

Tuesday, 8 February 2022

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,111	-0.1%			Last	Overnight Chg		Australia		
US Dow Jones	35,091	0.0%	10 yr bond	97.96			-0.03	90 day BBSW	0.07	0.00
Japan Nikkei	27,249	-0.7%	3 yr bond	98.48			0.00	2 year bond	1.01	0.06
China Shanghai	3,594	2.0%	3 mth bill rate	99.89			0.00	3 year bond	1.47	0.07
German DAX	15,207	0.7%	SPI 200	6,999.0			-13	3 year swap	1.68	-0.03
UK FTSE100	7,573	0.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.00	0.04
Commodities (close & change)*			TWI	60.1	-	-	59.7	United States		
CRB Index	260.5	-0.8	AUD/USD	0.7081	0.7130	0.7065	0.7123	3-month T Bill	0.21	-0.02
Gold	1,821.48	13.2	AUD/JPY	81.64	82.05	81.41	81.97	2 year bond	1.29	-0.02
Copper	9,871.50	4.0	AUD/GBP	0.5232	0.5268	0.5220	0.5263	10 year bond	1.92	0.01
Oil (WTI futures)	91.39	-0.9	AUD/NZD	1.0709	1.0745	1.0671	1.0739	Other (10 year yields)		
Coal (thermal)	193.60	4.0	AUD/EUR	0.6180	0.6233	0.6171	0.6226	Germany	0.23	0.02
Coal (coking)	433.67	-1.0	AUD/CNH	4.5060	4.5360	4.4954	4.5319	Japan	0.20	0.00
Iron Ore	150.50	3.1	USD Index	95.49	95.63	95.35	95.43	UK	1.41	0.00

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 moves were limited overnight as there were no major data releases. European Central Bank President Lagarde reiterated that inflation risks were tilted to the upside in a parliamentary hearing as investors continued to digest the prospects of a faster withdrawal from accommodative monetary policy settings by major central banks.

**Share Markets:** US equity markets ended the day lower after fluctuating between gains and losses. A move downwards towards the end of the trading day left the S&P 500 down 0.5%. The Nasdaq also declined by 0.6% over the day. Bucking the trend, the Dow Jones closed flat.

**Interest Rates:** The US 2-year treasury yield fell by 2 basis points to 1.29%. The 10-year yield rose by 1 basis point to 1.92%.

The Australian 3-year government bond yield (futures) was broadly unchanged at 1.52%. The 10-year government bond yield (futures) rose from 2.02% to 2.05%.

**Foreign Exchange:** The US dollar was broadly unchanged against a basket of major currencies. The USD Index traded between a low of 95.35 and a high of 95.63, before setting at 95.43, near where it opened.

The AUD/USD pair traded higher over the day. The pair rose from a low of 0.7065 to reach a high of 0.7130, before pulling back slightly to be around

0.7123 at the time of writing.

**Commodities:** Iron ore rose after trading was thin last week due to holidays in the East Asian region. Copper and gold were also higher. Oil pulled back slightly after a recent rally but remained above \$91.

**Australia:** Retail sales volumes surged a record 8.2% in the December quarter, taking sales volumes to their highest level in the history of the series. In nominal terms, retail sales rose 8.7% in the December quarter, implying 0.5% of the gain was due to a rise in prices.

Spending across sectors reflected classic reopening patterns. Clothing, footwear & personal accessories and department stores both recorded their highest quarterly growth rates on record. There was also a large jump in cafes, restaurants & takeaway, as dining out recommenced in NSW and Victoria

By region, growth was unsurprisingly led by the states and territories emerging from lockdown. NSW recorded its largest quarterly growth on record. There were also big surges in spending in Victoria and the ACT.

Echoing the reopening theme, there was a decline in the share of online spending over the quarter. However, it remains well above its pre-COVID level, pointing to structural changes in the way we shop.

Job ads declined for a second consecutive month in January, edging down 0.3%. This result follows a 5.8% fall in December. Despite recent falls, job ads

remain elevated and signal strong demand for labour in the coming months.

**China:** Activity in the services sector slowed in January, according to the Caixin purchasing managers' index (PMI). The services PMI dropped to 51.4 in January, which is its lowest level since August. Encouragingly, the index remains above 50, which indicates expansion.

**Eurozone:** Industrial production in Germany slowed in December as the economy was impacted by supply-chain disruptions and a fall in construction activity towards the end of 2021. December industrial production fell 0.3% over the month, to be down 4.1% over the year. This was lower than consensus expectations of a 0.5% gain. However, the result was partially tempered by revisions to historical data. Revisions saw November being revised up to 0.3% gain, from a previously reported 0.2% fall.

Investor confidence increased across the Eurozone in February, extending the positive momentum in early 2022. Investor confidence rose to 16.6 in February, beating consensus expectations of a 15.2 result. This was up from 14.9 in January and is the second consecutive month of increases. The current situation subcomponent rose to 19.3 in February, from 16.3 in January. Expectations of economic sentiment six months from now rose to its highest level since July 2021, increasing to 14.0 in February, from 13.5 in January.

European Central Bank (ECB) President Lagarde spoke at a European parliamentary hearing, where she reiterated that inflation risks were tilted to the upside in the near term. However, she emphasised that any adjustment to monetary policy would be "gradual" and that the chances had increased that inflation will stabilise around the 2% target. The updated economic forecasts in March will be closely monitored by the ECB. She also stated that the bond-buying program will need to end before rate hikes are delivered, saying: "There is a defined sequencing between the end of our net asset purchases and the lift-off date..." "A rate hike will not occur before our net asset purchases finish."

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

AU NAB Business Survey Jan (11:30am)

Business Conditions prev 8

Business Confidence prev -12

JN Current Account Dec exp ¥106.4bn prev ¥897.3bn (10:50am)

US Consumer Credit Dec exp \$25.0bn prev \$40.0bn (7am)

US Trade Bal. Dec exp -\$83.0bn prev -\$80.2bn (12:30am)

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.

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