

# Morning Report

Monday, 22 November 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,397	0.2%			Last	Overnight Chg		Australia		
US Dow Jones	35,602	-0.7%	10 yr bond	98.21		0.03		90 day BBSW	0.05	0.01
Japan Nikkei	29,746	0.5%	3 yr bond	98.87		0.00		2 year bond	0.68	0.00
China Shanghai	3,731	1.1%	3 mth bill rate	99.94		0.00		3 year bond	0.96	0.00
German DAX	16,160	-0.4%	SPI 200	7,351.0		-45		3 year swap	1.34	0.01
UK FTSE100	7,224	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.81	0.02
Commodities (close & change)*			TWI	61.1	-	-	61.1	United States		
CRB Index	235.0	-1.3	AUD/USD	0.7275	0.7291	0.7227	0.7242	3-month T Bill	0.04	-0.02
Gold	1,845.73	-13.2	AUD/JPY	83.10	83.36	82.16	82.51	2 year bond	0.51	0.00
Copper	9,744.00	240.5	AUD/GBP	0.5389	0.5410	0.5377	0.5384	10 year bond	1.55	-0.04
Oil (WTI)	75.94	-2.5	AUD/NZD	1.0331	1.0362	1.0326	1.0329	Other (10 year yields)		
Coal (thermal)	153.50	1.9	AUD/EUR	0.6397	0.6426	0.6396	0.6412	Germany	-0.34	-0.07
Coal (coking)	370.67	-2.0	AUD/CNH	4.6428	4.6525	4.6210	4.6287	Japan	0.08	0.00
Iron Ore	91.80	0.7	USD Index	95.5	96.2	95.5	96.0	UK	0.88	-0.05

Data as at 7:00am AEDT. Change from previous trading day (excluding the SFE, which is the change during the night session). Source: Bloomberg.

**Main Themes:** Renewed virus concerns amid a surge in case numbers in Europe and hawkish comments from Fed members contributed to a decline in risk sentiment. The S&P 500 fell, the US dollar strengthened, and bond yields were lower.

**Share Markets:** US equities finished lower on the day amid concerns about rising infections in Europe and associated restrictions. Hawkish comments from Fed members also weighed on equities. Cyclical stocks with more exposure to the economy, including energy, financial and industrial shares, led the declines. The S&P 500 fell 0.1% and the Dow Jones was 0.7% lower. However, the tech-heavy Nasdaq bucked the trend and rose 0.4%.

The ASX 200 rose 0.2% on Friday. Futures are pointing to a weaker open today.

**Interest Rates:** The US 10-year Treasury yield fell by 4 basis points to 1.55%. The 2-year Treasury yield initially fell from 0.51% to 0.44%, in line with increased concerns around European restrictions. However, the 2-year Treasury yield recovered its fall following hawkish comments from Fed members, to end the session unchanged at 0.51%.

The Australian 10-year government bond yield (futures) fell from 1.86% to 1.77%, before consolidating. The 3-year government bond yield (futures) fell from 1.14% to 1.10%, before recovering the fall to close broadly unchanged.

**Foreign Exchange:** The US dollar strengthened

against a basket of major currencies. The USD Index rose from a low of 95.5 to a high of 96.2, before consolidating to close at 96.0. This is a 14-month high for the index.

A decline in risk sentiment contributed to an outperformance by safe-haven currencies, such as the Japanese yen, and weighed on risk-sensitive currencies, such as the Australian and New Zealand dollar.

The AUD/USD pair fell from a high of 0.7291 to a low of 0.7227, before partially recovering to close at 0.7242.

**Commodities:** Oil fell by 3.2% amid reports that the US and Japan may announce a plan to jointly release crude oil from strategic reserves as early as this week.

Gold was weaker, while copper and iron ore rose.

**COVID-19:** The approaching northern hemisphere winter and waning immunity from vaccines have contributed to a surge in case numbers across Europe. Austria announced a 10-day national lockdown, which could be extended further. Restrictions were also tightened in Germany amid record daily case numbers. Several other European countries have reported record daily case numbers.

**Australia:** There were no major economic releases in Australia on Friday.

**Japan:** The consumer price index (CPI) edged up



0.1% in the year to October, coming in below consensus forecasts of a 0.2% rise. The pick-up in prices was driven by an 11% surge in energy costs. Indeed, consumer prices fell 0.7% in the period when excluding fresh food and energy. Overall, inflation remains considerably lower than that experienced in other major economies. However, soaring energy and commodity prices, amid supply chain bottlenecks, are expected to apply upward pressure on prices.

**New Zealand:** Credit card spending rebounded in October, rising 8.4%, the largest monthly increase since June 2020. The increase largely reflects the lifting of lockdown restrictions, which were imposed through much of August and September. Credit card spending remains 5.6% lower than a year earlier.

**United Kingdom:** Consumer confidence increased in November following three months of declines. Confidence rose to -14 in the month, from -17 in October. Confidence improved despite decade-high inflation outcomes and upwards pressure on costs. The outcome was also higher than consensus expectations of -18. However, while confidence has improved, it remains in negative territory.

Retail spending grew by more than expected in October as shoppers began their Christmas shopping earlier than usual. Sales increased by 0.8% in the month, following a revised flat outcome for September. This was the first monthly increase since April and was above consensus expectations of a 0.5% gain. The increase was driven by a strong result for non-food stores, which rose 4.2% in the month. This included strength in sales of toys, clothes, and sporting goods as the Christmas holidays approach.

**United States:** Federal Reserve Vice Chair Clarida and Federal Open Market Committee member Waller both made comments on the economy and inflation outlook.

Clarida noted that it may be appropriate for policy makers to discuss the pace of the bond tapering program at the upcoming December policy meeting amid rising inflation and gains in the jobs market. He will be "looking closely at the data" between now and the December meeting and saw upside risks to inflation and strong growth in Q4.

Waller prefers a "faster pace of tapering and a more rapid removal of accommodation in 2022" given the "rapid improvement in the labour market and the deteriorating inflation data". He said the rise in inflation expectations is "very concerning," with

price pressures becoming more widespread and persistent.

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

US Chicago Fed Nat Index Oct prev -0.13 (12:30am)  
US Existing Home Sales Oct exp 6.20mn prev 6.29mn (2am)

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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