

# Morning Report

Monday, 24 May 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	7,030	0.2%			Last	Overnight Chg		Australia			
US Dow Jones	34,208	0.4%	10 yr bond		98.34	0.01		90 day BBSW	0.04	0.00	
Japan Nikkei	28,318	0.8%	3 yr bond		99.78	0.01		2 year bond	0.07	0.00	
China Shanghai	3,655	-0.6%	3 mth bill rate		99.96	0.00		3 year bond	0.28	-0.03	
German DAX	15,438	0.4%	SPI 200		7,026.0	-5		3 year swap	0.33	0.00	
UK FTSE100	7,018	0.0%	FX Last 24 hrs		Open	High	Low	Current	10 year bond	1.73	-0.03
Commodities (close & change)*			TWI		64.1	-	-	64.0	United States		
CRB Index	200.9	0.9	AUD/USD		0.7772	0.7783	0.7719	0.7730	3-month T Bill	0.00	-0.01
Gold	1,881.25	4.0	AUD/JPY		84.55	84.66	84.11	84.19	2 year bond	0.15	0.01
Copper	9,877.00	-164.5	AUD/GBP		0.5477	0.5481	0.5456	0.5460	10 year bond	1.62	0.00
Oil (WTI)	63.58	1.6	AUD/NZD		1.0798	1.0808	1.0749	1.0767	Other (10 year yields)		
Coal (thermal)	104.70	4.7	AUD/EUR		0.6356	0.6376	0.6330	0.6346	Germany	-0.13	-0.02
Coal (coking)	121.50	0.5	AUD/CNH		5.0021	5.0045	4.9720	4.9762	Japan	0.08	0.00
Iron Ore	184.55	-7.1	USD Index		89.8	90.2	89.7	90.0	UK	0.83	-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:** Stocks were mixed while US bond yields were stable as the risk of a significant sustained pickup in inflation and COVID-19 flareups remained in focus.

**Share Markets:** US stocks were mixed on Friday, with the Dow up 0.4% while the S&P 500 declined 0.1% and the Nasdaq was down 0.5%. The moves follow the latest Federal Reserve minutes which flagged the possibility of debate at some point on scaling back stimulus measures.

In Europe, the Dax climbed 0.4%. The ASX 200 edged 0.2% higher.

**Interest Rates:** US 10-year treasury yields were little changed at 1.62%. Australian 10-year government bond yields declined 3 basis points to 1.73%.

**Foreign Exchange:** The Australian dollar moved higher from 0.7772 to 0.7783 before reversing lower to 0.7730. The US dollar index strengthened.

Bitcoin continued to experience extreme price swings, with double-digit percentage moves.

**Commodities:** Inflation concerns drove copper and iron ore down, and gold up. Oil prices advanced.

**Australia:** Preliminary estimates show retail trade increased by 1.1% in April, beating expectations of a 0.8% increase. This follows a 1.3% jump in March.

The increase was led by New South Wales and Victoria with rises of 2%. With a 3-day lockdown in Western Australia towards the end of April, sales

fell 1.5% in the state. Sales rose in all industries except department stores. Cafes, restaurants, and takeaway food services saw a solid gain of 2.5%. Food retailing rose 1.5%, following falls in February and March.

Sales are up 25.1% compared to April 2020. This change reflects COVID-19 restrictions in April 2020, as nationwide lockdowns saw physical stores closed for all but essential retail.

**Europe:** In May, PMIs showed a further acceleration in the pace of expansion as well as a broadening in the recovery across sectors and countries. The services PMI rose to a 35-month high of 55.1 from 50.0 in April. The manufacturing PMI fell slightly to 62.8 from 62.9 but remained very strong. New orders hit a 15-year high and Markit noted that production activity would have been higher if it were not for supply constraints which pushed prices paid to a record high. Meanwhile, Eurozone consumer confidence rose to -5.1 in April from -8.1.

**United Kingdom:** As the United Kingdom comes out of its third lockdown, the GfK Consumer Confidence Index improved to -9 in May, from -15 in April, matching pre-pandemic levels in March 2020. The rebound supports expectations for a strong consumer-driven rebound in the second quarter.

Retail sales surged 9.2% in April, beating economists' expectations. As restrictions eased, non-essential retail shops reopened after months of

closure. Relatedly, the proportion of online sales fell to 30.0% from 34.7%. The boom in sales means the volume of goods purchased in April were 10.6% above pre-pandemic levels in February 2020.

PMIs signalled a rapid rebound in the economy. The manufacturing PMI rose to a record high of 66.1 while the services PMI rose to 61.8. Prices rose sharply with cost pressures the strongest in nearly 13 years.

#### **United States:**

The services PMI rose to a record 70.1 in May while manufacturing was solid also at 61.5. The survey noted the surge in new orders as well as supply shortages and cost pressures.

Existing home sales slipped 2.7% in April to an annualised rate of 5.9mn. This was the third consecutive decline as an inventory crunch pushed up prices by the most on record, constraining purchases. However, sales are still strong and above pre-pandemic levels, supported by historically low borrowing costs.

Federal Reserve member Harker (a non-voter) said the Fed should start talking about tapering 'sooner rather than later'.

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

NZ Retail Sales Volumes Q1 exp -1.8% prev -2.7% (8:45am)

US Chicago Fed Nat Act Index Apr prev 1.71 (10:30pm)

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

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## 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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