

Tuesday, 22 February 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,234	0.2%			Last	Overnight Chg		Australia		
US Dow Jones	closed	closed	10 yr bond	97.82		0.05		90 day BBSW	0.08	-0.01
Japan Nikkei	26,911	-0.8%	3 yr bond	98.37		0.04		2 year bond	1.18	-0.02
China Shanghai	3,658	0.0%	3 mth bill rate	99.89		-0.01		3 year bond	1.62	-0.02
German DAX	14,731	-2.1%	SPI 200	7,089.0		-70		3 year swap	1.83	-0.03
UK FTSE100	7,484	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.22	-0.03
Commodities (close & change)*			TWI	60.6	-	-	60.6	United States		
CRB Index	263.6	-0.1	AUD/USD	0.7168	0.7223	0.7167	0.7194	3-month T Bill	0.32	-0.02
Gold	1,905.52	7.1	AUD/JPY	82.36	83.06	82.35	82.62	2 year bond	closed	closed
Copper	9,996.50	29.5	AUD/GBP	0.5274	0.5303	0.5273	0.5290	10 year bond	closed	closed
Oil (WTI futures)	93.95	2.9	AUD/NZD	1.0709	1.0743	1.0709	1.0734	Other (10 year yields)		
Coal (thermal)	209.35	8.2	AUD/EUR	0.6334	0.6366	0.6333	0.6357	Germany	0.21	0.01
Coal (coking)	435.67	1.2	AUD/CNH	4.5330	4.5717	4.5343	4.5517	Japan	0.21	0.00
Iron Ore	140.85	1.0	USD Index	96.04	96.15	95.69	96.09	UK	1.41	0.03

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

Main Themes: US markets were closed for the Presidents' Day public holiday. However, risk sentiment continued to deteriorate during thin trading amid escalating Ukraine tensions. European equities declined 2.2% while the US dollar was broadly unchanged against a basket of major currencies.

Share Markets: US equity markets were closed for a public holiday. European equity markets traded and the Euro Stoxx 50 closed down 2.2%, its lowest level since July 2021. Russian stocks plunged as much as 14%, the largest fall since the GFC. Futures on the S&P 500 and Nasdaq indices also declined.

The ASX 200 rose 0.2% yesterday. Futures are pointing to a weak open today.

Interest Rates: The US treasury bond market was closed yesterday. However, futures continued to trade and implied a fall in the 10-year yield from 1.93% to 1.91%.

The Australian 10-year government bond (futures) yield fell from 2.24% to 2.19%. The 3-year government bond yield (futures) fell from 1.67% to 1.63%.

Foreign Exchange: The US dollar was broadly unchanged against a basket of major currencies. It ranged between a low of 95.69 to a high of 96.15, before settling at 96.09, broadly unchanged from its 96.04 open.

The AUD/USD pair was stronger over the day. The

pair rose from a low of 0.7167 to a high of 0.7223. It is currently trading around 0.7194.

The Russian ruble fell for a third consecutive day amid the continued tensions.

Commodities: Oil prices rose as Saudi Arabia's oil company, Saudi Aramco, noted that it expects demand in Asia to return to pre-pandemic levels in the first half of 2022. Oil futures rose to close just under \$94.

Gold, copper, coal, and iron ore all also advanced.

Australia: There were no major economic data releases yesterday.

Eurozone: Economic activity advanced at its fastest pace in five months in February. The lifting of COVID-19-related restrictions supported the acceleration in activity. However, inflationary pressures continue to have an impact as prices registered their largest increase in the survey's history. High energy costs and increasing wages were drivers of the increased cost pressures. The composite purchasing managers' index (PMI) rose to 55.8 in February, from 52.3 in January.

The services sector, such as tourism and recreation, benefited from easing COVID-19 restrictions as activity advanced. Services sector activity increased to 55.8 in February, from 51.1 in January. This was above consensus expectations of 52.1.

Activity in the manufacturing sector came in below expectations. The Markit manufacturing PMI came

in at 58.4 in February. This was below consensus expectations and down on the January result, both at 58.7. However, the index remains above 50, indicating continued expansion.

United Kingdom: House prices increased at their fastest annual pace in more than 7 years in February. The Rightmove house price index jumped 2.3% month on month, to be up 9.5% over the year to February. The result follows a 0.3% monthly rise in January.

The services sector benefited from an easing of COVID-19 restrictions and activity accelerated by more than expected in February. The Markit services PMI advanced to 60.8 in February. This was above consensus expectations of 55.5 and up on the January result of 54.1.

Manufacturing activity also surprised to the upside. The manufacturing PMI was 57.3 in February, unchanged from the January result. This was slightly higher than consensus expectations of 57.0.

Inflationary pressures continue to impact the economy, rising to the second-highest level in the history of the series and the highest since November.

World: Ukraine tensions continued to escalate as Vladimir Putin signed an order recognising two Russian-backed separatist regions in eastern Ukraine.

Today's key data and events:

NZ Credit Card Spending Jan prev 0.2% (1pm)
EZ IFO Bus. Climate Survey Feb exp 96.5 prev 95.7 (8pm)
UK Public Sect. Borrowing Jan exp -£4.2 prev £16.1bn (6pm)
US FHFA House Prices Dec exp 1.0% prev 1.1% (1am)
US S&P CoreLogic CS House Prices Dec 1.1% prev 1.2% (1am)
US Markit Mfg PMI Feb Prel. exp 56.0 prev 55.5 (1:45am)
US Markit Services PMI Feb Prel. exp 53.0 prev 51.2 (1:45am)
US Cons. Conf. Index Feb exp 110.0 prev 113.8 (2am)
US Richmond Fed index Feb exp 10 prev 8 (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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