

# Morning Report

Monday, 6 September 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,523	0.5%	Last		Overnight Chg			Australia		
US Dow Jones	35,369	-0.2%	10 yr bond	98.77	-0.03			90 day BBSW	0.01	0.00
Japan Nikkei	29,128	2.0%	3 yr bond	99.71	0.00			2 year bond	0.01	0.00
China Shanghai	3,754	-0.4%	3 mth bill rate	99.98	-0.01			3 year bond	0.28	0.01
German DAX	15,781	-0.4%	SPI 200	7,483.0	-23			3 year swap	0.44	0.01
UK FTSE100	7,138	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.22	0.02
Commodities (close & change)*			TWI	61.6	-	-	61.9	United States		
CRB Index	220.1	0.1	AUD/USD	0.7402	0.7478	0.7395	0.7452	3-month T Bill	0.03	-0.01
Gold	1,827.73	18.1	AUD/JPY	81.37	82.03	81.26	81.81	2 year bond	0.21	0.00
Copper	9,422.75	56.0	AUD/GBP	0.5350	0.5395	0.5343	0.5376	10 year bond	1.32	0.04
Oil (WTI)	69.29	-0.7	AUD/NZD	1.0405	1.0446	1.0400	1.0415	Other (10 year yields)		
Coal (thermal)	178.75	3.7	AUD/EUR	0.6233	0.6280	0.6225	0.6268	Germany	-0.36	0.02
Coal (coking)	285.67	11.2	AUD/CNH	4.7734	4.8040	4.7696	4.7965	Japan	0.04	0.01
Iron Ore	143.00	0.0	USD Index	92.2	92.3	91.9	92.0	UK	0.72	0.04

Data as at 7:30am AEST. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** Markets were mixed following the release of much weaker-than-expected US jobs market data. The S&P 500 ended unchanged. The US dollar fell and US interest rates rose.

**Share Markets:** US equity markets ended the day largely unchanged following the release of weaker-than-expected US jobs numbers. The S&P 500 was broadly unchanged. Mega-cap technology stocks increased, leading the tech-heavy NASDAQ to close 0.2% higher on the day.

The ASX 200 rose 0.5%. Futures are pointing to a weaker open today.

**Interest Rates:** Long-term US interest rates increased while short-term rates were broadly unchanged. The US 10-year yield increased by 4 basis points to 1.32%, potentially reflecting low unemployment and future inflationary implications in the jobs report. The 2-year yield was broadly unchanged at 0.21%.

The Australian 10-year government bond yield (futures) rose from 1.21% to 1.25%. The 3-year bond yield (futures) rose from 0.30% to 0.31%.

**Foreign Exchange:** The US dollar fell against most major currencies. The USD Index fell from a high of 92.3 to a one-month low of 91.9, before recovering to 92.0.

The AUD/USD pair strengthened to a six-week high. The pair rose from a low of 0.7395 to a high of

0.7478.

**Commodities:** Gold, coal and copper increased. Oil fell, while iron ore was unchanged.

**COVID-19:** NSW recorded 1,485 new cases yesterday. Victoria recorded 183 cases, the ACT recorded 15 new cases and Queensland recorded 1 new case.

Australia will receive 4 million doses of Pfizer this month as part of a vaccine swap deal with the United Kingdom.

**Australia:** There were no major economic data releases on Friday.

**China:** Activity in China's services sector fell sharply in August, as restrictions to control the delta outbreak impacted business activity and consumer spending. The Caixin services purchasing managers' index (PMI) fell to 46.7 in August, down from 54.9 in July. This was below consensus expectations of 52.0 and was the first contraction since April 2020. A number above 50 indicates expansion.

The Caixin composite PMI, which includes manufacturing and services, fell to 47.2 in August, down from 53.1 in July.

**Europe:** The final August Markit services PMI came in at 59.0, below the preliminary estimate of 59.7. While lower than the preliminary numbers, the survey still indicates rapid expansion in output and demand. Materials shortages, supply bottlenecks

and the delta outbreak continue to restrain activity. Retail sales fell by 2.3% in July, to be 3.1% higher over the year to July. This was below consensus expectations of a 0.0% outcome and down on a 1.5% increase in June. The monthly fall reflected a large reduction in online spending. Sales of fuel and food also fell over the month. The largest falls were recorded in Ireland, Germany and Austria.

**United Kingdom:** The final reading of the August Markit services PMI came in at 55.0. This was below the preliminary estimate of 55.5 and down on the 59.6 outcome in July. Supply shortages and supply chain issues continued to impact businesses. Despite falling from the previous month, the reading is the fifth consecutive month above 50.

**United States:** Jobs numbers were much weaker than the market expected. In August, the economy added 235k jobs, the smallest increase in seven months. This was well below consensus expectations of 733k and outside the range (400k to 1 million). This was also down on the revised July number of 1.1 million. Jobs growth was impacted by the spread of the delta variant. Sectors most sensitive to restrictions drove the weakness. The hospitality sector didn't add jobs in the month, down from recent increases of around 350k to 400k per month. Despite the weaker-than-expected outcome, the economy has now seen positive jobs growth for eight consecutive months and employment returned closer to pre-pandemic levels.

The unemployment rate fell to 5.2% in August. This was down from 5.4% in July and in line with consensus expectations. This is the lowest level of unemployment since the pandemic began.

Average hourly earnings rose 0.6% in August as businesses increase pay to attract applicants. This was above consensus expectations of a 0.3% increase and up on the July outcome of 0.4%. Average hourly earnings were 4.3% higher over the year, above consensus expectations of 3.9%.

The ISM services index fell to 61.7 in August, above consensus expectations of 61.6. This was down from 64.1 in July. Supply-side concerns, including disruptions to supply chains, difficulty filling vacant positions and cost increases continue to weigh on the sector, despite strong demand.

The final estimate for the Markit services PMI was 55.1 in August. This was down slightly from the preliminary estimate of 55.2.

#### Today's key data and events:

AU MI Inflation Aug y/y prev 2.6% (11am)  
 AU ANZ Job Ads Aug prev -0.5% (11:30am)  
 EZ Ger. Factory Orders Jul exp -1.0% prev 4.1% (4pm)  
 EZ Sentix Investor Conf. Sep exp 18.9 prev 22.2 (6:30pm)  
 UK Markit/CIPS Construction PMI Aug prev 58.7 (6:30pm)

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.

**Jarek Kowcza, Senior Economist**

Ph: 0481 476 436

## Contact Listing

**Chief Economist**

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

**Economist**

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

**Senior Economist**

Jarek Kowcza  
jarek.kowcza@banksa.com.au  
0481 476 436

**Research Assistant (Secondment)**

Sonali Patel  
sonali.patel@banksa.com.au  
(02) 8254 0030

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