

Morning Report

Friday, 6 August 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,511	0.1%			Last	Overnight Chg		Australia		
US Dow Jones	35,064	0.8%	10 yr bond	98.83			-0.02	90 day BBSW	0.02	0.00
Japan Nikkei	27,728	0.5%	3 yr bond	99.69			-0.02	2 year bond	0.04	0.00
China Shanghai	3,633	-0.3%	3 mth bill rate	99.98			0.00	3 year bond	0.27	0.01
German DAX	15,745	0.3%	SPI 200	7,423.0			3	3 year swap	0.41	0.00
UK FTSE100	7,120	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.16	0.01
Commodities (close & change)*			TWI	61.7	-	-	61.7	United States		
CRB Index	215.1	1.6	AUD/USD	0.7379	0.7416	0.7377	0.7404	3-month T Bill	0.05	0.00
Gold	1,804.41	-7.3	AUD/JPY	80.80	81.36	80.79	81.27	2 year bond	0.20	0.02
Copper	9,469.76	26.0	AUD/GBP	0.5313	0.5327	0.5312	0.5315	10 year bond	1.22	0.04
Oil (WTI)	69.09	0.9	AUD/NZD	1.0477	1.0496	1.0476	1.0492	Other (10 year yields)		
Coal (thermal)	147.25	3.2	AUD/EUR	0.6234	0.6264	0.6234	0.6256	Germany	-0.50	0.00
Coal (coking)	215.00	1.4	AUD/CNH	4.7696	4.7874	4.7683	4.7846	Japan	0.01	0.00
Iron Ore	165.50	-1.2	USD Index	92.3	92.4	92.1	92.3	UK	0.52	0.01

Data as at 8:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: The major US share market index – the S&P 500 index – jumped to a new record high. Solid corporate earnings reports are helping investor sentiment, but worries about the spread of the delta variant are still mounting.

Share Markets: US share markets gained ground ahead of tonight's jobs report. Investors balanced enthusiasm about solid earnings reports against worries about the spread of the delta variant. The S&P 500 rose 26 points (or +0.6%) to a new record high, the Dow added 272 points (or +0.8%) and the Nasdaq rose 115 points (or +0.8%).

Interest Rates: US bond yields rose across the curve. The US 2-year yield lifted 2 basis points and the 10-year 4 basis points.

Foreign Exchange: The Australian dollar firmed against the US dollar overnight, although it did lose around a third of a US cent at one point in New York trading, but swiftly recovered the losses. The AUD/USD remained within a range of 0.7377 to 0.7416.

One of the bigger movers overnight against the USD was the GBP, after the BoE met and provided an update on policy guidance. The GBP/USD moved from a low of 1.3873 in Asia trade yesterday to an overnight high of 1.3949 before settling around 1.3930 at the time of writing.

Commodities: Commodities were mostly firmer overnight. But iron ore bucked the trend and fell

due to fears of further output restrictions in China.

COVID-19: NSW recorded 262 new cases yesterday, 110 of which were confirmed to be in isolation throughout their entire infectious period. Queensland recorded 16 new cases yesterday and Victoria recorded 8.

Eight local government areas in the Newcastle and Hunter region of NSW entered a snap 7-day lockdown from 5pm yesterday. Restrictions will be the same as those that apply to Greater Sydney.

Victoria entered a snap state-wide 7-day lockdown from 8pm last night.

The US Food and Drug Authority is expected to will develop a vaccine booster strategy by early September. Moderna said its vaccine was 93% effective six months after a second shot.

China has imposed new travel and movement restrictions across the nation. Hong Kong registered its first local case in 58 days.

Australia: At 9:30am this morning, the Reserve Bank (RBA) Governor will give an address to the House of Representatives Standing Committee on Economics (Online). Following this, the RBA will publish its August Statement on Monetary Policy – the focus will be on the Bank's updated forecasts in light of the recent lockdowns.

Yesterday data showed Australia's trade surplus increased in June to a record high of \$10.5 billion,

surpassing the previous peak of \$9.9 billion in January. The surplus was driven by exports jumping 3.6% whilst imports rose by only 0.8%.

The gain in exports was led by metal ores, coal and gold as well as rural goods, manufacturing and services. Despite ongoing trade tensions with China, overseas shipments to China increased to their highest level ever. Exports to China increased 8.2%, primarily driven by iron ore.

The increase in imports was driven by capital transport equipment and fuel.

Weekly payroll jobs fell by 2.4% in the fortnight to 17 July, following a revised 0.2% fall in the previous fortnight. The release coincided with the lockdown in NSW, the beginning of the lockdown in Victoria, and school holidays in every state and territory.

Across the states and territories, NSW (-4.4%) recorded the largest fall in payroll jobs, followed by the Australian Capital Territory (-2.4%) and Victoria (-1.9%). All other states and territories also fell.

United Kingdom: The Bank of England (BoE) said inflation will spike higher than expected above 4% but held fast on policy, with only one dissenting vote. The BoE also signalled eventual tightening, saying that should the economy evolve in line with projections, modest tightening of monetary policy would likely be necessary over the forecast period.

It also updated its approach to unwinding stimulus when the time comes and said it will begin tapering when the key rate is at 0.5%, but consider actively selling bonds only once it has risen to at least 1%.

United States: The Federal Reserve President of Minneapolis, Kashkari, is optimistic about the US labour market, but said "the wrinkle now, so to speak, is delta." Kashkari also said the country hasn't yet made substantial progress on jobs.

The trade deficit widened from \$71.0 billion in May to an all-time high in June of \$75.7 billion. A spike in imports, especially for oil, contributed to the widening of the trade gap.

Initial jobless claims fell to 385k last week, from a revised 399k in the prior week. New weekly jobless claims are trending down but remain well above pre-pandemic levels, as the labour market recovery trudges forward.

In recent weeks, concerns over the spread of the Delta variant have risen, confounding employers' in-person, return-to-office plans and deterring some individuals from taking high-contact jobs.

Today's key data and events:

AU RBA Gov. Lowe Testimony to Parliament (9am)
 AU RBA Statement on Monetary Policy (11:30am)
 CH Current Account Q2 prev US\$69.4bn (TBC)
 US Non-farm Payrolls Jul exp 870k prev 850k (10:30pm)
 US Unemploy. Rate Jul exp 5.7% prev 5.9% (10:30pm)
 US Avg Hourly Earnings Jul exp 0.3% prev 0.3% (10:30pm)
 US Consumer Credit Jun exp \$23.0bn prev \$35.3bn (5am)
 CH Trade Jul exp US\$51.8bn prev US\$51.5bn (Sat 7 Aug)
 CH Exports Jul y/y exp 19.9% prev 32.2% (Sat 7 Aug)
 CH Imports Jul y/y exp 34.4% prev 36.7% (Sat 7 Aug)

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.

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