

Monday, 18 January 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,715	0.0%			Last	Overnight Chg		Australia		
US Dow Jones	30,814	-0.6%	10 yr bond	98.92		0.02		90 day BBSW	0.01	0.00
Japan Nikkei	28,519	-0.6%	3 yr bond	99.82		0.00		2 year bond	0.10	0.00
China Shanghai	3,738	0.0%	3 mth bill rate	99.98		-0.01		3 year bond	0.10	0.00
German DAX	13,788	-1.4%	SPI 200	6,625.0		-16		3 year swap	0.14	-0.01
UK FTSE100	6,736	-1.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.08	-0.01
Commodities (close & change)*			TWI	62.2	-	-	63.8	United States		
CRB Index	175.2	-1.5	AUD/USD	0.7560	0.7790	0.7682	0.7707	3-month T Bill	0.08	0.00
Gold	1,828.45	-18.1	AUD/JPY	78.34	80.82	79.72	79.98	2 year bond	0.13	-0.01
Copper	7,937.75	-101.8	AUD/GBP	0.5623	0.5689	0.5655	0.5670	10 year bond	1.08	-0.05
Oil (WTI)	52.36	-1.2	AUD/NZD	1.0661	1.0805	1.0764	1.0791	Other (10 year yields)		
Coal (thermal)	88.75	-0.3	AUD/EUR	0.6217	0.6405	0.6356	0.6374	Germany	-0.54	0.01
Coal (coking)	126.00	2.1	AUD/CNH	4.9268	5.0371	4.9808	4.9945	Japan	0.04	0.00
Iron Ore	169.10	0.7	USD Index	90.5	90.8	90.2	90.8	UK	0.29	0.00

Data as at 8:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Welcome back to our first morning report of 2021.

We hope you and your families had a very happy and safe festive season.

Main Themes: Since mid-December, global equity markets have moved higher, long-bond yields have risen, COVID-19 vaccinations have begun, and the US election has been settled. The US labour market appears to have lost some momentum, but a sizeable economic aid package can now progress.

Share Markets: US markets took a step backwards on Friday night following some weaker than expected bank earnings. The Dow fell 0.6%, the S&P500 was down 0.7% and the Nasdaq fell 0.9%. European markets were also softer with the FTSE100 down 1.0% and the German Dax down 1.4%.

The ASX200 rose 0.1% with futures pointing to a soft start to the week.

Interest Rates: The short end of the yield curve remains anchored by policy decisions. However, long-bond yields have risen since we last reported. Ten-year government bond yields in Australia have risen from 0.99% in mid-December to 1.08% while in the US they have risen from 0.93% to 1.08%. A solid supply of bonds is expected out of the US.

Foreign Exchange: Having moved briefly into the \$US78 cent range on Thursday, the AUD slipped to as low as \$US76.82 on Friday. The USD index has

risen solidly since the first week of January and at 90.8, is back to levels seen in the early weeks of December.

Commodities: Oil retreated over the weekend from a ten-month high of \$US53.5 per barrel, mostly due to a stronger USD. Gold and copper were also softer, but iron ore posted a small gain to \$US169.1 per metric tonne.

COVID-19: From today, the UK is closing its travel corridors. All visitors from overseas will require a negative COVID-19 test result within 72 hours of travel to enter Britain. New infections in the UK are now trending down but remain above 30,000 per day. A similar pattern is emerging in the US; however, they remain above 200,000 per day.

Australia: Housing finance in Australia (ex-refinancing) reached record levels in November with the value of new home lending commitments rising a further 5.6% in November. Overall home lending is up 23.7% on November 2019 with lending to investors up 3.9% and lending to owner-occupiers up 31.4%.

China: GDP, industrial production and retail sales figures are due out today. Solid growth is expected.

Europe: The Eurozone nations ran a €25.1bn trade surplus in November, coming in on top of a €25.2bn surplus in October.

New Zealand: Building permits rose a further 1.2%

in November after rising 8.9% in October. This was the fourth successive monthly increase. Permits are up 23.6% on a year earlier. Home sales are also up strongly in New Zealand, rising 36.6% on the same time last year.

United States: Industrial production rose 1.6% in December solidly beating market expectations. Production has risen in seven of the eight months since the massive declines in March and April last year.

Retail spending, which accounts for almost 70% of the US GDP, fell 0.7% in December following a 1.4% decline in November. This does not bode well for the 4th quarter US GDP results.

The New York Empire Index of manufacturing activity for January continues to expand but at a slower pace. The index eased to 3.5 from 4.9 in December. This suggests ongoing growth but at a slower pace.

Consumer sentiment, as measured by the University of Michigan's index, slipped from 80.7 in December to 79.2 in January. The index stood at 99.8 in January 2020.

Producer prices rose 0.3% in December, marginally weaker than expectations. Prices rose 0.1% in November to be up 1.2% on December 2019.

Today's key data and events:

UK Rightmove House Prices Jan prev -0.6% (11.01 am)

CH GDP Q4 y/y exp 6.2% prev 4.9% (1.00pm)

CH Industrial Prod Dec exp 6.9 prev 2.3% (1.00pm)

CH Retail Sales Dec y/y exp 5.5% prev 5.0% (1.00pm)

US Martin Luther King Jr. Day public holiday

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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