

Monday, 28 February 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,998	0.1%			Last	Overnight Chg		Australia		
US Dow Jones	34,059	2.5%	10 yr bond	97.74			-0.02	90 day BBSW	0.08	0.00
Japan Nikkei	26,477	1.9%	3 yr bond	98.27			-0.03	2 year bond	1.21	0.05
China Shanghai	3,617	0.6%	3 mth bill rate	99.91			0.00	3 year bond	1.67	0.05
German DAX	14,567	3.7%	SPI 200	7,118.0			166	3 year swap	1.91	0.01
UK FTSE100	7,489	3.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.23	0.08
Commodities (close & change)*			TWI	60.5	-	-	60.6	United States		
CRB Index	264.4	-4.6	AUD/USD	0.7168	0.7237	0.7141	0.7166	3-month T Bill	0.29	-0.02
Gold	1,889.34	-14.6	AUD/JPY	82.82	83.62	82.45	82.64	2 year bond	1.57	-0.01
Copper	9,917.00	5.5	AUD/GBP	0.5355	0.5403	0.5339	0.5371	10 year bond	1.96	0.00
Oil (WTI futures)	91.59	-1.2	AUD/NZD	1.0701	1.0753	1.0677	1.0727	Other (10 year yields)		
Coal (thermal)	220.95	-26.1	AUD/EUR	0.6402	0.6449	0.6382	0.6424	Germany	0.23	0.06
Coal (coking)	445.00	-0.3	AUD/CNH	4.5318	4.5670	4.5186	4.5304	Japan	0.21	0.01
Iron Ore	137.75	1.0	USD Index	97.07	97.22	96.52	96.62	UK	1.46	0.01

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: Market sentiment continues to be driven by developments surrounding the invasion of Ukraine. Sentiment stabilised on Friday, as investors digested a raft of fresh sanctions imposed on Russia. Over the weekend, Western nations cranked up the pressure by placing sanctions on the central bank and removing a number of Russian banks from the SWIFT international payments system. The measures will significantly impede Russia's ability to access international funding. Investors are bracing for further volatility on global markets following the additional sanctions.

Share Markets: Share markets rallied on Friday alongside stabilising sentiment. The Dow Jones gained 2.5%, its biggest daily jump since November 2020. The S&P 500 and the NASDAQ rose 2.2% and 1.6%, respectively.

European markets also rebounded, the FTSE 100 surged 3.9%, while the Euro Stoxx 50 jumped 3.7%.

The ASX 200 picked up 0.1% on Friday and futures are pointing to a strong open this morning.

Interest Rates: US treasury yields were broadly unchanged on Friday. The US 2-year yield edged down 1 basis point to 1.57%, while the 10-year yield was flat at 1.96%.

A 25 basis point increase in the Federal Funds Rate remains fully priced for March. However, the chance of a 50 basis point increase has pulled back.

The Australian 3-year Government bond yield

(futures) increased 3 basis points to 1.74%. The 10-year (futures) yield picked up 2 basis points to 2.26%.

Market pricing for the first 15 basis point increase in the cash rate has pulled back to July. There remains around an 80% probability attached to a June move. Standard & Poor's cut Russia's credit rating on Friday. The ratings agency classified the country's debt as 'junk' grade following sanctions imposed on the central bank and local financial institutions. Moody's also placed the nation on review for a downgrade.

Foreign Exchange: The Aussie dollar traded from a low of 0.7141 to a high of 0.7237 on Friday. The AUD/USD pair opened lower this morning at 0.7138 and is currently trading around the 0.7166 handle.

The US dollar weakened against a basket of its G10 peers on Friday. The USD Index fell from a high of 97.22 to a low of 96.52, before consolidating at 96.62 at the close.

Commodities: Oil and gold softened alongside stabilising sentiment, while iron ore and copper firmed.

The West Texas Intermediate oil contract remains elevated at above \$90. A halt on oil output from two major oil fields in Iraq, unrelated to the Ukrainian invasion, is likely to add pressure to commodity markets. Foreign ministers from the EU and the US will debate a proposal for a coordinated

release of emergency reserves. Meanwhile, OPEC+ is expected to stick with plans to increase oil production only gradually when they meet this week.

