

Morning Report

Monday, 18 October 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,362	0.7%			Last	Overnight Chg		Australia		
US Dow Jones	35,295	1.1%	10 yr bond	98.29				90 day BBSW	0.03	0.00
Japan Nikkei	29,069	1.8%	3 yr bond	99.16				2 year bond	0.11	0.00
China Shanghai	3,744	0.4%	3 mth bill rate	99.93				3 year bond	0.59	0.03
German DAX	15,587	0.8%	SPI 200	7,364.0			31	3 year swap	0.77	0.09
UK FTSE100	7,234	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.65	0.02
Commodities (close & change)*			TWI	62.1	-	-	62.4	United States		
CRB Index	239.3	0.0	AUD/USD	0.7416	0.7440	0.7404	0.7417	3-month T Bill	0.04	0.00
Gold	1,767.62	-28.3	AUD/JPY	84.30	84.93	84.28	84.74	2 year bond	0.39	0.03
Copper	10,493.00	417.0	AUD/GBP	0.5424	0.5430	0.5385	0.5393	10 year bond	1.57	0.06
Oil (WTI)	82.28	1.0	AUD/NZD	1.0543	1.0549	1.0486	1.0488	Other (10 year yields)		
Coal (thermal)	222.55	-11.7	AUD/EUR	0.6395	0.6406	0.6385	0.6397	Germany	-0.17	0.02
Coal (coking)	397.00	-0.3	AUD/CNH	4.7729	4.7826	4.7636	4.7723	Japan	0.08	0.00
Iron Ore	120.55	-1.6	USD Index	94.0	94.1	93.8	93.9	UK	1.11	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: A batch of US economic data releases disappointed consensus expectations. However, investor appetites for risk were whetted by strong corporate earnings reports in the US. The S&P 500 share market index had its best weekly performance since July and US bond yields rose.

Share Markets: US share markets finished in the black on Friday, underpinned by strong corporate earnings reports. The Dow jumped 382 points (or +1.1%), the S&P 500 lifted 33 points (or +0.8%) and the Nasdaq rose 74 points (or +0.5%).

For the week, the S&P 500 index notched its best weekly finish since July.

Interest Rates: Investor appetites for equities was also reflected in a sell off for government bonds. US government bond prices fell, leaving US bond yields higher across the yield curve. The US 2-year yield rose 3 basis points and the 10-year yield jumped 6 basis points.

Foreign Exchange: The US dollar lacked clear direction on Friday, amid disappointing economic data and strong corporate earnings reports. It left AUD/USD also directionless in a narrow trading range of 0.7404 and 0.7440.

Commodities: Metals continued to surge, and crude gained.

COVID-19: Restrictions will ease further in NSW today. Victoria's government has also announced it

will lift stay-at-home orders this Thursday 11:59pm with some trailing restrictions.

On Friday, Southern Tasmania entered a snap 3-day lockdown.

Australia is in talks with Singapore on a quarantine-free travel bubble and will resume "green zone" flights from New Zealand's South Island this week.

Australia: There was no major economic data on Friday.

Eurozone: The European Central Bank's President Christine Lagarde said the current spike in inflation is unlikely to last. She described the spike as "largely transitory" for the euro area. She also vowed to continue aiding the economy as the pandemic fallout lingers.

New Zealand: The BusinessNZ performance of manufacturing index rose 11.7 points to 51.4 in September, from a revised result of 39.7 in August. The rebound in the index is due to the easing of restrictions following the lockdown in August. A reading above 50 indicates an expansion.

United Kingdom: Ban of England's Governor Andrew Bailey said the surge in energy prices means faster UK inflation could last longer. His remarks seemed to be another attempt to lay the groundwork for rate hikes.

United States: Retail sales lifted 0.7% in September from the previous month, reflecting persistently

strong consumer demand and higher consumer prices. The outcome was stronger than consensus expectations, which were factoring in a fall of 0.2% for retail sales.

Increased spending in September contrasted with consumers' view of the economy dimming. The University of Michigan's preliminary consumer sentiment index fell in October to 71.4, from 72.8 in September. This result was also under consensus expectations (of 73.1). Americans are concerned about rising prices, product shortages, the labour market, the Delta variant and the continuing debate on Capitol Hill over infrastructure and social spending.

The survey revealed that 1-year ahead inflation expectations rose to its highest reading since 2009 at 4.8%. This is up from 3.6% in the previous month and compared to consensus expectations of 4.7%. The more important 5-10-year-ahead inflation expectations slipped to 2.8% in October, from 3.0% in September.

Separately, the New York Fed's Empire manufacturing index also missed consensus expectations. It fell 14.5 points to 19.8 in October, versus expectations for a reading of 25. Any reading above zero indicates improving conditions. The reading of 34.3 in September was the second highest reading in the wake of the pandemic.

The new-orders index slipped 9.4 points to 24.3 in October, and the shipments index sank 18 points to 8.9. Unfilled orders inched lower by 2.4 points to 18.5. Delivery times widened slightly to a new record high and both the prices paid and prices received indexes held near record highs.

Optimism increased about the outlook for the next six months; the sub index rose to 52.0, from 48.4 previously.

Today's key data and events:

NZ CPI Q3 q/q exp 1.7% prev 1.3% (8:45am)
 UK Rightmove House Prices Oct prev 0.3% (10:01am)
 CH GDP Q3 y/y exp 5.0% prev 7.9% (1pm)
 CH Retail Sales Sep y/y exp 3.5% prev 2.5% (1pm)
 CH Industrial Prod'n Sep y/y exp 3.8% prev 5.3% (1pm)
 US Industrial Prod'n Sep exp 0.2% prev 0.4% (12:15am)
 US NAHB Housing Market Index Oct exp 75 prev 76 (1am)
 US Total Net TLC Flows Aug prev \$126.0bn (7am)

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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