

Morning Report

Tuesday, 11 May 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	7,173	1.3%			Last	Overnight Chg		Australia			
US Dow Jones	34,743	-0.1%	10 yr bond		98.33	-0.01		90 day BBSW	0.04	0.00	
Japan Nikkei	29,518	0.5%	3 yr bond		99.75	0.00		2 year bond	0.08	-0.01	
China Shanghai	3,593	0.3%	3 mth bill rate		99.95	-0.01		3 year bond	0.29	0.00	
German DAX	15,400	0.0%	SPI 200		7,096.0	-52		3 year swap	0.31	0.00	
UK FTSE100	7,124	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.71	0.03	
Commodities (close & change)*			TWI		64.4	-	-	64.8	United States		
CRB Index	206.2	-0.8	AUD/USD		0.7851	0.7891	0.7827	0.7838	3-month T Bill	0.00	-0.01
Gold	1,836.07	4.8	AUD/JPY		85.28	85.80	85.18	85.27	2 year bond	0.15	0.01
Copper	10,423.50	323.8	AUD/GBP		0.5606	0.5608	0.5544	0.5548	10 year bond	1.60	0.02
Oil (WTI)	64.89	0.0	AUD/NZD		1.0777	1.0814	1.0756	1.0786	Other (10 year yields)		
Coal (thermal)	95.50	1.6	AUD/EUR		0.6451	0.6485	0.6450	0.6458	Germany	-0.21	0.00
Coal (coking)	114.33	1.1	AUD/CNH		5.0393	5.0578	5.0268	5.0338	Japan	0.09	0.00
Iron Ore	215.45	-7.0	USD Index		90.2	90.3	90.0	90.2	UK	0.79	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: Inflation worries were back in focus alongside surging commodity prices. US equity prices declined and long-end bond yields rose.

Share Markets: Technology shares fell as surging commodity prices stoked concern about whether inflation will derail a growth rebound. The Nasdaq 100 dropped 350 points (or 2.6%), the S&P fell 44 points (or 1.0%), and the Dow relinquished earlier advances late in the day after topping 35,000 for the first time.

Interest Rates: Expectations of higher inflation pushed up Treasury yields slightly. The US 10-year ticked up 2 basis points to 1.60%. Australian 10-year government bond yields rose 3 basis points.

Foreign Exchange: The Australian dollar traded up to 0.7891 from 0.7851 before retracing to finish slightly lower at 0.7838. The US dollar traded in a tight range to finish unchanged.

Commodities: Copper jumped to a new record and gold climbed to a three-month high. WTI crude oil fluctuated after a cyber attack forced the closure of a key US pipeline – operators hope to reopen by the end of the week.

Australia: Retailing has been incredibly volatile. But the underlying trend shows that retail spending stayed resilient throughout the pandemic. March 2021 was no exception. The value of retail sales rose 1.3% in March, after a fall of 0.8% in February. On a year ago, retailing is up 2.2%.

Online expenditure shot up 2.0% after a fall of 2.1% in February. Online sales as a share of retailing rose to 9.4% in March, which down from the peak last year but well up on the pre-pandemic level.

Across the states, Western Australia and Victoria recorded the firmest clips of nominal retailing growth in March of 5.5% and 3.5%, respectively. WA's rate was the fastest since May 2020.

In volume terms, retail spending fell 0.5% in the March quarter, after very sharp rates of growth in the previous two quarters. It suggests some downside risks to GDP growth in Q1.

A potent mix of lower unemployment, low interest rates and a housing price boom are likely to help underpin further growth in retail spending. The high share of household savings could also support spending if consumers choose to draw down on these savings. With the rollout of the vaccines occurring, we expect that some shifts within retail spending will continue.

Business conditions and confidence both hit fresh highs in April, pointing to ongoing jobs growth and a continued recovery in business investment. And this comes off the back of the expiry of JobKeeper at the end of March. The survey has been running since 1996.

Conditions increased to 32, from 24 in March. Each of the three underlying components – trading conditions, profitability and employment – rose to

new record highs. Conditions also improved in all states, except South Australia which was flat.

The strength in conditions has broadened out across industries, after services lagged other sectors alongside pandemic-related restrictions.

Confidence rose to 26 in April, up from 17 in the previous month.

Capacity utilisation also hit a new high in April, increasing to 85.3% from 82.5%. Higher capacity utilisation is associated with increases in business investment, jobs and inflationary pressures. Forward orders also climbed to a new high in April, pointing to a solid pipeline of work.

United States: Chicago Federal Reserve President Evans spoke and followed the core Fed view that more needs to be done. He said they will need to see 'month after month' of improvement in employment numbers before the Fed starts talking about tapering.

Today's key data and events:

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

AU Roy Morgan Cons Confidence May 9 prev 112.7 (9:30am)

AU Weekly Payroll Jobs and Wages Apr 24 (11:30am)

CH CPI Apr y/y exp 1.0% prev 0.4% (11:30am)

CH PPI Apr y/y exp 6.5% prev 4.4% (11:30am)

EZ ZEW Expectations May prev 66.3 (7pm)

AU Federal Budget 2021-22 (7:30pm)

US NFIB Small Busin Optimism Apr exp 100.8 prev 98.2 (10pm)

US JOLTS Job Openings Mar exp 7500k prev 7367k (12am)

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.

Besa Deda, Chief Economist
Ph: 02-8254-3251

Contact Listing

Chief Economist

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

Economist

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

Associate Economist

Sonali Patel
sonali.patel@banksa.com.au

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