

Thursday, 21 January 2021

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|--|----------|-------|--|---------|-------------|----------------------|---------|---------------------------------|-------|-------|
| S&P/ASX 200 | 6,770 | 0.4% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 31,188 | 0.8% | 10 yr bond | 98.92 | | 0.01 | | 90 day BBSW | 0.01 | 0.00 |
| Japan Nikkei | 28,523 | -0.4% | 3 yr bond | 99.82 | | 0.00 | | 2 year bond | 0.10 | 0.00 |
| China Shanghai | 3,756 | 0.5% | 3 mth bill rate | 99.99 | | 0.00 | | 3 year bond | 0.11 | 0.00 |
| German DAX | 13,921 | 0.8% | SPI 200 | 6,752.0 | | 39 | | 3 year swap | 0.15 | 0.00 |
| UK FTSE100 | 6,740 | 0.4% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 1.09 | -0.01 |
| Commodities (close & change)* | | | TWI | 63.6 | - | - | 63.5 | United States | | |
| CRB Index | 175.1 | 0.3 | AUD/USD | 0.7695 | 0.7761 | 0.7692 | 0.7746 | 3-month T Bill | 0.08 | -0.01 |
| Gold | 1,870.11 | 29.8 | AUD/JPY | 79.94 | 80.35 | 79.92 | 80.19 | 2 year bond | 0.13 | 0.00 |
| Copper | 8,046.50 | 91.3 | AUD/GBP | 0.5645 | 0.5687 | 0.5638 | 0.5673 | 10 year bond | 1.08 | -0.01 |
| Oil (WTI) | 53.24 | 0.3 | AUD/NZD | 1.0816 | 1.0840 | 1.0802 | 1.0804 | Other (10 year yields) | | |
| Coal (thermal) | 83.70 | 0.3 | AUD/EUR | 0.6346 | 0.6409 | 0.6342 | 0.6398 | Germany | -0.53 | 0.00 |
| Coal (coking) | 136.15 | 1.2 | AUD/CNH | 4.9862 | 5.0151 | 4.9853 | 5.0049 | Japan | 0.05 | -0.01 |
| Iron Ore | 165.97 | -1.1 | USD Index | 90.5 | 90.7 | 90.3 | 90.5 | UK | 0.30 | 0.01 |

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: The US has a new President, a new administration and new record highs on its share markets. It also has close to record high deaths from COVID-19.

Share Markets: US markets reached record highs on the back of good corporate earnings. Sentiment regarding a new administration may also have pushed markets higher. The Dow rose 0.8% to a new record high. The S&P500 was up 1.6% and the Nasdaq rose 2.0%.

Interest Rates: Unlike equity markets, interest rate markets were the model of stability. Australian 10-year government bond yield fell 1 basis point to 1.09%, US 3-month Treasury Bills fell 1 basis point to 0.08% and US 10-year government bond yields fell 1 basis point to 1.08%. That essentially was it. The Canadian central bank kept its benchmark rate on hold at 0.25%.

Foreign Exchange: The US dollar index fluctuated between 90.7 and 90.3 but ended the overnight session where it began, at 90.5. The AUD held its level in the \$US77 cent range overnight, hitting a high of 0.7761 before easing back later in trade.

Commodities: Oil moved higher on expectations of stronger demand as did copper. Gold rose to its highest in almost two weeks while iron slipped back for a third day. Iron ore is up 104% on a year earlier when it traded at \$US80 per metric tonne.

Australia: The Westpac / Melbourne Institute Index of Consumer Sentiment retreated from its decade-long-high December reading of 112 to 107 in January. The index remains up 14.6% on a year earlier indicating a high level of optimism among consumers. Resurgent global COVID-19 infections and renewed State border closures contributed to the decline in sentiment.

Europe: Inflation in the Eurozone remains subdued with prices falling 0.3% over the course of 2020.

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 NZ economy in 2021.

According to the Westpac McDermott Miller Employment Confidence Index, employment confidence rose in December, as perceptions about job opportunities improved. The international border closure continues to affect job prospects and confidence, and the index remains below its pre-COVID-19 level. The index rose from 87.4 in September to 97.6 in December.

United Kingdom: Consumer inflation rose a meagre 0.6% in 2020 as price rose 0.3% in the month of December. The Bank of England has an inflation

goal of 2.0% and is not expected to lift interest rates in the near future.

United States: The National Association of Home Builders (NAHB) Housing Market index fell to 83 in January from 86 in December. Despite the fall, the index remains close to record highs as Americans reassess their housing needs in light of the pandemic.

Today's key data and events:

NZ Net Migration Nov prev 884 (8:45am)

AU Consumer Inflation Expectations Jan prev 3.5% (11:00am)

AU Labour Force Nov (11:30am)

Employment Change exp 60k prev 90k

Unemployment Rate exp 6.7% prev 6.8%

Participation Rate exp 66.3% prev 66.1%

EZ ECB Monetary Policy Meeting exp 0.0% prev 0.0% (11:45pm)

US Housing Starts Dec exp 0.8% prev 1.2% (12:30am)

US Building Permits Dec exp -1.8% prev 5.9% (12:30am)

US Philadelphia Fed index Jan exp 11.3 prev 9.1 (3:00am)

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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