

# Morning Report

Friday, 21 May 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,020	1.3%	Last		Overnight Chg			Australia		
US Dow Jones	34,084	0.6%	10 yr bond	98.31	0.02			90 day BBSW	0.04	0.00
Japan Nikkei	28,098	0.2%	3 yr bond	99.76	0.00			2 year bond	0.07	0.00
China Shanghai	3,676	-0.1%	3 mth bill rate	99.96	0.00			3 year bond	0.31	-0.01
German DAX	15,370	1.7%	SPI 200	7,042.0	27			3 year swap	0.34	0.01
UK FTSE100	7,020	1.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.77	0.00
Commodities (close & change)*			TWI	64.3	-	-	64.1	United States		
CRB Index	200.0	-1.9	AUD/USD	0.7724	0.7781	0.7717	0.7774	3-month T Bill	0.00	-0.01
Gold	1,877.21	7.6	AUD/JPY	84.35	84.65	84.25	84.55	2 year bond	0.15	-0.01
Copper	9,992.50	-398.8	AUD/GBP	0.5472	0.5497	0.5470	0.5478	10 year bond	1.63	-0.05
Oil (WTI)	62.05	-1.3	AUD/NZD	1.0771	1.0806	1.0770	1.0793	Other (10 year yields)		
Coal (thermal)	96.25	1.9	AUD/EUR	0.6343	0.6370	0.6341	0.6358	Germany	-0.11	0.00
Coal (coking)	121.00	2.7	AUD/CNH	4.9735	5.0052	4.9707	5.0020	Japan	0.09	0.00
Iron Ore	196.00	-5.0	USD Index	90.2	90.2	89.8	89.8	UK	0.84	-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:** Major market equities rose and the US dollar slipped alongside optimism in the economic recovery after a stronger-than-expected US jobs report.

**Share Markets:** US equities rebounded, led by tech shares, after stronger-than-expected US jobs data renewed optimism over the economic recovery. The Dow increased 0.6% while the Nasdaq was rose 1.8%. In Europe, the Dax was up 1.7%. The ASX 200 rose 1.3% and equity futures are in the green.

**Interest Rates:** Yields on 10-year treasuries fell 5 basis points to 1.77%. Australian 10-year yields were unchanged.

**Foreign Exchange:** The US dollar index slipped below 90 again, falling to 89.8. The Australian dollar rose from 0.7724 to 0.7774 against the US dollar although remains in the range from over the past month or so.

**Commodities:** Oil declined to a three-week low after Iran's president said an outline of a deal to end sanctions on its oil had been reached. Copper declined while gold held near a four-month high.

**Australia:** The April labour force data provided us with the first read of the impact on the economy of the expiry of JobKeeper, although the figures were muddled by the Easter holiday period.

Employment declined by 30.6k jobs in April, the first drop in employment in seven months driven by a 64.4k decline in part-time employment. Full-time

employment rose by a solid 33.8k.

However, the unemployment rate declined to 5.5% in April from 5.7% in March, reflecting a fall in the participation rate to 66.0% from a record-high of 66.3%. This decline could have been associated with Easter and people stopping their search for work over the holiday period. If the participation rate was unchanged, the unemployment rate would have increased to 6.0%.

The results were mixed across the states. NSW posted the largest fall in employment (34.3k) while South Australia recorded the biggest gain (17.4k).

So far, there are no clear signs that the expiry of JobKeeper has led to a material deterioration in the labour market. Encouragingly, the number of people working zero or few hours for economic reasons declined in April.

With leading indicators of employment still surging, we expect we will see more jobs in the coming months. The conclusion of JobKeeper will be, at most, a modest speed bump. Back in early March, we estimated JobKeeper will lead to a loss of 60,000-140,000 jobs and we remain comfortable with this view. We expect the unemployment rate will continue to trend down over the rest of the year to 5.0%.

**United States:** New jobless claims fell to 444k last week, a larger than expected drop from 478k. However continuing jobless claims rose.

Meanwhile, the US leading index rose by 1.6% to a record high in April, led by improvements in jobless claims.

The Philadelphia Fed Index, which measures manufacturing in the region, slipped to 31.5 in May from 50.2 although still remains very strong. The index of prices received reached its highest level in 40 years, driven by supply-chain bottlenecks, mounting wage pressures and rising material costs. The increasing cost pressures are prompting some companies to raise their prices, flaming concerns about building inflationary pressures.

Dallas Fed President Kaplan said that maybe 'taking the foot gently off the accelerator' would be wise, repeating his call for the Fed to begin discussing slowing asset purchases. Kaplan has so far been alone amongst Fed officials in publicly calling for a near-term debate on slowing purchases.

**Today's key data and events:**

UK GfK Consumer Sentiment May exp -12 prev -15 (9:01am)  
JN CPI Apr y/y exp -0.5% prev -0.2% (9:30am)  
JN Nikkei PMI Mfg May (10:30am)  
JN Nikkei Japan Services PMI May (10:30am)  
AU Retail Sales Apr exp 0.8 % prev 1.3% (11:30am)  
NZ Credit Card Spending Apr prev 3.1% (1:00pm)  
UK Retail Sales Apr exp 4.5% prev 5.4% (4:00pm)  
EZ Markit Manufacturing PMI May exp 62.5 prev 62.9 (6:00pm)  
EZ Markit Services PMI May exp 52.5 prev 50.5 (6:00pm)  
UK Markit Manufacturing PMI May exp 60.8 prev 60.9 (6:30pm)  
UK Markit/CIPS Services PMI May exp 62.2 prev 61.0 (6:30pm)  
US Markit Manufacturing PMI May exp 60.1 prev 60.5 (11:45pm)  
US Markit Services PMI May exp 64.4 prev 64.7 (11:45pm)  
US Existing Home Sales Apr exp 1.1% prev -3.7% (12:00am)  
EZ Consumer Confidence May exp -6.5% prev -8.1% (12:00am)

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.

**Matthew Bunny, Economist**

Ph: 02-8254-0023

## Contact Listing

**Chief Economist**

Besa Deda

dedab@banksa.com.au

(02) 8254 3251

**Economist**

Matthew Bunny

matthew.bunny@banksa.com.au

(02) 8254 0023

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