

Wednesday, 20 January 2021

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|--|----------|-------|--|---------|-------------|----------------------|-------------|---------------------------------|-------|------|
| S&P/ASX 200 | 6,743 | 1.2% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 30,931 | 0.4% | 10 yr bond | 98.91 | | 0.01 | 90 day BBSW | 0.01 | 0.00 | |
| Japan Nikkei | 28,633 | 1.4% | 3 yr bond | 99.82 | | 0.00 | 2 year bond | 0.10 | 0.00 | |
| China Shanghai | 3,738 | -0.8% | 3 mth bill rate | 99.99 | | 0.00 | 3 year bond | 0.11 | 0.00 | |
| German DAX | 13,815 | -0.2% | SPI 200 | 6,684.0 | | 7 | 3 year swap | 0.15 | 0.01 | |
| UK FTSE100 | 6,713 | -0.1% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 1.10 | 0.03 |
| Commodities (close & change)* | | | TWI | 63.4 | - | - | 63.6 | United States | | |
| CRB Index | 174.8 | -0.4 | AUD/USD | 0.7685 | 0.7725 | 0.7673 | 0.7695 | 3-month T Bill | 0.08 | 0.00 |
| Gold | 1,840.00 | -1.3 | AUD/JPY | 79.68 | 80.32 | 79.57 | 79.94 | 2 year bond | 0.13 | 0.00 |
| Copper | 7,955.25 | -15.8 | AUD/GBP | 0.5656 | 0.5677 | 0.5642 | 0.5645 | 10 year bond | 1.09 | 0.00 |
| Oil (WTI) | 52.97 | 0.6 | AUD/NZD | 1.0804 | 1.0843 | 1.0792 | 1.0816 | Other (10 year yields) | | |
| Coal (thermal) | 83.95 | -3.1 | AUD/EUR | 0.6364 | 0.6381 | 0.6341 | 0.6346 | Germany | -0.53 | 0.00 |
| Coal (coking) | 135.00 | 7.9 | AUD/CNH | 4.9918 | 5.0143 | 4.9819 | 4.9862 | Japan | 0.06 | 0.00 |
| Iron Ore | 167.03 | -3.2 | USD Index | 90.7 | 90.8 | 90.4 | 90.5 | 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.

Main Themes: Janet Yellen speaks on currencies and deficits. The pandemic continues to wreak havoc around the world.

Share Markets: US markets came back solidly after the Martin Luther King Jr Day public holiday. The Dow rose 0.4%, the S&P500 was up 0.9% and the Nasdaq lifted 1.5%. US markets were spurred on by positive bank earnings results. The story in Europe was different. The FTSE100 was down 0.1% and the Dax fell 0.2%. The Spanish market was the weakest of the European majors with the IBEX35 down 0.7%. The ASX200 rose a solid 1.2% yesterday. The futures market points towards a modestly positive start to today's trading.

Interest Rates: The short end of the yield curve was mostly steady yesterday and overnight, but 10-year government bond yields edged higher. US 10-year government bond yields rose 3 basis points to 1.10%. German 10-year bond yields currently stand at negative 0.53% and in the UK, 10-year gilts yield 0.29%.

Foreign Exchange: Contrary to suggestions yesterday, Treasury Secretary nominee Janet Yellen told the US Senate that the Biden administration would not push the USD lower to gain a competitive advantage and would fight efforts by other countries to manipulate their exchange rates.

Overnight, the USD index drifted lower from 90.7 to

90.4. The AUD pushed above \$US0.7720 but eased back later in the session to finish just below the \$US77 cent mark.

Commodities: The price of West Texas Light Crude oil rose overnight despite the International Energy Agency cutting its oil demand outlook for 2021. Gold, copper and iron ore prices were all marginally weaker.

COVID-19: The resurgence of Covid-19 in China has led to lockdowns and calls for citizens not to travel during the upcoming Lunar New Year's holiday.

The number of deaths in the US due to COVID-19 has now exceeded 400,000 while Portugal and the UK are reporting record deaths despite a decline in new infections.

Australia: Payroll jobs fell 6.3% from early December 2020 to early January 2021. This is a relatively normal, seasonal pattern. After allowing for seasonal adjustment, our forecast of 50k job creation in Thursday's ABS Labour Force release remains in place with possible risk to the upside.

Europe: There was a sharp contrast between current conditions and expectations of the future in the latest ZEW Expectations Survey. Conditions, reflecting the disruptive influence of the pandemic, came in at negative 78.9. This was deterioration on the negative 75.7 reported in December. Expectations, however, lifted from 54.4 in

December to 58.3 in January. Europeans, it appears are looking on the bright side of life, as vaccinations begin to roll out.

New Zealand: The New Zealand Institute of Economic Research's (NZIER) December quarter survey of business opinion noted a pick-up in trading activity and business confidence. The survey also hinted at signs of inflationary pressures. The results suggest ongoing strengthening of the economy in 2021.

United States: With no major data to ponder, US markets concentrated on Janet Yellen's Senate appearance and on positive US bank earnings reports. Yellen made the case for a large fiscal stimulus, suggesting that the risks of such an approach would be outweighed by the benefits.

Today's key data and events:

AU WBC-MI Consumer Confidence Jan prev 112 (10:30am)

EZ CPI Dec final exp 0.3% prev 0.3% (6:00pm)

UK CPI Dec exp 0.2% prev -0.1% (6:00pm)

US NAHB Housing Market Index Jan (2:00am)

US Presidential Inauguration Ceremony (4.00am)

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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