

# Morning Report

Monday, 26 July 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,394	0.1%	Last		Overnight Chg			Australia		
US Dow Jones	35,062	0.7%	10 yr bond	98.81	0.00			90 day BBSW	0.03	0.00
Japan Nikkei	27,548	0.6%	3 yr bond	99.69	-0.01			2 year bond	0.04	0.00
China Shanghai	3,721	-0.7%	3 mth bill rate	99.98	0.00			3 year bond	0.26	0.01
German DAX	15,669	1.0%	SPI 200	7,380.0	-1			3 year swap	0.40	0.02
UK FTSE100	7,028	0.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.20	0.01
Commodities (close & change)*			TWI	61.6	-	-	61.7	United States		
CRB Index	216.6	0.3	AUD/USD	0.7380	0.7390	0.7357	0.7368	3-month T Bill	0.04	0.00
Gold	1,802.15	-4.8	AUD/JPY	81.28	81.66	81.16	81.42	2 year bond	0.20	0.00
Copper	9,503.50	75.2	AUD/GBP	0.5363	0.5374	0.5349	0.5357	10 year bond	1.28	0.00
Oil (WTI)	72.07	0.2	AUD/NZD	1.0586	1.0588	1.0546	1.0560	Other (10 year yields)		
Coal (thermal)	142.00	-0.1	AUD/EUR	0.6271	0.6275	0.6251	0.6253	Germany	-0.42	0.01
Coal (coking)	219.50	4.2	AUD/CNH	4.7785	4.7874	4.7664	4.7697	Japan	0.02	0.00
Iron Ore	193.25	-4.1	USD Index	92.9	93.0	92.8	92.9	UK	0.58	0.02

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:** Strong corporate earnings drove US stock markets to record highs. US interest rates were unchanged.

**Share Markets:** US stock markets rose to record highs as corporate earnings continued to surprise to the upside. So far this earnings season, around 87% of S&P 500 companies have reported earnings above estimates from Wall Street. The S&P 500 and NASDAQ both rose 1.0%. The S&P 500 is now 97% higher from the lows during the pandemic.

European markets also rose. The Euro Stoxx 50 was up 1.2%, the FTSE was up 0.9% and the DAX rose 1.0%.

**Interest Rates:** US 10-year bond yields were unchanged at 1.28% and 2-year yields were unchanged at 0.20%.

Australian 10-year (futures) yields were unchanged at 1.20% while 3-year (futures) yields rose 1 basis point from 0.30% to 0.31%.

**Foreign Exchange:** The US dollar rose against most major currencies. The USD Index rose from a low of 92.8 to a high of 93.0. It is at 92.9 currently.

The AUD/USD pair fell from a high of 0.7390 to a low of 0.7357. It is trading at 0.7368 at the beginning of the week.

**Commodities:** Oil rose by 0.2%. This led to a weekly gain for the first time in three weeks. Signs that global demand remains robust despite a renewed

spread of the virus supported oil prices over the week. Copper rose while iron ore and gold both fell.

**COVID-19:** NSW recorded 141 locally acquired COVID-19 cases yesterday, 38 of which were infectious in the community. Two more people in NSW died as a result of the virus. Victoria recorded 11 new cases and South Australia recorded 3 new cases.

Anti-lockdown protests occurred over the weekend in Sydney, Melbourne and Brisbane. Protesters clashed with police in Sydney, where a large number of people were charged with breaching public health orders and other offences.

The Federal government announced that Australia will acquire 85 million additional Pfizer booster shots in 2022 and 2023.

On Friday, the NSW Premier referred to the current outbreak as a 'national emergency' after case numbers continued to increase along with the number of people infectious in the community. The NSW Premier called for national cabinet to reassess its vaccination strategy and increase the supply of Pfizer doses for Sydney.

In response, the Prime Minister stated that the Federal government will seek to increase vaccine supply in NSW where possible. However, the government will not alter the vaccination program to redirect doses already earmarked for other states. In order to distribute doses of the Pfizer

vaccine more quickly in NSW, the time between the first and second dose will be increased from three weeks to six weeks.

The Pfizer vaccine was approved for children aged between 12 to 15. The Australian Technical Advisory Group on Immunisation (ATAGI) will be assessing international data along with providing the vaccine to immune-compromised children first and then the wider population.

The local government areas (LGAs) of Cumberland and Blacktown in NSW are now subject to the same lockdown conditions as Fairfield, Liverpool and Canterbury-Bankstown. Only authorised workers are allowed to leave for essential work purposes.

New Zealand is shutting down the Trans-Tasman travel bubble with Australia for two months following the recent outbreaks.

**Australia:** There was no major economic data released on Friday.

**Europe:** The manufacturing PMI fell to 62.6 in July, from 63.4 in June. This was above consensus expectations of 62.5. While this is the lowest reading in four months, it indicates that the manufacturing sector activity remains in expansion. The sector is facing supply chain issues, which are translating into higher costs for firms.

The services PMI rose to 60.4 in July, from 58.3 in June. This was above consensus expectations of 59.3. The sector is benefiting from easing restrictions in the region. Hospitality, travel and tourism are particularly benefiting.

The composite PMI rose to 60.6 in July, from 59.5 in June and above consensus expectations of 60.0.

**United Kingdom:** British consumers were their most confident in July since before the pandemic began, despite the increase in COVID-19 cases. The GfK consumer confidence index rose to -7 in July, its highest level since February 2020. This is up from -9 in June.

Retail sales rose 0.5% in June, from a revised -1.3% in May. This was above consensus expectations of -0.1%. Sales were supported by pent-up demand following easing of restrictions and increased spending by consumers in grocery stores to celebrate the Euro 2020 championships.

Activity indicators fell as they were impacted by labour supply shortages caused by outbreaks of the Delta variant. This added to existing supply constraints, which were worsened by Brexit delays. Consequently, the manufacturing PMI fell to 60.4 in July, from 63.9 in June. This was below consensus

expectations of 62.4. The services PMI also fell to 57.8, from 62.4, below consensus expectations of 62.0. These led to the composite PMI falling to 57.7, from 62.2. This was below consensus expectations of 61.5.

**United States:** Activity indicators suggested that economic activity has begun to cool following strong growth in the second quarter. While falling, the indicators remain in expansionary territory.

The composite PMI fell to 59.7 in July from 63.7 in June. The decline resulted from rising inflation and supply constraint issues, including shortages of raw materials. Labour shortages and pandemic concerns also contributed.

The decline was driven by a fall in the services sector, with the services PMI down to 59.8, from 64.6 in June. This was below consensus expectations of 64.5.

Activity in the manufacturing sector rose. The manufacturing PMI rose to 63.1, from 62.1 in June. This was above consensus expectations of 62.0.

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

NZ Trade Balance Jun prev NZ\$469mn (8:45am)

NZ Exports Jun prev NZ\$5.9bn (8:45am)

NZ Imports Jun prev NZ\$5.4bn (8:45am)

JN Nikkei PMI Mfg Jul Prelim prev 52.4 (10:30am)

JN Nikkei Services PMI Jul Prelim prev 48.0 (10:30am)

US New Home Sales Jun exp 800K prev 769k (12am)

US Dallas Fed Index Jul exp 32.1 prev 31.1(12:30am)

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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