

Thursday, 9 December 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,405	1.3%			Last	Overnight Chg		Australia		
US Dow Jones	35,754	0.1%	10 yr bond	98.32		-0.05		90 day BBSW	0.06	0.00
Japan Nikkei	28,861	1.4%	3 yr bond	98.87		0.01		2 year bond	0.68	0.01
China Shanghai	3,813	1.2%	3 mth bill rate	99.94		-0.01		3 year bond	0.96	0.00
German DAX	15,687	-0.8%	SPI 200	7,390.0		-27		3 year swap	1.34	-0.07
UK FTSE100	7,337	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.62	-0.03
Commodities (close & change)*			TWI	59.7	-	-	60.1	United States		
CRB Index	227.1	1.4	AUD/USD	0.7118	0.7184	0.7115	0.7176	3-month T Bill	0.06	0.00
Gold	1,784.57	0.4	AUD/JPY	80.79	81.72	80.68	81.57	2 year bond	0.68	-0.01
Copper	9,616.50	54.5	AUD/GBP	0.5376	0.5427	0.5372	0.5424	10 year bond	1.52	0.05
Oil (WTI futures)	72.54	0.5	AUD/NZD	1.0487	1.0537	1.0483	1.0530	Other (10 year yields)		
Coal (thermal)	139.50	4.9	AUD/EUR	0.6318	0.6332	0.6304	0.6324	Germany	-0.31	0.06
Coal (coking)	345.00	0.3	AUD/CNH	4.5302	4.5576	4.5178	4.5554	Japan	0.05	-0.01
Iron Ore	111.80	-0.7	USD Index	96.32	96.38	95.87	95.88	UK	0.78	0.05

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: US stocks fluctuated around recent highs as markets weighed optimism over vaccine boosters and Omicron concerns. Long-end US bond yields rose, and the AUD/USD appreciated for the third consecutive day.

Share Markets: The Dow closed little changed, while the S&P 500 edged up 0.3%. The ASX 200 climbed 1.3%. The VIX volatility index declined to 19.9 from 21.9, landing back around pre-Omicron levels.

Interest Rates: The US 10-year treasury yield rose 5 basis points to 1.52%, while the 2-year yield was broadly unchanged at 0.68%.

The Australian 10-year (futures) yield rose 4 basis points to 1.68%. The 3-year futures yield was little changed at 1.13%. The first Reserve Bank rate hike is fully priced for August next year, based on interbank cash rate futures.

Foreign Exchange: AUD/USD pair marched higher for the third consecutive day, rising from 0.7118 to 0.7176. The pair have now recovered almost all their fall since scientists warned of the new variant in late November. The defensive US dollar declined.

Commodities: Commodities broadly edged higher, except iron ore which moved slightly lower.

COVID-19: Pfizer announced that a third dose of their vaccine provides effective protection against the Omicron variant, citing preliminary studies. However, it was noted that only two shots provide

less protection.

Separately, the UK has reintroduced work-from-home protocols from Monday to combat the new variant.

Australia: There were no major economic data released yesterday.

Japan: Final data showed GDP contracted 0.9% in the September quarter, following a preliminary reading of a 0.8% fall. Supply chain bottlenecks and virus curbs resulted in a decline in a consumption and business investment.

The current account surplus widened to ¥1,180.1bn in October, from ¥1,033.7bn in September. This marks the first time the current account surplus has widened since July.

Canada: The Bank of Canada kept its policy rate at 0.25%, as expected. Officials flagged they expect that the 2% inflation target will be sustainably achieved in “the middle quarters of 2022”. The current spike in inflation is regarded as transitory, although the central bank is “closely watching inflation expectations and labour costs to ensure that the forces pushing up prices do not become embedded in ongoing inflation”.

United States: JOLTS job openings rose in October to 11.0 million, beating consensus expectations, and hitting the second highest level on record. September was revised up to 10.6 million from 10.4 million. The increase in vacancies indicates that

businesses are struggling to fill positions, despite offering higher wages and bonuses. The pandemic is constraining the labour supply in the US, as it raises health concerns and complicates childcare.

Today's key data and events:

AU RBA's Governor Lowe Speech (9am)

CH CPI Nov y/y prev 1.5% (12:30pm)

CH PPI Nov y/y prev 13.5% (12:30pm)

US Initial Jobless Claims w/e 4 Dec (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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