by Mark McGowan was re-elected in a landslide victory on the weekend. Early results indicated Labor was on track to hold at least 52 of the Parliament 59 Lower House seats.

Europe: Industrial production rose 0.8% in February, beating a consensus forecast for a 0.5%

rise. Gains in major economies France and Italy were the main drivers behind the increase. The annual rate has lifted to 0.1%, from a contraction of 1.9%.

New Zealand: BusinessNZ's manufacturing purchasing managers' index (PMI) fell to 53.4 in February, from 58.0 in January. All major sub indexes also fell in the month, including employment and new orders.

United Kingdom: Industrial production fell 1.5% in January, as the pandemic lockdown hurt production. The annual rate of contraction deteriorated from 3.3% in December to 4.9% in January.

GDP in January contracted by 2.9%, beating consensus expectations that focussed on a deeper fall of 4.9%.

United States: Preliminary data from the University of Michigan showed that Americans felt much more optimistic in March. Receding new COVID-19 cases, the rollout of vaccines and President Biden's new \$1.9 trillion stimulus package have helped inject optimism. The consumer sentiment index rose to 83.0 points in March, up from 76.8 in February. It is the highest result since March of 2020 and beat consensus expectations. However, the result is still well below the level from a year ago.

Producer prices increased strongly in February, leading to the largest annual gain in 2½ years. The producer price index for final demand rose 0.5% last month. The costs of energy products and food surged in the month. It follows a rise of 1.3% in January, which was the biggest gain since December of 2009. In the twelve months through February, the producer price index accelerated 2.8%, the most since October 2018.

US Treasury Secretary Janet Yellen yesterday downplayed the risk of inflation, highlighting it remains subdued. Yellen said there is a small risk of inflation and it is manageable. Yellen also added that some prices that fell last year (when the pandemic spread through the US) will recover, "but that's a temporary movement in prices."

Inflation is expected to accelerate in the coming months and exceed the Federal Reserve's 2% per annum target, a flexible average, by April. Part of the anticipated spike would be the result of price declines early in the pandemic washing out of the calculations. Many economists, including the Federal Reserve Chair, do not expect the strength in inflation will persist beyond the so-called base effects.

Today's key data and events:

NZ Performance Services Index Feb prev 47.9 (8:30am)
 NZ Net Migration Jan prev 451 (8:45am)
 AU RBA Gov. Lowe Gives Conference Remarks (10:15am)
 UK Rightmove House Prices Mar prev 0.5% (11:01am)
 CH New Home Prices Feb prev 0.28% (12:30pm)
 CH Industrial Production Feb YTD y/y exp 32.2% (1pm)
 CH Fixed Assets Ex Rural Feb YTD y/y exp 40.9% (1pm)
 CH Property Investment Feb YTD y/y exp 53.4% (1pm)
 CH Surveyed Jobless Rate Feb exp 5.2% (1pm)
 CH Retail Sales Feb YTD y/y exp 32.0% (1pm)
 US Empire Mfg Index Mar exp 14.0 prev 12.1 (11:30pm)
 US Total Net TIC Flows Jan prev -\$0.6bn (7am)

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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