

Morning Report

Tuesday, 27 July 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,394	0.0%	Last		Overnight Chg			Australia		
US Dow Jones	35,144	0.2%	10 yr bond	98.79	-0.03			90 day BBSW	0.03	0.00
Japan Nikkei	27,833	1.0%	3 yr bond	99.70	0.00			2 year bond	0.04	0.01
China Shanghai	3,634	-2.3%	3 mth bill rate	99.98	0.00			3 year bond	0.26	0.00
German DAX	15,619	-0.3%	SPI 200	7,328.0	19			3 year swap	0.39	-0.02
UK FTSE100	7,025	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.18	-0.02
Commodities (close & change)*			TWI	61.7	-	-	61.7	United States		
CRB Index	219.5	2.9	AUD/USD	0.7368	0.7391	0.7331	0.7381	3-month T Bill	0.04	-0.01
Gold	1,797.63	-4.5	AUD/JPY	81.42	81.52	80.77	81.47	2 year bond	0.19	0.00
Copper	9,503.50	75.2	AUD/GBP	0.5357	0.5357	0.5332	0.5341	10 year bond	1.29	0.01
Oil (WTI)	72.18	0.3	AUD/NZD	1.0560	1.0566	1.0540	1.0548	Other (10 year yields)		
Coal (thermal)	140.05	2.5	AUD/EUR	0.6253	0.6260	0.6227	0.6254	Germany	-0.42	0.00
Coal (coking)	217.33	-2.2	AUD/CNH	4.7697	4.7921	4.7559	4.7854	Japan	0.01	-0.01
Iron Ore	200.30	1.2	USD Index	92.9	93.0	92.5	92.6	UK	0.57	-0.01

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: US equities extended their run to new record highs, supported by corporate earnings. US bond yields finished slightly higher. However, concerns about the delta variant and economic growth continue to bubble away, driving the real yield on 10-year US Treasuries to briefly touch a new low.

Share Markets: Global equity markets were mixed. US equities extended their run to new record highs, led by large tech companies alongside strong corporate earnings. The Dow and the S&P 500 rose 0.2%.

The Shanghai composite tumbled 2.3% as investors responded to a regulatory crackdown by the Chinese authorities.

Elsewhere, the Dax declined 0.3%. The ASX 200 was flat but futures point to a solid open.

Interest Rates: US 10-year Treasury yields initially dropped 6 basis points to 1.22% before retracing to close at 1.29%, while 2-year yields were little changed.

The real yield on 10-year Treasuries (which strips out the expected impact of inflation) touched a record low of -1.13%, as concerns mount over the outlook for economic growth. The ongoing decline in real yields suggests mounting concerns over the rapid spread of the delta variant.

Australian 10-year (futures) yields rose from 1.19%

to 1.22% while 2-year futures yields hovered around 0.31%.

Foreign Exchange: The Australian dollar initially fell against the US dollar, touching a low of 0.7331 before moving higher to 0.7381. The US dollar declined a little.

Commodities: Oil was largely unchanged while gold slipped and iron ore edged higher.

COVID-19: NSW recorded 145 locally acquired COVID-19 cases yesterday. Victoria recorded 11 new cases, South Australia recorded 2 cases and Queensland recorded 1 case.

Both Victoria and South Australia are due to end their lockdowns at midnight tonight, although a range of trailing restrictions will remain in place.

The Federal government provided details regarding booster vaccinations. There are three different vaccines being used: Pfizer, Moderna and Novavax. There will be 60 million Pfizer vaccines delivered in 2022 and 25 million in 2023 while 10 million Moderna vaccines are expected this year and 15 million next year. There are 51 million doses of Novavax expected, subject to clearing medical trials.

Australia: There was no major economic data released yesterday.

New Zealand: A monthly trade surplus of \$261 million was recorded in June, down from a revised

\$489 million in May. The annual trade deficit continued to widen to \$252 million.

Exports reached a new high of \$6.0 billion due to the strong demand for logs and beef. Imports also rose to \$5.7 billion. This was driven by an increase in vehicles, parts, and accessories, which reached the highest value on record.

China: Chinese regulators published reforms over the weekend that will ban firms that teach school curriculums from making profits, raising capital or going public. Educational tech shares fell sharply in response. There is growing concern amongst investors that authorities will tighten regulation more broadly, which has weighed on Chinese equities more generally.

United States: New home sales unexpected fell to 676k in June, their lowest level in over a year, from 724k. The fall is a further sign of weakening demand alongside surging construction costs and supply pressures.

The Dallas Fed activity index declined to 27.3 from 31.1. However the index, which provides a read on manufacturing activity, still indicates very expansionary conditions.

Today's key data and events:

AU ANZ RM Cons. Conf. w/e Jul 25 prev 104.3 (9:30am)
JN PPI Services y/y Jun exp 1.3% prev 1.5% (9:50am)
CH Industrial Profits Jun y/y prev 36.4% (11:30am)
EZ M3 Money Supply Jun exp 8.2% prev 8.4% (6pm)
US Dur. Goods Ord. Jun P. exp 2.0% prev 2.3% (10:30pm)
AU RBA's Debelle Speech FX Markets US Conf. (10:35pm)
US FHFA House Prices May exp 1.6% prev 1.8% (11pm)
US CoreLogic House Prices May exp 1.50% prev 1.62% (11pm)
US Cons. Conf. Index Jul exp 124.0 prev 127.3 (12am)
US Richmond Fed Manf. Index Jul exp 20 prev 22 (12am)

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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