Australia: There were no major economic data releases on Friday.

Heavy rain has caused flash flooding across south-east Queensland, while Brisbane has been placed on 'high alert'. Rain is expected to continue today and is forecast to head south to parts of Northern NSW.

Eurozone: Money supply rose 6.4% over the year to January, down from 6.9% in December.

Consumer confidence was finalised unchanged at -8.8 in February. Confidence is at its lowest level since March 2021.

Economic confidence edged higher for the first time in three months in February. Confidence rose to 114.0, from 112.7 in January.

New Zealand: Retail sales volumes rebounded strongly in the December quarter, alongside the easing of lockdown restrictions. Sales volumes surged 8.6% over the December quarter. This follows a lockdown induced fall of 8.2% in the September quarter, which was revised lower from -8.1% previously.

The trade deficit widened to \$1.1 billion in January, while the December figure was revised down to -\$975 million from -\$477 million. Both imports and exports declined sharply over the month, falling 16.0% and 20.3%, respectively.

United Kingdom: Consumer confidence dropped for a third consecutive month in February. The GfK consumer confidence indicator shed 7 points to -26; its lowest level since January 2021.

United States: Personal income was flat in January, beating consensus expectations of a -0.3% fall. December was revised up to 0.4%, from 0.3%.

Personal spending surprised to the upside in January, despite growing price pressures. Spending surged 2.1% in the month – the fastest monthly increase since March 2021. The result follows a 0.8% fall in spending over December.

Durable goods orders jumped 1.6% in January, according to preliminary figures. The result was strengthened by an upward revision to the December figure, which was finalised at 1.2%, from -0.7% previously.

Core personal consumption expenditure (PCE), which excludes the volatile items of food and energy, jumped by 5.2% over the year to January–

the fastest pace since April 1983. The result is up from 4.9% in December and was in line with consensus expectations. On a monthly basis, the measure rose by 0.5% in January. This was in line with expectations and the December outcome of 0.5%. This inflation measure is closely watched by the Federal Reserve.

Pending homes sales dropped for a third consecutive month in January. Sales plunged 5.7% over the month, the largest monthly fall since February 2021. This was much weaker than the consensus expectations of a 0.2% gain. The result follows a revised 2.3% decline in December.

The University of Michigan consumer sentiment index was finalised at 62.8 in February, up from a 61.7 at preliminary figures. However, the result is considerably softer than January's reading of 67.2.

World: The United States, European nations and the United Kingdom unveiled a raft of additional sanctions against Russia, as Russian forces close in on Kyiv. Sanctions were added to the Russian central bank and some local lenders were excluded from the SWIFT international payments system. The measures will further restrict the country's access to international funding.

Meanwhile, Russian forces continue to push further into the Ukraine and are attacking the second largest city of Kharkiv, in the country's North-East. Officials are set to meet for talks with Russian counterparts at the Belarus border, Ukrainian President Volodymyr Zelenskyy said.

Today's key data and events:

JN Industrial Production Jan Prel. exp -0.6% prev -1.0% (10:50am)

NZ ANZ Bus. Confidence Feb prev -23.2 (11am)

AU MI Inflation Feb y/y prev 0.4% (11am)

AU Company Profits Q4 exp 6.5% prev 4.0% (11:30am)

AU Inventories Q4 exp -0.3% prev -1.9% (11:30am)

AU Retail Sales Jan exp -1.0% prev -4.4% (11:30am)

AU Priv. Sector Credit Jan exp 0.6% prev 0.8% (11:30am)

US Chicago PMI Feb exp 62.0 prev 65.2 (1:45am)

US Dallas Fed Index Feb prev 2.0 (2:30am)

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.

Jameson Coombs, Associate Economist

Ph: 0401 102 789

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Economist

Matthew Bunny
matthew.bunny@banksa.com.au
(02) 8254 0023

Senior Economist

Jarek Kowcza
jarek.kowcza@banksa.com.au
0481 476 436

Associate Economist

Jameson Coombs
jameson.coombs@banksa.com.au
0401 102 789

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