

# Morning Report

Tuesday, 25 May 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,046	0.2%	Last		Overnight Chg			Australia		
US Dow Jones	34,394	0.5%	10 yr bond	98.38	0.02			90 day BBSW	0.04	0.00
Japan Nikkei	28,365	0.2%	3 yr bond	99.79	0.00			2 year bond	0.07	0.00
China Shanghai	3,666	0.3%	3 mth bill rate	99.96	0.00			3 year bond	0.26	-0.03
German DAX	15,438	0.4%	SPI 200	7,066.0	20			3 year swap	0.32	0.00
UK FTSE100	7,052	0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.70	-0.04
Commodities (close & change)*			TWI	64.0	-	-	63.9	United States		
CRB Index	203.0	2.1	AUD/USD	0.7730	0.7758	0.7706	0.7756	3-month T Bill	0.00	0.00
Gold	1,881.02	-0.2	AUD/JPY	84.19	84.38	83.97	84.34	2 year bond	0.15	0.00
Copper	9,877.00	-164.5	AUD/GBP	0.5460	0.5480	0.5455	0.5480	10 year bond	1.60	-0.02
Oil (WTI)	66.05	2.5	AUD/NZD	1.0767	1.0791	1.0738	1.0750	Other (10 year yields)		
Coal (thermal)	106.70	2.0	AUD/EUR	0.6346	0.6351	0.6321	0.6349	Germany	-0.14	-0.01
Coal (coking)	124.50	3.0	AUD/CNH	4.9762	4.9799	4.9579	4.9712	Japan	0.08	0.00
Iron Ore	185.00	2.6	USD Index	90.0	90.1	89.8	89.8	UK	0.81	-0.02

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 firmed and bond yields edged lower. Iron ore prices were volatile after Chinese authorities stepped up their efforts to rein in surging commodity prices.

**Share Markets:** Equities started the week upbeat with gains across most sectors. The Dow rose 0.5%, the Dax was up 0.4% and the ASX 200 ticked up 0.2%.

**Interest Rates:** Australian 10-year government bond yields slid 4 basis points to 1.70%. US 10-year treasury yields declined 2 basis points to 1.60%.

**Foreign Exchange:** The Australian dollar strengthened against the US dollar, although continued to trade in a narrow range, closing with a 0.77 handle for the ninth consecutive day. The US dollar fell.

**Commodities:** Iron ore prices initially fell after China stepped up its fight against soaring commodity prices. Chinese authorities said there will be 'zero tolerance' for monopoly behaviour and hoarding. Iron ore prices recovered over the session to finish higher. There has been an unusual amount of attention from Chinese policymakers on commodity prices in recent weeks following the rapid rise of the producer price index in April. Some investors have noted that the rapid rise in commodity prices has negatively affected manufacturers.

WTI crude oil climbed after Iran said gaps remain in

talks aimed at reaching a deal to end US sanctions. Iron ore firmed and gold slipped.

**Australia:** No major economic data were released yesterday.

**New Zealand:** Retail sales volumes rose 2.5% in the March quarter, well above consensus expectations of a 1.8% decline. This result follows a revised 2.6% fall in December 2020. Sales rose in all industries except supermarkets and grocery stores. The increase in spending was led by spending on household durables like electrical and recreational goods. Virus effects are still evident, with services spending remaining lacklustre.

**United Kingdom:** Representatives from the Bank of England (BoE) appeared in front of a Parliamentary Committee. Governor Bailey reiterated it was unlikely that the BoE would use negative interest rates. Chief Economist Haldane, who is considered a hawk, stated he saw inflation risks to the upside.

**United States:** St. Louis Fed President Bullard said that the time to begin taper talk would come in the months ahead. Fed Governor Brainard noted that long-term inflation expectations are extremely well-anchored and that officials have the tools to gently guide inflation back down should it stay above target.

The Chicago Fed national activity survey pulled back in April to 0.24 from 1.71. A reading above zero indicates above trend growth. The moderation was

evident in indicators of production and consumption.

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

EZ IFO Business Climate Survey May (6:00pm)

US FHFA House Prices Mar exp 1.3% prev 0.9% (11:00pm)

US S&P CoreLogic CS House Prices Mar exp 1.33% prev 1.17% (11:00pm)

US New Home Sales Apr exp 950k prev 1021k (12:00am)

US Consumer Confidence Index May exp 118.9 prev 121.7 (12:00am)

US Richmond Fed index May exp 18 prev 17 (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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