

Tuesday, 23 February 2021

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|-------------------------------|----------|-------|--|---------|-------------|----------------------|---------|---------------------------------|-------|-------|
| S&P/ASX 200 | 6,781 | -0.2% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 31,523 | 0.1% | 10 yr bond | 98.35 | | | | 90 day BBSW | 0.01 | 0.00 |
| Japan Nikkei | 30,156 | 0.5% | 3 yr bond | 99.72 | | | | 2 year bond | 0.13 | 0.00 |
| China Shanghai | 3,818 | -1.5% | 3 mth bill rate | 99.98 | | | | 3 year bond | 0.13 | 0.01 |
| German DAX | 13,950 | -0.3% | SPI 200 | 6,708.0 | | | | 3 year swap | 0.28 | 0.05 |
| UK FTSE100 | 6,612 | -0.2% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 1.60 | 0.17 |
| Commodities (close & change)* | | | TWI | 64.0 | - | - | 64.8 | United States | | |
| CRB Index | 192.6 | 4.0 | AUD/USD | 0.7875 | 0.7929 | 0.7856 | 0.7915 | 3-month T Bill | 0.03 | 0.00 |
| Gold | 1,808.67 | 24.4 | AUD/JPY | 83.04 | 83.44 | 82.91 | 83.17 | 2 year bond | 0.11 | 0.01 |
| Copper | 9,111.00 | 187.3 | AUD/GBP | 0.5618 | 0.5631 | 0.5612 | 0.5628 | 10 year bond | 1.36 | 0.03 |
| Oil (WTI) | 61.49 | 2.3 | AUD/NZD | 1.0797 | 1.0817 | 1.0765 | 1.0803 | Other (10 year yields) | | |
| Coal (thermal) | 77.00 | -0.4 | AUD/EUR | 0.6498 | 0.6517 | 0.6489 | 0.6513 | Germany | -0.34 | -0.03 |
| Coal (coking) | 145.75 | 0.3 | AUD/CNH | 5.0822 | 5.1252 | 5.0746 | 5.1191 | Japan | 0.13 | 0.02 |
| Iron Ore | 171.49 | 3.1 | USD Index | 90.4 | 90.6 | 90.0 | 90.1 | UK | 0.68 | -0.02 |

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: Tech stocks with high valuations suffered under the scare of firmer bond yields, pulling prices down. Positive US data supported the more 'traditional' stocks.

Share Markets: The Dow rose 0.1% as COVID-19 vaccinations rolled out and as there were new pointer towards firmer economic growth. Tech stocks weakened pulling the Nasdaq down 2.5% while the S&P500 fell 0.7%.

European markets were soft. The Dax fell 0.3%, the FTSE100 was down 0.2% and the French CAC40 fell 0.1%.

There was weakness in the Australian market yesterday with the ASX200 down 0.2% to 6781. The All Ordinaries index remains above 7,000 and the SPI200 is pointing to a mildly negative start to today's trade.

Interest Rates: The Reserve Bank of Australia (RBA) resumed purchases of 3-year bonds on Monday, after two months on the sidelines as it sought to defend its yield target from a sell-off in global debt markets. Yields on 3-year bonds retreated from their highs after the RBA announced A\$1bn of purchases and ended the day's trade one basis point higher at 0.13%. Three-year swap rates sit at 0.28%.

Ten-year bond yields continued their march north rising 17 basis points to 1.60%. US 10-year yields

rose a further 3 basis points to 1.36%.

Foreign Exchange: The US dollar index was lower overnight falling to 90.0 from 90.4 at its open. The AUD broke into the \$US0.79 range and is expected to test \$US0.80 in the near term on the back of firmer global growth and firm commodity prices.

Commodities: Copper charged through \$US9,000 per metric tonne as expectations of stronger global growth firmed. Iron Ore moved above \$US170 per metric tonne while oil and gold prices also rose.

COVID-19: To-date, more than 206 million COVID-19 vaccinations have been administered across 92 countries at a rate of 6.53 million per day.

Australia: No major data released.

Europe: Germany's IFO business confidence index rose to 92.4 in February, up from 90.1 in January. While the index is well up from its lows of 2020, it remains below levels seen pre-COVID-19. It is, however, pointing towards improvement in Germany's economic activity.

United States: The Chicago Fed's National Activity index ticked up to 0.66 in January against a reading of 0.52 in December. It was another pointer towards economic recovery in the US.

The Conference Board's Leading index edged higher, rising 0.5% to 110.3 in January from 109.7 in December. The building sector was the strongest contributor towards the increase.

A third positive indicator last night was the Dallas Fed's Manufacturing index which rose to 17.0 in February from 7.0 in January. The index is well above levels seen throughout 2019.

Today's key data and events:

NZ Retail Sales Volumes Q4 exp -0.5% prev 28.0% (8:45am)
AU International Merchandise Trade, Prelim. Jan (11:30am)
UK ILO Unemployment Rate Dec exp 5.1% prev 5.0% (6pm)
US FHFA House Prices Dec exp 0.9% prev 1.0% (1am)
US S&P CoreLogic CS House Prices Dec exp 1.3% prev 1.4% (1am)
US Consumer Confidence Index Feb exp 90 prev 89.3 (2am)
US Richmond Fed index Feb exp 16 prev 14 (2am)
US Fed Chair Powell testimony before US Senate Banking Committee.

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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