

Morning Report

Tuesday, 12 October 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,300	-0.3%			Last	Overnight Chg		Australia		
US Dow Jones	34,496	-0.7%	10 yr bond	98.23				90 day BBSW	0.03	0.00
Japan Nikkei	28,498	1.6%	3 yr bond	99.26				2 year bond	0.10	0.00
China Shanghai	3,764	0.0%	3 mth bill rate	99.93				3 year bond	0.52	0.05
German DAX	15,199	0.0%	SPI 200	7,237.0				3 year swap	0.71	0.06
UK FTSE100	7,147	0.7%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.72	0.08
Commodities (close & change)*			TWI	61.5	-	-	61.6	United States		
CRB Index	closed		AUD/USD	0.7307	0.7373	0.7292	0.7345	3-month T Bill	closed	
Gold	1,754.00	-3.1	AUD/JPY	81.98	83.56	81.86	83.24	2 year bond	closed	
Copper	9,367.75	85.5	AUD/GBP	0.5359	0.5409	0.5356	0.5404	10 year bond	closed	
Oil (WTI)	80.50	1.2	AUD/NZD	1.0556	1.0594	1.0536	1.0591	Other (10 year yields)		
Coal (thermal)	231.50	24.5	AUD/EUR	0.6309	0.6370	0.6306	0.6357	Germany	-0.12	0.03
Coal (coking)	390.00	2.0	AUD/CNH	4.7096	4.7574	4.7010	4.7447	Japan	0.09	0.00
Iron Ore	130.55	-4.9	USD Index	94.1	94.4	94.0	94.4	UK	1.19	0.03

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

Main Themes: Volumes were low as US markets were largely closed for the Columbus Day public holiday. Risk sentiment was negatively impacted by concerns around high energy prices and inflationary pressures, resulting in equity markets closing lower. The AUD was higher despite a stronger US dollar.

Share Markets: US equity markets traded, however, volumes were thin given the Columbus Day holiday. The S&P 500 was down 0.7% while the NASDAQ fell 0.6%.

The ASX 200 fell 0.3% and futures are pointing to a further decline on the open today.

Interest Rates: US interest rates markets were closed for the Columbus Day holiday. However, the 10-year yield implied by the futures market traded above 1.62%. This is a 6-month high.

The Australian 10-year government bond yield (futures) rose from 1.75% to 1.78%. The 3-year government bond yield (futures) rose from 0.71% to 0.74%.

Foreign Exchange: The AUD was the outperformer on the day as some commodity prices strengthened. The AUD/USD pair rose from a low of 0.7292 to a high of 0.7373, before settling around 0.7345.

The US dollar strengthened against other major currencies. The USD Index rose from a low of 94.0 to a high of 94.4.

Commodities: Oil prices rose amid continued concerns around rising energy prices in Europe and Asia. The West Texas Intermediate (WTI) contract closed above \$80 for the first time since late 2014. Aluminium prices rose to a 13-year high. The metal is used in the production of a large amount of goods, from beer cans to iPhones.

Copper and coal also rose, while iron ore and gold fell.

COVID-19: NSW recorded 496 new cases and eight deaths. Victoria recorded 1,612 new cases and eight deaths. Elsewhere, the ACT recorded 32 new cases and SA recorded three new cases.

Australia: A Westpac survey of more than 1,000 small and medium-sized (SME) business owners and decision makers last month showed two thirds of respondents were optimistic about the current business environment and around 70% expect their business and sales to grow in the next 12 months.

When asked about the impact of lockdowns on their business, 26% even answered that they were either better off or much better off. A further 34% of respondents said things were unchanged.

The data revealed some of the forces driving the resilience; it includes greater agility and innovation. More than 80% of SMEs surveyed said they'd adapted their business during COVID-19, with around a quarter starting or expanding online offerings or developing new product/service lines.

Close to half have found new customers or markets, with a quarter planning to diversify their product or service offering over the next 12 months and 15% eyeing an expansion into a new state or territory.

Given the accelerated shift to digital channels during COVID, the most common opportunities to unlock growth over the next 12 months were investing in online and innovation; one in five SMEs plan to expand or commence online offerings, and a notable 10% are looking to switch to online only within the next 12 months.

Unsurprisingly, the survey wasn't all good news. A little more than 60% of SMEs admit the lockdowns have knocked their confidence in their own business, with leaders of medium-sized businesses more optimistic about the business environment than their smaller counterparts.

Almost half of SMEs also had to reduce staff or close premises because of COVID-19 restrictions, with NSW and Victoria most affected. In addition, 80% of SMEs have suffered an increase in the cost of doing business over the last 12 months, and 83% have found it more difficult to source products and services from suppliers.

Almost half of all SME respondents nominated further lockdowns/travel restrictions as the biggest challenge for the next 12 months.

Today's key data and events:

NZ Card Spending Sep prev -21.8% (8:45am)
AU Roy Morgan Cons. Confid. Oct 10 prev 104.6 (9:30am)
AU NAB Business Survey Sep (11:30am)
Conditions Index prev 14
Confidence Index prev -5
EZ ZEW Expectations Index Oct prev 31.1 (8pm)
GE ZEW Expectations Index Oct exp 24.0 prev 31.1 (8pm)
US NFIB Small Busin. Optimism Sep exp 99.5 prev 100.1 (9pm)
US JOLTS Job Openings Aug exp 10.95m prev 10.93m (1am)

Times are AEDT. 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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