

Morning Report

Thursday, 14 October 2021

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|-------------------------------|----------|-------|--|---------|-------------|----------------------|-------------|---------------------------------|-------|-------|
| S&P/ASX 200 | 7,273 | -0.1% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 34,378 | 0.0% | 10 yr bond | 98.35 | | 0.07 | 90 day BBSW | 0.03 | 0.00 | |
| Japan Nikkei | 28,140 | -0.3% | 3 yr bond | 99.28 | | 0.02 | 2 year bond | 0.11 | 0.00 | |
| China Shanghai | 3,733 | 0.4% | 3 mth bill rate | 99.94 | | -0.01 | 3 year bond | 0.55 | -0.02 | |
| German DAX | 15,249 | 0.7% | SPI 200 | 7,282.0 | | 50 | 3 year swap | 0.68 | -0.03 | |
| UK FTSE100 | 7,142 | 0.2% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 1.69 | -0.03 |
| Commodities (close & change)* | | | TWI | 62.0 | - | - | 61.8 | United States | | |
| CRB Index | 235.7 | 0.0 | AUD/USD | 0.7352 | 0.7382 | 0.7324 | 0.7379 | 3-month T Bill | 0.04 | -0.01 |
| Gold | 1,792.97 | 32.8 | AUD/JPY | 83.53 | 83.71 | 83.12 | 83.58 | 2 year bond | 0.36 | 0.02 |
| Copper | 9,490.00 | -74.8 | AUD/GBP | 0.5411 | 0.5412 | 0.5388 | 0.5402 | 10 year bond | 1.54 | -0.04 |
| Oil (WTI) | 80.59 | 0.0 | AUD/NZD | 1.0606 | 1.0612 | 1.0565 | 1.0600 | Other (10 year yields) | | |
| Coal (thermal) | 234.85 | -4.8 | AUD/EUR | 0.6376 | 0.6376 | 0.6347 | 0.6365 | Germany | -0.13 | -0.04 |
| Coal (coking) | 396.67 | 0.0 | AUD/CNH | 4.7467 | 4.7467 | 4.7250 | 4.7432 | Japan | 0.09 | 0.00 |
| Iron Ore | 115.50 | -5.7 | USD Index | 94.5 | 94.5 | 94.0 | 94.0 | UK | 1.09 | -0.06 |

Data as at 8:00am AEDT. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Risk sentiment improved despite slightly stronger-than-expected US inflation data. The S&P 500 increased slightly and long-end US bond yields are lower.

Share Markets: US equities were mixed. The S&P 500 rose 0.3% and the Nasdaq was up 0.7% while the Dow finished unchanged. The ASX 200 finished little changed.

Interest Rates: The US 2-year treasury yield rose 2 basis points to 0.36%, briefly touching 0.39% in response to the CPI data, while the 10-year yield slipped 3 basis points to 1.54%.

The Australian 3-year (futures) yield edged 1 basis point down to 0.73% while 10-year futures yield fell 6 basis points to 1.66%.

Foreign Exchange: The Australian dollar rose from 0.7352 to 0.7379 against the US dollar with a brief dip to 0.7324 after the US CPI data. The US dollar is down on the day.

Commodities: Iron ore and copper slipped, while gold firmed.

COVID-19: NSW recorded 444 new cases and four deaths. Victoria recorded 1,571 new cases and 13 deaths. Elsewhere, the ACT recorded 51 new cases and Tasmania recorded one new case.

Australia: The monthly consumer confidence index fell by 1.5% to 104.6 in October, from 106.2 in September.

Despite both NSW and Victoria remaining in lockdown for the past month, consumers appear to be relatively upbeat. As vaccination rates continue to increase, consumers in NSW and Victoria are looking forward to their states reopening. Just over 90% of the eligible population in NSW and 85% of the eligible population in Victoria, have now received their first dose of the vaccine.

However, sentiment fell sharply in regional areas, down 10.6% in regional NSW and 8.2% in regional Victoria. This is likely to be due to concerns about what the easing of restrictions, including intra-state travel, may bring for those regional areas with lower vaccination rates and weaker health systems.

Component-wise, shifts were relatively small with optimism centred on economic prospects while views around family finances remain subdued.

China: China's trade balance rose to \$66.8 billion in September from \$58.3 billion in August. Exports rose 28.1% from a year earlier, to reach a new monthly record of \$305.7 billion. Strong demand in the lead up to year-end holidays and rising prices outweighed the impact of power shortages across the country. Import growth slowed to 17.6% over the year.

New Zealand: Preliminary estimates show that business confidence fell to -8.6 in October, from -7.2 in September. The recent easing of restrictions appears to have brought optimism to

businesses. Business activity bounced in October and has remained firm at pre-Covid levels. Gauges of employment and investment intentions also continue to remain strong. Expectations for inflation over the year rose to 3.04%.

Eurozone: Industrial production declined 1.6% in August although was still 5.1% higher over the year.

United States: US CPI came in slightly stronger than expected for September, rising 0.4% in the month and 5.4% over the year. Excluding food and energy, CPI rose 0.2% in the month and 4.0% annually. A combination of shipping challenges, material shortages, surging commodity prices and rising wages have sharply driven up costs for producers. Many producers have passed some of this increase along to consumers. Persistent price pressures are testing the Federal Reserve's earlier assertion that high inflation would be transitory.

The minutes from Federal Open Markets Committee (FOMC) September meeting confirmed Fed officials broadly agree tapering should commence in mid-November or December. The program would end by mid-2022. Most FOMC participants saw inflation risks weighted to the upside because of concerns that supply disruptions and labour shortages could last longer than expected, or because they could have more a persistent impact on prices than currently expected.

Today's key data and events:

AU RBA's Deputy Governor Speech (9am)
AU Cons. Inflation Expectation Oct prev 4.4% (11am)
AU Labour Force (11:30am)
 Employ. Change Sep exp -200k prev -146.3k
 Participation Rate Sep exp 64.2% prev 65.2%
 Unemployment Rate Sep exp 4.7% prev 4.5%
CH CPI Sep y/y exp 0.8% prev 0.8% (12:30pm)
CH PPI Sep y/y exp 10.5% prev 9.5% (12:30pm)
US Initial Jobless Claims w/e 9 Oct exp 320K prev 326K (11:30pm)
US PPI Sep y/y exp 8.7% prev 8.3% (11:30pm)

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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