

Interest Rates (%)			FX		Commodities US\$			
Australia		Δ bp	AUD/USD	0.7919	0.6%	WTI Crude Oil	61.60	\$2.36
90-day Bill	0.01	0	AUD/JPY	83.16	0.2%	Brent Crude Oil	65.24	\$2.33
3-year Bond	0.14	0	AUD/EUR	0.6509	0.3%	Mogas95*	69.93	\$0.23
10-year Bond	1.63	12	AUD/GBP	0.5628	0.2%	CRB Index	192.62	4.00
			AUD/NZD	1.0804	0.2%	Gold	1808.39	\$26.08
			AUD/CNY	5.1177	0.7%	Silver	28.01	\$0.80
US			EUR/USD	1.2165	0.4%	Iron Ore (62% Fe)**	171.49	\$3.05
2-year	0.11	0	USD/JPY	105.00	-0.4%	Iron Ore (20-21 Average)	130.82	\$0.24
10-year	1.37	3	USD/CNY	6.4625	0.1%	Copper	9097.00	\$187.50
			RBA Policy		Equities			
Other 10-year			O/N Cash Rate Target	0.10%	ASX200	6777	-17	
Japan	0.12	2	Interbank O/N Cash Rate	0.03%	Dow Jones	31522	28	
Germany	-0.34	-4	RBA Bond Purchases (YCC)***	A\$73.3b	S&P500	3877	-31	
UK	0.69	-1	RBA Bond Purchases (QE)***	A\$67.0b	Stoxx600	413	-2	
					CSI300	5597	-182	

*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel price.

**Iron ore is the second SGX futures contract.

***YCC stands for the yield curve control policy. QE stands for quantitative easing (the new RBA bond buying program).

Sovereign curves continued to steepen in the US, Japan and Australia, with long-term government bond yields in those countries climbing to pre-pandemic highs.

The Australian fixed income market saw the most dramatic moves, with 10-year Commonwealth bond yields surging by 14 basis points, surpassing the level reached in the spike in March 2020. Yields picked up also for shorter maturities, despite the RBA buying another A\$2.0b of Commonwealth bonds maturing between November 2024 and May 2028.

In reaction to a slight increase in 3-year yields over the past couple of days, the RBA also bought A\$1.0b of Commonwealth bonds maturing in April 2024. However, this appeared to disappoint some market participants, who may have wanted something more in line with the \$2.0b bought on the 10 December. The 3-year yield fell only temporarily before climbing back to 0.14%. The RBA's 3-year yield target is 0.10%.

Elsewhere, US 10-year Treasury yields climbed to the highest levels since February 2020. Japanese 10-year yields reached the highest levels since late 2018. German 10-year bund yields rose to the highest levels since June 2020 at one point, yet retreated after ECB President Christine Lagarde said that the ECB was closely monitoring the evolution in long-term yields. 10-year UK gilt yields consolidated after sharp increases in the previous days, as UK Prime Minister Boris Johnson announced a road map out of lockdown.

US stock markets followed Friday's pattern. Industrial equity prices rose, helped by the ongoing drop in new COVID-19 cases in the US, while tech stock prices continued to fall. The Australian dollar continued to appreciate and on current momentum could be heading to US\$0.80, which is not likely to please the RBA.

Industrial commodity prices are generally higher, with Brent futures now at levels unseen since early January 2020. OPEC and US oil producers predict that US shale oil production will remain limited this year, and the recent severe winter conditions in Texas will most probably reduce supply from the US even further. Iron ore futures in the Singapore Exchange are back above US\$170 a tonne, supported by ongoing demand from China and doubts over supply in Brazil due to heavy rain volumes at its major ports.

ECONOMIC DATA REVIEW

- **AU:** ANZ Roy Morgan Consumer Confidence (w/e 20 Feb) – Actual 109.2, Previous 109.9.
- **DE:** Ifo Index (Feb) – Actual 92.4, Previous 90.3 (revised).

ECONOMIC DATA PREVIEW

- **AU:** Merchandise Trade Balance (Jan, prelim.) – Previous A\$5.6b.
- **CH:** New Home Prices (YoY, Jan) – Previous 3.8%.
- **UK:** Unemployment Rate (Dec) – Expected 5.1%, Previous 5.0%.
- **UK:** Claimant Count (monthly change, Jan) – Expected -30k, Previous 7k.
- **US:** Case-Shiller House Price Index 20 Cities (YoY, Dec) – Previous 9.1%.

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