

Tuesday, 18 January 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,417	0.3%			Last	Overnight Chg		Australia		
US Dow Jones	35,912	closed	10 yr bond		98.05	-0.01		90 day BBSW	0.07	-0.01
Japan Nikkei	28,334	0.7%	3 yr bond		98.65	-0.01		2 year bond	0.77	0.06
China Shanghai	3,711	0.6%	3 mth bill rate		99.82	-0.01		3 year bond	1.27	0.06
German DAX	15,934	0.3%	SPI 200		7,343.0	22		3 year swap	1.45	0.04
UK FTSE100	7,611	0.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.92	0.07
Commodities (close & change)*			TWI		61.0	-	-	60.5	United States	
CRB Index	245.4	closed	AUD/USD	0.7212	0.7229	0.7196	0.7210	3-month T Bill	0.11	closed
Gold	1,819.33	1.4	AUD/JPY	82.32	82.76	82.29	82.64	2 year bond	0.97	closed
Copper	9,749.00	18.3	AUD/GBP	0.5273	0.5292	0.5265	0.5285	10 year bond	1.78	closed
Oil (WTI futures)	84.30	0.5	AUD/NZD	1.0590	1.0615	1.0585	1.0614	Other (10 year yields)		
Coal (thermal)	180.00	9.0	AUD/EUR	0.6318	0.6331	0.6307	0.6322	Germany	-0.03	0.02
Coal (coking)	395.50	1.5	AUD/CNH	4.5820	4.5920	4.5733	4.5794	Japan	0.15	0.01
Iron Ore	123.70	0.8	USD Index	95.17	95.35	95.04	95.26	UK	1.19	0.04

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

Main Themes: Currencies, bonds, share markets and commodities mostly traded within narrow ranges, reflecting a light economic calendar and a US holiday for Martin Luther King Jr Day.

Share Markets: US share markets were closed overnight for Martin Luther King Jr. Day. Across in Europe, the Euro Stoxx 50 index closed 30 points higher (or +0.7%), the FTSE 100 lifted 68 points (or +0.9%) and the German DAX rose 50 points (or +0.3%).

Interest Rates: The US treasury bond market was closed overnight, but the futures market remained open. Futures implied US 10-year yields remained around 1.78%. Interest-rate markets are fully pricing the first Fed funds rate hike for April 2022.

The Australian 3-year government bond yield (futures) was at 1.35% and the 10-year yield at 1.95%.

Interest-rate markets are fully pricing the first RBA rate hike to be in July 2022 with a probability of 126%. The probability of an earlier June rate hike is 90%.

Foreign Exchange: The Australian dollar strengthened modestly against the US dollar in European trade overnight, but then lost some of these gains in New York. The Australian dollar stuck to a very narrow range of 0.7196 to 0.7229. Other major currencies such as the EUR, GPY and JPY also traded narrow ranges overnight.

Commodities: Oil prices edged higher overnight. The Brent price of world oil rose to near its highest level since 2014. The West Texas Intermediate futures price of oil also lifted overnight in a thin trading session. Winter temperatures in the northern hemisphere are supporting demand for heating fuels. Geopolitical jitters have also returned in the Middle East.

COVID-19: The NSW government yesterday announced a new program, called Event Saver. The program will provide financial assistance to major events organisers where an event has been cancelled or significantly disrupted due to public health orders. Eligible businesses may claim up to \$10 million for cancelled or impacted events scheduled between 15 December 2021 and 31 December 2022.

In other COVID news, a fourth dose of the Pfizer-BioNTech shot was insufficient to prevent omicron infection, according to preliminary data from a trial in Israel released yesterday.

Australia: There were no major economic data releases yesterday.

China: Annual GDP growth slowed to 4.0% in the December quarter, beating consensus forecasts of 3.3%, but still down from 4.9% in the third quarter. In quarterly terms, GDP rose 1.6% in the December quarter, up from the 0.7% increase in the September quarter. The Chinese economy is facing

considerable headwinds. Chinese authorities have implemented strict containment measures in response to scattered COVID-19 outbreaks. Meanwhile, the downturn in the real estate sector and power shortages have also weighed on the economy.

Industrial production jumped 4.3% in the year to December, beating consensus expectations of a 3.7% rise. Mining and manufacturing growth continued to accelerate, while growth in services production slowed. However, industrial output will likely take a hit in the coming months alongside the Lunar Year break, virus containment measures and production curbs to ensure blue skies for the Beijing Winter Olympics.

Annual retail sales slowed considerably in December, falling to 1.7% from 3.9% in November. Sales have been heavily impacted by sporadic lockdowns, as the country pursues a COVID-zero strategy.

Chinese authorities are responding to the slowdown by unleashing more policy support. The People's Bank of China cutting two key interbank rates yesterday for the first time in nearly 2 years. The rates were clipped by 10 basis points and will inject additional liquidity into the slowing economy.

United Kingdom: The Rightmove house price index rose 0.3% in January, following a 0.7% fall in December. The index is up 7.6% over the year - the fastest annual pace since May 2015.

Today's key data and events:

EZ ZEW Expectations Jan prev 26.8 (9pm)
JN Industrial Production Nov Final prev 7.2% (3:30pm)
JN Bank of Japan Policy Meeting (Time TBC)
Policy Balance Rate prev -0.10%
UK ILO Unemploy. Rate Nov exp 4.2% prev 4.2% (6pm)
US NY Empire Mfg Jan exp 25.0 prev 31.9 (12:30am)
US NAHB Housing Mkt Index Jan exp 84 prev 84 (2am)

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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