

Morning Report

Thursday, 22 July 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,309	0.8%	Last		Overnight Chg			Australia		
US Dow Jones	34,798	0.8%	10 yr bond	98.78	-0.06			90 day BBSW	0.03	0.00
Japan Nikkei	27,548	0.6%	3 yr bond	99.70	-0.04			2 year bond	0.04	0.00
China Shanghai	3,734	0.7%	3 mth bill rate	99.97	-0.01			3 year bond	0.23	-0.01
German DAX	15,423	1.4%	SPI 200	7,290.0	64			3 year swap	0.40	0.01
UK FTSE100	6,998	1.7%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.16	-0.02
Commodities (close & change)*			TWI		61.4	-	-	61.2	United States	
CRB Index	213.0	4.0	AUD/USD	0.7331	0.7363	0.7290	0.7358	3-month T Bill	0.04	0.00
Gold	1,803.66	-6.7	AUD/JPY	80.56	81.21	80.09	81.16	2 year bond	0.21	0.01
Copper	9,318.50	115.0	AUD/GBP	0.5380	0.5384	0.5360	0.5366	10 year bond	1.29	0.07
Oil (WTI)	70.30	3.1	AUD/NZD	1.0596	1.0603	1.0546	1.0560	Other (10 year yields)		
Coal (thermal)	150.70	-0.3	AUD/EUR	0.6223	0.6242	0.6199	0.6238	Germany	-0.40	0.02
Coal (coking)	210.17	1.2	AUD/CNH	4.7569	4.7603	4.7232	4.7562	Japan	0.02	0.01
Iron Ore	198.80	-2.5	USD Index	93.0	93.2	92.7	92.8	UK	0.60	0.04

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: Risk sentiment continued to recover, as solid corporate earnings overshadowed concerns about the spread of the delta variant. Major market equities and bond yields marched higher.

Share Markets: It was a sea of green in stock markets yesterday.

US stocks extended gains with the Dow and S&P rising 0.8%. The gains were led by companies that stand to benefit the most from the reopening of the economy, like commodity, financial and industrial shares.

In Europe, the Dax rose 1.4%. The ASX 200 climbed 0.8% and futures point to a solid open.

Interest Rates: US 10-years yields jumped up 7 basis points to 1.29%, alongside the recovery in risk appetite, partly recovering from the sell-off over the past week or so. The 2-year yield edged up 1 basis point.

Australian 10-year (futures) yields climbed from 1.17% to 1.22%. The Australian 3-year futures yield rose from 0.28% to 0.31%.

Foreign Exchange: The AUD/USD pair initially slipped to 0.7290, an 8-month low, before reversing higher to 0.7359. The Australian dollar notably held its head above the key support level around 0.7240. The defensive US dollar declined.

Commodities: WTI crude oil climbed above \$70 per barrel and copper edged higher. Gold slipped.

COVID-19: NSW recorded 110 new COVID-19 cases, 43 of which were infectious in the community. Victoria recorded 22 new cases and South Australia recorded 4 new cases.

Australia: Preliminary retail sales fell 1.8% in June, following a 0.4% rise in May. The fall was due to lockdowns and restrictions across multiple states. Over the year, retail sales rose 2.9%.

By state, Victoria (-3.5%) saw the greatest fall, followed by NSW (-2.0%) and Queensland (-1.5%). All industries except for food retailing (up 1.5%) fell in June as mobility declined, while retailers moved back to online distribution channels.

Separately, the six-month annualised growth rate of the Westpac-Melbourne Institute Leading Index fell to 1.34% in June, from 1.68% in May. While lower than in May, the result still suggests that the economy will grow above trend over the next three to nine months.

Brisbane was named as the host city of the Olympics in 2032.

New Zealand: Credit card spending fell 1.0% in June, following an 8.5% increase in May. Credit card spending was 6.3% higher over the year.

Europe: The European Central Bank (ECB) will deliver its July policy decision today. President Lagarde has flagged it will be a significant meeting. The ECB is set to recalibrate its communication style

and forward guidance in light of its new monetary policy framework. The central bank has recently revised its inflation target from “below, but close to, 2%” to a straight 2% target.

United States: There was no major economic data released yesterday.

Today's key data and events:

AU NAB Business Confidence Q2 prev 17 (11:30am)
AU Weekly Payroll Jobs & Wages w/e Jul 3 (11:30am)
EZ ECB Monetary Policy Meeting (9:45pm)
Main Refi Rate exp 0.00% prev 0.00%
US Chicago Fed Nat Act Index Jun exp 0.30 prev 0.29 (10:30pm)
US Initial Jobless Claims w/e Jul 17 exp 350K prev 360K (10:30pm)
US Leading Index Jun exp 0.9% prev 1.3% (12am)
US Existing Home Sales Jun exp 1.7% prev -0.9% (12am)
EZ Consumer Confidence Jul exp -2.6 prev -3.3 (12am)
US Kansas City Fed Manf Act Ind Jul exp 25 prev 27 (1am)

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

Senior Economist

Jarek Kowcza
jarek.kowcza@banksa.com.au
0481 476 436

Research Assistant (Secondment)

Sonali Patel
Sonali.patel@banksa.com.au
(02) 8254 0030

The information contained in this report (.the Information.) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.