

Monday, 29 March 2021

| Equities (close & % change)   |          |       | Sydney Futures Exchange (close & change) |         |                      |        |         | Interest rates (close & change) |       |       |
|-------------------------------|----------|-------|--|---------|----------------------|--------|---------|---------------------------------|-------|-------|
| S&P/ASX 200                   | 6,824    | 0.5%  | <b>Last</b>                              |         | <b>Overnight Chg</b> |        |         | <b>Australia</b>                |       |       |
| US Dow Jones                  | 33,073   | 1.4%  | 10 yr bond                               | 98.25   | -0.06                |        |         | 90 day BBSW                     | 0.03  | 0.00  |
| Japan Nikkei                  | 29,177   | 1.6%  | 3 yr bond                                | 99.74   | -0.02                |        |         | 2 year bond                     | 0.08  | 0.00  |
| China Shanghai                | 3,583    | 1.6%  | 3 mth bill rate                          | 99.95   | -0.01                |        |         | 3 year bond                     | 0.10  | 0.00  |
| German DAX                    | 14,749   | 0.9%  | SPI 200                                  | 6,848.0 | 49                   |        |         | 3 year swap                     | 0.29  | 0.00  |
| UK FTSE100                    | 6,741    | 1.0%  | FX Last 24 hrs                           | Open    | High                 | Low    | Current | 10 year bond                    | 1.66  | -0.02 |
| Commodities (close & change)* |          |       | TWI                                      | 63.6    | -                    | -      | 63.7    | <b>United States</b>            |       |       |
| CRB Index                     | 187.7    | 3.4   | AUD/USD                                  | 0.7580  | 0.7644               | 0.7576 | 0.7642  | 3-month T Bill                  | 0.02  | 0.00  |
| Gold                          | 1,732.52 | 5.6   | AUD/JPY                                  | 82.74   | 83.84                | 82.72  | 83.84   | 2 year bond                     | 0.14  | 0.00  |
| Copper                        | 8,973.50 | 182.5 | AUD/GBP                                  | 0.5519  | 0.5544               | 0.5517 | 0.5538  | 10 year bond                    | 1.68  | 0.04  |
| Oil (WTI)                     | 60.97    | 2.4   | AUD/NZD                                  | 1.0903  | 1.0930               | 1.0892 | 1.0923  | <b>Other (10 year yields)</b>   |       |       |
| Coal (thermal)                | 88.40    | -0.9  | AUD/EUR                                  | 0.6443  | 0.6481               | 0.6439 | 0.6480  | Germany                         | -0.35 | 0.04  |
| Coal (coking)                 | 112.67   | 1.3   | AUD/CNH                                  | 4.9640  | 4.9994               | 4.9612 | 4.9995  | Japan                           | 0.08  | 0.00  |
| Iron Ore                      | 152.45   | 1.2   | USD Index                                | 92.9    | 92.9                 | 92.6   | 92.8    | UK                              | 0.76  | 0.03  |

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:** US consumer sentiment beat expectations and the US Federal Reserve flagged US banks may possibly return to increasing their dividend payouts. US share markets rallied and the US bond yield curve steepened.

**Share Markets:** US share markets ended stronger on Friday. Upbeat consumer sentiment data and news that US banks might be allowed to raise dividends helped push stock prices higher. The S&P 500 index ended up 65 points (or +1.7%) at a new record high and the Dow added 453 points (or +1.4%). However, there was a spree of block trades, which erased the values of several technology and media bellwether stocks. Nevertheless, the Nasdaq ended 161 points firmer (or +1.2%).

**Interest Rates:** The US bond yield curve steepened further on Friday. The US 10-year yield rose 4 basis points whilst the 2-year bond yield closed unchanged.

**Foreign Exchange:** The Australian dollar fell to a low of 0.7563 against the US dollar on Friday, which is near a major support level of 0.7560. The AUD has recovered to 0.7650 since nearing that support level, putting the AUD bears at bay for now.

**Commodities:** A full moon and a high Spring tide will be used to help try to re-float the container ship that's blocked the Suez Canal since last Tuesday. Tugs managed to shift the vessel about 29 metres on Saturday and dredgers freed its propellers from

the canal's mud. Companies including Moller-Maersk and Mediterranean Shipping have redirected vessels around southern Africa. The pile-up of ships remains a problem for global supply chains already strained by the pandemic.

Crude settled back above US\$60 a barrel Friday, but the move was not enough to halt a third straight weekly decline - the longest stretch since April of 2020.

**Australia:** Total household wealth increased 4.3% in the December quarter, the highest quarterly growth rate since December of 2009. Total household wealth and wealth per capita were at record levels of \$12.0 trillion and \$467.7k. The growth was underpinned by increases in house prices. Through the year, household wealth increased by 7.0%. Residential assets rose 7.7% over the year and property prices contributed 6.1 percentage points to the growth.

In the December quarter, private non-financial businesses reduced their loan balances for the third consecutive quarter. Total loans to these businesses fell below pre-COVID-19 levels. Private non-financial corporations have chosen equity raising over debt issuance for funding in the past few quarters. This reflects regulatory relief measures implemented by the Australian Stock Exchange and improvements in investor sentiment.

**United States:** The final reading for the University

of Michigan's consumer sentiment survey rose to 84.6 in March, up from the preliminary reading of 83.0. It is also up from February's result of 76.8 and is the highest result since March of 2020.

The 5-10-year inflations expectations index from this sentiment survey rose to 2.8% in March – the highest reading since 2015.

Personal income and spending in February continued to be influenced by government payouts. Following a sharp rise in incomes of 10.1% in January, incomes slid 7.1% in February. Spending was also lower, but only by 1.0%.

Growth in the core personal consumer expenditure (PCE) deflator eased to 1.4% in the year to February, which was just under market expectations and January's result of 1.5% year-on-year.

US President Biden said he was doubling his goal of vaccines administered in his first 100 days as president, from 100 million to 200 million. The US will have received 240 million doses by the end of March, enough to inoculate 130 million people.

The Federal Reserve said late last week that US banks that pass the next round of stress tests with sufficient capital will be allowed to raise their dividends after 30 June 2021. The Fed had previously ordered banks to cease dividend increases from June 2020, a measure designed to ensure banks had sufficient capital to endure any hardship resulting from pandemic.

**Today's key data and events:**

US Dallas Fed Index Mar (1:30am)

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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