

Morning Report

Tuesday, 18 May 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,024	0.1%	Last		Overnight Chg			Australia		
US Dow Jones	34,328	-0.2%	10 yr bond	98.27	-0.04			90 day BBSW	0.04	0.00
Japan Nikkei	27,825	-0.9%	3 yr bond	99.75	0.00			2 year bond	0.08	0.00
China Shanghai	3,687	0.8%	3 mth bill rate	99.95	-0.01			3 year bond	0.30	-0.01
German DAX	15,397	-0.1%	SPI 200	7,030.0	11			3 year swap	0.32	0.00
UK FTSE100	7,033	-0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.75	-0.04
Commodities (close & change)*			TWI	64.0	-	-	64.2	United States		
CRB Index	205.9	2.6	AUD/USD	0.7774	0.7784	0.7731	0.7765	3-month T Bill	0.01	0.00
Gold	1,866.90	23.5	AUD/JPY	84.96	85.14	84.46	84.80	2 year bond	0.15	0.01
Copper	10,215.00	-113.8	AUD/GBP	0.5514	0.5520	0.5489	0.5493	10 year bond	1.65	0.02
Oil (WTI)	66.38	1.0	AUD/NZD	1.0729	1.0782	1.0724	1.0770	Other (10 year yields)		
Coal (thermal)	94.85	-2.9	AUD/EUR	0.6403	0.6407	0.6368	0.6389	Germany	-0.12	0.01
Coal (coking)	118.33	0.3	AUD/CNH	5.0076	5.0124	4.9864	5.0021	Japan	0.09	0.00
Iron Ore	213.50	6.0	USD Index	90.3	90.4	90.1	90.2	UK	0.87	0.01

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: Investors mulled risks to the economic outlook, including inflation and growing virus numbers in Asia. US shares slipped, US yields rose and the US dollar weakened. China's April activity data missed expectations and may indicate a moderation in the economy's recovery.

Share Markets: Tech led US stocks lower, with the Dow down 0.2%. In Europe, the Dax edged 0.1% lower. The ASX 200 crept up 0.1% and futures point to a solid open.

Interest Rates: Australian 10-year government bond yields declined 4 basis points to 1.75% while the US 10-year rose 2 basis points to 1.65%.

Foreign Exchange: The Australian dollar initially fell to 0.7731 but later recovered to 0.7765. The US dollar was down slightly.

Commodities: Oil climbed higher as optimism around a demand recovery offset concerns over rising virus cases in parts of Asia. Gold and iron ore prices increased. Copper slipped.

Australia: No major data were released yesterday.

China: Chinese activity data missed expectations. Retail sales in April lost momentum to 17.7% annual growth, versus 34.2% in March and expectations of 25.0% growth. Industrial production moderated to 9.8% from 14.1% over the same period. The unemployment rate declined from 5.3% to 5.1% in April. Meanwhile, new home prices rose 0.5% in April, up from 0.4% in the previous month.

The data underline that while China remains a driver of global growth, the economy's recovery may be starting to moderate as policymakers seek to rein in real estate and scale back infrastructure stimulus. The slowing in growth also partly reflects that the base effects from April 2020 when China's economy reopened after the pandemic was brought under control.

New Zealand: The performance of services index surged to an all time high of 61.2 in April, led by a sharp pick up in new orders. A reading above 50 indicates expansion. The ramp up in the index follows a period of subdued activity.

United Kingdom: The average asking price for a home rose 1.8% in May to a new record high, according to Rightmove data. The gain is due to sellers seeking to take advantage of the extended tax break on property sales and a shortage of housing stock. Last year, there was a surge in demand for housing in rural and suburban areas of southern England, which has now extended to the northern regions.

United States: The NAHB housing market index came in at 83 in May, in line with the April reading and expectations. The gauge of builder sentiment shows that confidence remained strong despite rising costs and shrinking availability of most construction materials, supported by historically low mortgage rates.

The Empire State Manufacturing index, a measure of manufacturing in New York, slipped to 24.3 in May from 26.3 in the month prior. This still indicates that manufacturing is growing at a solid pace with figures above zero indicating expansion. The index measuring prices paid for materials increased to 83.5 from 74.7, a record high in the series dating back to 2001.

The Federal Reserve Vice Chair Clarida stayed on message, emphasising it is too early to talk about tapering, citing April's weaker-than-expected jobs report.

Today's key data and events:

JN GDP Q1 exp -1.1% prev 2.8% (9:50am)
AU RBA Board Meeting Minutes (11:30am)
AU Household Impacts of COVID-19 Survey (11:30am)
UK ILO Unemployment Rate Mar exp 4.9% prev 4.9% (4:00pm)
EZ Trade Balance Mar prev 18.4 (7:00pm)
EZ GDP prev 0.6% Q1 (7:00pm)
US Building Permits exp 0.6% Apr prev 2.7% (10:30pm)
US Housing Starts exp -2.0% Apr prev 19.4% (10:30pm)

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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