

Morning Report

Wednesday, 23 June 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,342	1.5%	Last		Overnight Chg			Australia		
US Dow Jones	33,946	0.2%	10 yr bond	98.42	0.02			90 day BBSW	0.02	0.00
Japan Nikkei	28,884	3.1%	3 yr bond	99.50	0.02			2 year bond	0.07	-0.01
China Shanghai	3,729	0.8%	3 mth bill rate	99.97	0.01			3 year bond	0.47	0.01
German DAX	15,636	0.2%	SPI 200	7,248.0	-5			3 year swap	0.46	0.00
UK FTSE100	7,090	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.59	0.07
Commodities (close & change)*			TWI	62.6	-	-	62.6	United States		
CRB Index	207.9	0.0	AUD/USD	0.7542	0.7564	0.7494	0.7555	3-month T Bill	0.03	-0.01
Gold	1,778.74	-4.5	AUD/JPY	83.18	83.66	82.79	83.61	2 year bond	0.23	-0.03
Copper	9,168.00	34.8	AUD/GBP	0.5412	0.5419	0.5398	0.5416	10 year bond	1.46	-0.03
Oil (WTI)	72.85	-0.3	AUD/NZD	1.0788	1.0791	1.0739	1.0753	Other (10 year yields)		
Coal (thermal)	125.10	1.8	AUD/EUR	0.6327	0.6331	0.6300	0.6326	Germany	-0.16	0.01
Coal (coking)	171.62	0.4	AUD/CNH	4.8766	4.8998	4.8563	4.8930	Japan	0.06	0.01
Iron Ore	202.75	-2.0	USD Index	91.8	92.1	91.6	91.7	UK	0.78	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: Markets were soothed by dovish rhetoric from US Federal Reserve speakers. Equity prices increased and US bond yields declined slightly.

Share Markets: US stocks rose following the Fed speakers' comments. The Dow increased 0.2% and the S&P 500 rose 0.5%.

The Dax increased 0.2% while the ASX 200 jumped 1.5%.

Interest Rates: US 10-year and 2-year bond yields slipped 3 basis points. Australian 3-year bond yields (futures) declined 2 basis points to 0.51% while 10-year future yields fell 2 basis points to 1.59%.

Foreign Exchange: The AUD/USD pair rose for the second consecutive day, increasing from 0.7542 to 0.7555 alongside a slight weakening in the US dollar.

Commodities: Oil lost steam as investors assessed reports that OPEC is considering increasing production. Copper strengthened and iron ore slipped.

COVID-19: NSW recorded 10 new cases yesterday as the Bondi cluster continues to grow, although most were identified as close contacts who were already in isolation. Masks have now been made mandatory at indoor venues and on public transport across Greater Sydney.

Australia: The NSW government handed down its budget for 2021-22 yesterday. A deficit of

\$7.9 billion is expected for 2020-21, or 1.2% of gross state product. This is down from \$16.0 billion projected in the previous budget. The improvement in the budget position reflects the faster-than-expected improvement in the economy. The budget is forecast to return to a modest surplus in 2024-25 as the economy recovers and stimulus measures are wound back.

An additional \$6bn in stimulus will be spent in 2021-22. This includes \$3.6bn on infrastructure and capital maintenance, made up of \$1.2bn on the Jobs and Infrastructure Acceleration Fund and \$2.4bn across new capital works upgrades and maintenance projects. An additional \$1.7bn will be spent to support businesses and the economy, comprising of the \$1,500 rebate for small business fees and charges, payroll tax relief measures, the Jobs Plus Programme and the Dine & Discover scheme. There will be another \$400m spent on education and skills, and \$160m for community support programmes.

Weekly payroll jobs fell by 0.9% in the fortnight to 5 June, following a 0.4% increase in the previous fortnight. The latest data overlapped with the first nine days of the Victoria lockdown. Across the states, payroll jobs fell 2.1% in Victoria, followed by a 1.1% fall in Tasmania and the Australian Capital Territory. By industry, sectors reliant on mobility, like accommodation and arts & recreation, experienced the largest falls.

Separately, the ANZ Roy Morgan Weekly Consumer confidence rose 1.3% to 112.4 for the week ending 20 June, despite the virus outbreak in Sydney.

Europe: The mood amongst euro area consumers is improving. Consumer confidence increased from -5.1 to -3.3 in June as infection rates fell and restrictions eased. Confidence is now well above its pre-pandemic level.

United States: Federal Reserve Chair Powell appeared before Congress and continued to underscore that the inflation surge will be transitory although admitted price spikes have been bigger than expected. Powell's colleagues echoed similar sentiments. Williams said that interest rate increases are still some way off. Mester noted she wants to see more job gains for several months before assessing whether the economy has achieved the "substantial further progress" to adjust asset purchases.

Existing home sales fell 0.9% in May to 5.8 million. This is the fourth straight month where sales have declined as higher dwelling prices weigh on home buying. The median selling price is up 23.6% on a year ago to \$350 300 in May – a new record high.

The Richmond Fed manufacturing index rose to 22 in June, from 18 in May, its highest level since October. The components were mixed, reflecting the various crosscurrents impacting manufacturing like supply chain disruptions, labour shortages and rising input prices.

Today's key data and events:

JN Nikkei PMI Mfg Jun Prelim. prev 53.0 (10:30am)
JN Nikkei PMI Services Jun Prelim. prev 46.5 (10:30am)
EZ Mfg PMI June Prelim. exp 62.3 prev 63.1 (6:00pm)
EZ Services PMI Jun Prelim. exp 58.0 prev 55.2 (6:00pm)
UK Mfg PMI Jun Prelim. exp 64.0 prev 65.6 (6:30pm)
UK Services PMI Jun Prelim. exp 62.8 prev 62.9 (6:30pm)
US Current Account Q1 exp -US\$206.2bn
prev -US\$188.5bn (10:30pm)
US Mfg PMI Jun Prelim. exp 61.5 prev 62.1 (11:45pm)
US Services PMI Jun Prelim. exp 70.0 prev 70.4 (11:45pm)
US New Home Sales May exp 867K prev 863k (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.

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