

Monday, 7 March 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,111	-0.6%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	33,615	-0.5%	10 yr bond		97.89	0.04		90 day BBSW	0.12	0.02
Japan Nikkei	25,985	-2.2%	3 yr bond		98.43	0.02		2 year bond	1.12	0.03
China Shanghai	3,613	-1.0%	3 mth bill rate		99.84	-0.02		3 year bond	1.56	0.02
German DAX	13,095	-4.4%	SPI 200		7,119.0	28		3 year swap	1.82	0.02
UK FTSE100	6,987	-3.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.15	-0.02
<b>Commodities (close &amp; change)*</b>			TWI		61.6	-	-	62.1	<b>United States</b>	
CRB Index	300.0	10.8	AUD/USD	0.7326	0.7381	0.7301	0.7366	3-month T Bill	0.31	-0.03
Gold	1,970.70	34.8	AUD/JPY	84.58	85.15	84.16	84.59	2 year bond	1.48	-0.05
Copper	10,701.00	315.5	AUD/GBP	0.5491	0.5576	0.5480	0.5569	10 year bond	1.73	-0.11
Oil (WTI futures)	115.68	8.0	AUD/NZD	1.0777	1.0792	1.0733	1.0757	<b>Other (10 year yields)</b>		
Coal (thermal)	395.05	49.6	AUD/EUR	0.6621	0.6754	0.6619	0.6740	Germany	-0.07	-0.09
Coal (coking)	578.33	-18.3	AUD/CNH	4.6320	4.6688	4.6186	4.6599	Japan	0.16	-0.01
Iron Ore	161.50	4.7	USD Index	97.76	98.92	97.72	98.65	UK	1.21	-0.09

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:** Ukraine continued to remain the centre of attention. The US payrolls result was stronger than consensus expected, but US bond yields still shifted lower. Wages growth was only modest in the month and uncertainty from the conflict in Ukraine encouraged safe-haven flows. The AUD continues to scale higher – breaking a key technical level on Friday against the USD.

**Share Markets:** Analysts remain on edge about earnings forecasts due to the heightened uncertainty from geopolitical issues, as well as global-supply chain disruptions. The uncertainty led key indices to finish in the red on Friday. The Dow closed 0.5% weaker, the S&P was 0.8% softer and the Nasdaq lost 1.7%.

**Interest Rates:** US 2-year treasury yields ranged between 1.45% and 1.50% and closed 5 basis points lower. The US 10-year yield fell 11 basis points to 1.73% - the lowest close since 13 January 2022. The 2-10-year yield curve flattened further to the lowest since March 2020. Markets continue to fully price a 25 basis point hike from the Fed in March.

The Australian 3-year government bond yield (futures) fell from 1.62% to 1.56%, while the 10-year yield fell from 2.19% to 2.10%. The first RBA rate remains fully priced for July 2022.

**Foreign Exchange:** The AUD rose to a 4-month high against the USD, as higher commodity prices pushed up demand for the AUD. The AUD has

pierced a key level in Friday night's trading session – it broke above 0.7360-70, which is the 38.2% retracement of the move from the 0.8007 peak in February 2021 down to the 0.6968 low on 28 January 2022 comes in near current levels. It opens the AUD/USD to head higher in the short term, first targeting 0.7490 and then possibly 0.7610.

The AUD/EUR also shifted higher, as EUR/USD sold off heavily – falling to a 2-year low of 1.0886. And AUD/EUR rose to 0.6754 – highest in nearly 4½ years.

The USD rose to a high of 98.92 – the highest since May 2020, as safe-haven flows continued to benefit the USD.

#### Commodities: X

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

**China:** China's government set an economic growth target of about 5.5% for 2022 at the NPC meeting, the lowest since 1991. Spending will rise 8.4%, including a 7% boost to defence, but with the budget deficit projected to narrow to 2.8% of GDP.

**New Zealand:** The spread of the Omicron variant and rising costs of living combined to quell consumer sentiment in February. Confidence dropped 16.4% in the month to 81.7. Consumer confidence is now at its lowest level on record, surpassing the lows struck at the start of the

pandemic and during the global financial crisis.

**Russia & Ukraine:** Moody's cut Russia further into junk territory on expectations that the controls will restrict cross border transactions.

An evacuation from Mariupol was halted for a second day, with Ukrainian officials claiming that Russia violated a cease-fire deal brokered to allow the safe passage of civilians. Putin said Ukraine must agree to his demands if fighting is to end, lowering hopes for progress at a third round of Ukraine-Russia talks that could happen as soon as later today.

**United States:** Non-farm payrolls in February grew by 678,000 – the biggest monthly gain since July. The prior two months were also revised higher.

The unemployment rate fell from 4.0% in January to 3.8%.

The results were better than consensus expected; the consensus estimates were 440,000 for payrolls and 3.9% for the unemployment rate.

For the labour market broadly, the report brought the level of employed Americans closer to levels before the Covid-19 crisis, though still short by 1.14 million. Labour shortages remain a major obstacle to fill the 10.9 million jobs that were open at the end of 2021, a historically high gap that had left about 1.7 vacancies per available worker.

In a sign that inflation could be cooling, wages barely rose for the month, up just 0.03%, compared with estimates for a 0.5% gain. The year-over-year increase was 5.1%, well below the 5.8% consensus estimate as lower-wage workers were hired and 12-month comparisons helped mute more recent gains.

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

AU ANZ Job Ads Feb prev -0.3% (11:30am)

CH Trade Feb exp US\$97.3bn prev US\$97.1bn (Time TBC)

Exports Feb y/y exp 15.7% prev 60.6%

Imports Feb y/y exp 16.8% prev 22.2%

EZ Ger. Factory Orders Jan exp 2.0% prev 2.8% (6pm)

EZ Sentix Investor Conf. Mar exp 10.0 prev 16.6 (8:30pm)

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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