

Tuesday, 9 March 2021

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|-------------------------------|----------|-------|--|---------|----------------------|--------|---------|---------------------------------|-------|-------|
| S&P/ASX 200 | 6,740 | 0.4% | Last | | Overnight Chg | | | Australia | | |
| US Dow Jones | 31,802 | 1.0% | 10 yr bond | 98.21 | -0.02 | | | 90 day BBSW | 0.04 | 0.00 |
| Japan Nikkei | 28,743 | -0.4% | 3 yr bond | 99.70 | -0.01 | | | 2 year bond | 0.13 | 0.00 |
| China Shanghai | 3,586 | -2.3% | 3 mth bill rate | 99.96 | -0.01 | | | 3 year bond | 0.13 | 0.00 |
| German DAX | 14,381 | 3.3% | SPI 200 | 6,782.0 | 48 | | | 3 year swap | 0.38 | 0.03 |
| UK FTSE100 | 6,719 | 1.3% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 1.77 | -0.06 |
| Commodities (close & change)* | | | TWI | 63.9 | - | - | 64.1 | United States | | |
| CRB Index | 192.3 | -1.2 | AUD/USD | 0.7686 | 0.7722 | 0.7636 | 0.7643 | 3-month T Bill | 0.04 | 0.00 |
| Gold | 1,681.14 | -19.5 | AUD/JPY | 83.28 | 83.75 | 82.93 | 83.24 | 2 year bond | 0.16 | 0.03 |
| Copper | 8,911.20 | -13.5 | AUD/GBP | 0.5554 | 0.5575 | 0.5526 | 0.5531 | 10 year bond | 1.60 | 0.04 |
| Oil (WTI) | 64.68 | -1.4 | AUD/NZD | 1.0719 | 1.0765 | 1.0715 | 1.0736 | Other (10 year yields) | | |
| Coal (thermal) | 80.50 | -2.1 | AUD/EUR | 0.6451 | 0.6475 | 0.6435 | 0.6452 | Germany | -0.28 | 0.03 |
| Coal (coking) | 134.35 | 0.0 | AUD/CNH | 5.0078 | 5.0286 | 5.0000 | 5.0083 | Japan | 0.12 | 0.03 |
| Iron Ore | 167.37 | -0.4 | USD Index | 92.0 | 92.4 | 91.8 | 92.4 | UK | 0.75 | 0.00 |

Data as at 8am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Equity prices marched higher even as bond yields continued to increase. Tech shares lagged as investors rotated out of high-valuation shares towards companies tied to the economic cycle.

Share Markets: In the US, the Dow moved 1.0% higher. There was a notable rotation out of tech as investors fled high-valuation stocks for companies tied to economic growth, like bank and energy shares. This sent the Nasdaq down 2.4%.

There was a strong lift in European markets, with the Dax up 3.3%.

In China, the Shanghai Composite fell 2.3% alongside a tightening liquidity conditions in Chinese money markets.

The ASX 200 was up 0.4%, as falls in tech and health stocks partly offset strength in other sectors. Futures point to a steady open.

Interest Rates: US Treasury yields climbed higher, with the 10-year bond rising 4 basis points to 1.60%. Australian 10-year government bond yields declined 6 basis points to 1.77%, reversing gains from the previous day.

Foreign Exchange: The Australian dollar fell from 0.7686 to 0.7636 before consolidating around 0.7643. The US dollar firmed, hitting its highest level since November last year.

Commodities: Oil reversed course and fell overnight, despite an attack on a key Saudi oil

production site. The attack reportedly did not affect production but is likely to raise geopolitical tensions in the region. Gold and copper fell.

Australia: There was little fresh news for markets overnight.

China: Exports surged in the first two months of 2021, beating expectations. Exports rose by 60.6%, well above consensus estimates of a 40.0% increase. The increase reflected the low base in 2020 and strong global demand for manufactured goods.

Europe: The Sentix investor confidence index, a measure of German investors' optimism for the eurozone, was stronger than expected, increasing to 5 in March, from -0.2 in February.

United States: Wholesale inventories were in line with expectations in January, increasing 1.3% in the month. Inventories of durable and non-durable goods both increased. Inventories have risen since July as businesses have rushed to restock depleted shelves alongside pandemic-induced hoarding and supply-chain disruptions.

Treasury Secretary Yellen dismissed concerns that the \$1.9t fiscal stimulus will cause inflation to overheat. She noted that before the pandemic inflation was too low rather than too high.

The Fed extended its Paycheck Protection Program (PPP) for three months to the end of June but said other emergency lending programs would expire at

the end of March due to low usage. The PPP supports the cash flow of small businesses. The decision to cut the other lending facilities reflects how far pandemic-related strains in markets have eased.

Today's key data and events:

NZ Manufacturing Activity Q4 prev 10.0% (8:45am)

NZ ANZ Business Confidence Mar prev 7 (11am)

AU Manpower Survey Q2 prev 12% (11am)

AU NAB Business Survey Feb (11:30am)

Confidence prev 7

Conditions prev 10

EZ GDP Q4 Final exp -0.6% prev -0.6% (9pm)

OECD Interim Economic Outlook (9pm)

US NFIB Small Bus. Optimism Feb exp 96.5 prev 95.0 (10pm)

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.

Matthew Bunny, Economist

Ph: 02-8254-0023

Contact Listing

Chief Economist

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

Senior Economist

Hans Kunnen
hans.kunnen@banksa.com.au
(02) 8254 1316

Economist

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

The Detail

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne's agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.