

Morning Report

Tuesday, 10 August 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,538	0.0%			Last	Overnight Chg		Australia		
US Dow Jones	35,102	-0.3%	10 yr bond	98.79		-0.02		90 day BBSW	0.02	0.01
Japan Nikkei	27,820	0.3%	3 yr bond	99.66		-0.02		2 year bond	0.05	0.00
China Shanghai	3,663	1.1%	3 mth bill rate	99.99		0.00		3 year bond	0.31	0.01
German DAX	15,745	-0.1%	SPI 200	7,463.0		25		3 year swap	0.45	0.00
UK FTSE100	7,132	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.21	0.02
Commodities (close & change)*			TWI	61.7	-	-	61.6	United States		
CRB Index	211.7	-2.8	AUD/USD	0.7352	0.7364	0.7328	0.7330	3-month T Bill	0.05	0.00
Gold	1,729.94	-33.1	AUD/JPY	81.07	81.11	80.83	80.88	2 year bond	0.22	0.01
Copper	9,444.00	-25.8	AUD/GBP	0.5296	0.5307	0.5285	0.5293	10 year bond	1.32	0.03
Oil (WTI)	66.48	-1.8	AUD/NZD	1.0490	1.0503	1.0472	1.0488	Other (10 year yields)		
Coal (thermal)	148.00	6.6	AUD/EUR	0.6249	0.6260	0.6241	0.6245	Germany	-0.46	0.00
Coal (coking)	218.50	-0.3	AUD/CNH	4.7643	4.7710	4.7495	4.7549	Japan	0.02	0.00
Iron Ore	159.75	-0.8	USD Index	92.8	93.0	92.7	93.0	UK	0.58	-0.03

Data as at 7:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: US stocks slipped from record highs as investors focused on the prospect of a pullback in stimulus from the US Federal Reserve and virus concerns. US bond yields increased and the US dollar was firmer.

Share Markets: US stocks retreated as investors weighed concerns about the delta variant and US Federal Reserve speakers advocated for a tapering in quantitative easing. The S&P 500 declined 0.1% and the Dow fell 0.3%.

The ASX 200 was flat but futures point to a solid open.

Interest Rates: The US 10-year yield rose 3 basis points to 1.32% while the 2-year yield finished mostly unchanged at 0.22%.

The Australian 10-year (futures) yield finished mostly unchanged at 1.22% while the 3-year futures yield hovered around 0.35%.

Foreign Exchange: The Australian dollar fell from 0.7352 to 0.7330 against the US dollar. The US dollar is slightly firmer.

Commodities: Gold declined amid speculation the US Federal Reserve may soon start to pare back stimulus. Copper fell on concerns the delta variant could hinder demand from China. Oil and iron ore slipped.

COVID-19: NSW recorded 283 new cases yesterday, 106 of which were confirmed to be in isolation

throughout their entire infectious period. Queensland recorded 4 new cases yesterday and Victoria recorded 11 new cases. The lockdown in regional Victoria has come to end with trailing restrictions still in place.

Yesterday, the Byron Shire, Richmond Valley, Lismore and Ballina Shire local government areas, along with the regional town of Tamworth entered a 7-day lockdown. Restrictions will be the same as those that apply to Greater Sydney.

The Moderna COVID-19 vaccine has been provisionally approved by the Therapeutic Goods Administration for use in Australia for adults aged 18 and over. 25 million doses are expected, with the first one million arriving in early September and 10 million expected by the end of 2021.

Australia: There were no major economic data releases yesterday.

China: The producer price index surged in July, up 9.0% over the year to July, from 8.8% in June. This was above consensus expectations of 8.8% growth. China's economy had largely recovered from the disruptions caused by the COVID-19 pandemic. However, momentum is weakening as businesses continue to face higher raw material costs, including higher commodity prices, particularly oil and coal. Global supply chain bottlenecks are also contributing to inflation pressures. The country is now also facing new outbreaks of the delta strain

across several cities, which have stoked growth concerns.

Meanwhile, the consumer price index rose 1.0% over the year to July, down from 1.1% in June. This was above consensus expectations of 0.8% growth. Food prices fell by 3.7% and non-food prices rose by 2.1%. The core consumer price index, which strips out volatile food and energy prices, increased by 1.3% over the year to July. This was the strongest increase in 18 months.

Europe: The Sentix investor confidence index dropped to 22.2 in August from 29.8 in July, ending a fifth-month streak of upwards momentum. The data suggests the economy is still growing but the pace is slowing considerably. There are growing concerns lockdowns could be reimposed because of rising case numbers.

United States: US job openings surged by more than forecast to a new record high in June. The number of available positions hit 10.1 million, up from 9.5 million in May. The demand side of the labour market continues to recover faster than the supply side. Skills mismatches and pandemic disruptions remain a strong theme in the data.

Federal Open Market Committee (FOMC) member Bostic would support tapering quantitative easing from September, and tapering faster than in previous episodes, if there was another strong month of jobs data. He said “we are well on the road to substantial progress towards our goals” given the surge in July payrolls data. Alongside the labour market, he thinks the inflation goal may have been met too and worries about people adjusting to higher inflation rates.

Fellow FOMC member Rosengren said the central bank should begin dialling back stimulus “this fall”. He argued bond purchases are no longer helping to create jobs but instead contributing to higher prices on interest-rate-sensitive items like homes and cars.

Today's key data and events:

NZ Card Spending Retail Jul prev 0.9% (8:45am)

AU NAB Business Survey Jul (11:30am)

Business Conditions Jul prev 24

Business Confidence Jul prev 11

AU ANZ RM Cons. Conf. w/e Aug 8 prev 101.8 (11:30 am)

EZ ZEW Expectations Aug prev 61.2 (7pm)

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

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

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 BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA 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 BankSA products and details are available. BankSA 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. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
