

# Morning Report

Friday, 11 June 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,303	0.4%	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	34,466	0.1%	10 yr bond	98.58	0.01			90 day BBSW	0.02	0.00
Japan Nikkei	28,959	0.3%	3 yr bond	99.84	0.00			2 year bond	0.02	-0.01
China Shanghai	3,785	0.5%	3 mth bill rate	99.97	0.00			3 year bond	0.25	-0.02
German DAX	15,571	-0.1%	SPI 200	7,307.0	1			3 year swap	0.31	0.00
UK FTSE100	7,088	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.49	-0.08
<b>Commodities (close &amp; change)*</b>			TWI	63.8	-	-	63.7	<b>United States</b>		
CRB Index	212.2	1.0	AUD/USD	0.7730	0.7764	0.7718	0.7752	3-month T Bill	0.02	0.00
Gold	1,898.51	9.9	AUD/JPY	84.74	85.02	84.63	84.79	2 year bond	0.14	-0.06
Copper	9,956.25	15.3	AUD/GBP	0.5477	0.5496	0.5468	0.5468	10 year bond	1.43	-0.06
Oil (WTI)	70.14	-0.2	AUD/NZD	1.0774	1.0784	1.0759	1.0775	<b>Other (10 year yields)</b>		
Coal (thermal)	123.95	5.5	AUD/EUR	0.6347	0.6373	0.6342	0.6369	Germany	-0.26	-0.01
Coal (coking)	167.00	0.2	AUD/CNH	4.9383	4.9580	4.9298	4.9500	Japan	0.06	-0.01
Iron Ore	210.00	1.8	USD Index	90.1	90.3	90.0	90.1	UK	0.75	0.02

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:** US equities rose to new record highs and US bond yields fell after inflation data was consistent with the Federal Reserve's thinking that the pick up in price pressures will be transitory.

**Share Markets:** The S&P 500 rose 0.5% to an all-time high while the Dow increased 0.1%.

The Dax slipped 0.1% and the ASX 200 climbed 0.4%.

**Interest Rates:** US 10-year treasury yields dropped following the US inflation report, finishing 6 basis points lower at 1.43%. Yields on Australian 10-year government bonds declined 8 basis points to 1.49%.

**Foreign Exchange:** The Australian dollar rose from 0.7730 to touch 0.7764 against the US dollar before partly retracing to 0.7752. The AUD/USD has been trading in a narrow range for most of the past month. The US dollar finished largely unchanged.

**Commodities:** Gold and iron ore edged higher while WTI crude oil slipped.

**Australia:** Consumer inflation expectations increased by 0.9 percentage points to 4.4% in June. This increase was the largest since January 2017. This time last year inflation expectations were around 3.3%.

**China:** Aggregate financing was 1.92 trillion yuan in May, up from 1.85 trillion yuan in April, broadly in line with expectations.

**Europe:** The European Central Bank (ECB) left policy settings unchanged as expected. The ECB expects

net purchases under the pandemic emergency purchase program over the coming quarter will continue to be conducted at a significantly higher pace than during the first few months of the year.

The ECB raised its GDP forecasts for 2021 and 2022 and had a more balanced view on risks to the economic outlook. However, the central bank is still forecasting 1.4% inflation in 2023, which is well below its 2% target and suggests that policy will remain accommodative for some time yet.

**United States:** Markets were eagerly awaiting the release of inflation data for May as debate rages about whether the uplift in inflation will be transitory or more persistent. The data beat expectations, with the consumer prices index increasing 0.6% in May, to be up 5.0% over the year, the fastest pace in 13 years. Core CPI rose 0.7% in May and 3.8% in year-ended terms.

However, the details showed a significant share of the increase was due to sharp gains in used vehicle prices, supporting the Federal Reserve's view that the spike in inflation will be temporary. Despite the print coming in stronger than expected, the subsequent fall in bond yields suggests the market is falling in line with the Fed's thinking that inflation is transitory, and so will not lead to a pullback in monetary stimulus any time soon.

Initial jobless claims continued to decline, falling 9k to 376k, in the week ending June 5. This was the sixth-consecutive decline supported by surging

labour demand as the economy reopens.

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

NZ BusinessNZ Mfg PMI May prev 58.4 (8:30am)

UK Industrial Production Apr exp 1.2% prev 1.8% (4:00pm)

UK Construction Output Apr exp 1.0% prev 5.8% (4:00pm)

UK Trade Balance Apr exp -£2500mn prev -£1966mn  
(4:00pm)

US UoM Consumer Sentiment Jun Preliminary exp 84.2  
prev 82.9 (12:00am)

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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