

## Chinese data point to strengthening recovery

**Sharemarkets on Wall Street oscillated around record highs overnight**, despite news that a number of European countries have suspended the use of the AstraZeneca vaccine over blood clot concerns. Sentiment was broadly positive as attentions focused on the broader successes of the vaccine rollout and the prospects of a post-pandemic uptick in activity. Some of the most volatile movers of late, tech shares led the gains, with the tech-heavy Nasdaq lifting 0.5%, the Dow Jones up 0.2% and the S&P500 lifting 0.2%. The news that President Biden would push for tax hikes in his next economic plan also didn't seem to faze the market, with commentators expressing some scepticism that the measures would be able to pass the US Congress. **The mood was very different in Europe, where most major equity indices fell amid the AstraZeneca news.**

**US Treasury yields also eased down a shade overnight, as the reflation trade took a pause.** The yield on the US 10-year eased to 1.60%. European bond yields were similarly lower across the board. **The most notable Central Bank comments overnight came from the Bank of England's Andrew Bailey**, who said "We have seen some increase in interest rates over the last month or so, as have other countries. My assessment so far is that that is consistent, I think, with the change in the economic outlook," but also stated he retained "a large dose of caution."

**Two points of February data from China yesterday pointed to the continuing strength of the Chinese recovery.** Industrial production sales lifted more than markets had been anticipating (+35.1% ytd vs survey: 32.2%), as did retail sales (+33.8% vs survey: 32.0%). Whilst the big increases partly reflect the low bases in Q1 2020 (when the initial Chinese COVID outbreak had hit hard), our CBA colleagues believe the releases support their forecast for +9.2% yoy GDP growth in China over the course of 2021.

After last week's flip-foppery, it was a return to recent trends re-asserted themselves in the local bond market. **Yields lifted across the NZ curve, with a steepening bias evident (NZ 10-Year: 1.82%).** Similar themes were evident in the Aussie market, despite comments from RBA Governor Lowe that again emphasised the bank would keep monetary policy accommodative until the bank's employment goals were met. **Despite the lift in yields, the NZX also managed a decent lift over the day, up 1.33%.**

**Yesterday's January Performance of Services Index showed the sector continuing to contract for a third month.** The PSI fell 1.2 over the month to 47.9, with supplier shortages and the continued absence of international tourists continuing to weigh. With the exception of the 'new orders' metric, all metrics were below the 50 mark that indicates an expansion. So pretty soggy then.

**FX comment:** The NZD posted gains against all its G10 peers overnight. At the time of writing, the NZD/USD had edged up around 0.72, whilst the NZD/AUD had lifted to around 0.9285.

**Day ahead:** There is nothing in the way of major domestic data out, with the only local release being card data for January from the RBNZ. Across the Tasman, the Australian House Price Indices for Q4 are out (mkt: +1.8% qoq, +2.9% yoy). Key releases overnight are more impactful with February US retail sales (-0.5% mom) and industrial production data (+0.4% mom) out. In Europe, the latest ZEW Survey of Expectations is released.

Of course, there's also the latest GlobalDairyTrade auction in the wee hours of tomorrow morning. After a truly bonkers auction a fortnight ago in which wholemilk powder prices lifted by 21%, tomorrow's event will be closely watched for signs of whether prices can hold their ground. We expect strong demand from China to keep prices supported over the rest of the season, even if there is a little bit of moderation at tomorrow's event. Stay tuned for our post-auction review. **Author:** [nathaniel.keall@asb.co.nz](mailto:nathaniel.keall@asb.co.nz)

Currencies			Currencies			Commodities			Equities		
NZD/USD	0.7192	0.3%	NZD/SEK	6.130	0.7%	NZX WMP	4140.0	0.0%	Dow	32801	0.1%
NZD/AUD	0.9284	0.4%	NZD/DKK	4.485	0.5%	Gold \$/o	1729.5	0.1%	S&P 500	3952	0.2%
NZD/EUR	0.6032	▲ 3.7%	NZD/THB	22.1	0.3%	WTI Oil \$/b	65.3	-0.4%	NASDAQ	13386	0.5%
NZD/JPY	78.51	▲ 9.1%	AUD/USD	0.7747	-0.1%	<b>Money Market (%)</b>			FTSE	6750	-0.2%
NZD/GBP	0.5180	▲ -0.7%	EUR/USD	1.192	-0.2%	90 Day BB	0.32	0.01	CAC-40	6036	-0.2%
NZD/CAD	0.8976	▲ -0.4%	USD/JPY	109.2	0.2%	OCR	0.25	0.00	DAX	14461	-0.3%
NZD/CHF	0.6676	12.1%	<b>10 Yr Bond Yields (%)</b>			<b>ASB Swap Rates (%)</b>			H.Seng	28834	0.3%
NZD/HKD	5.585	#VALUE!	NZ	1.84	0.11	1yr	▲ 0.37	0.01	Nikkei	29767	0.2%
NZD/SGD	0.9680	0.3%	US	1.61	-0.02	2yr	▲ 0.58	0.02	ASX200	6773	0.1%
NZD/CNH	4.679	0.5%	Aust	1.80	0.08	5yr	▲ 1.33	0.06	NZX50	12592	1.3%

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