

Morning Report

Wednesday, 27 October 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,443	0.0%			Last	Overnight Chg		Australia		
US Dow Jones	35,757	0.0%	10 yr bond	98.18		0.01		90 day BBSW	0.04	0.00
Japan Nikkei	29,106	1.8%	3 yr bond	99.01		-0.03		2 year bond	0.15	0.03
China Shanghai	3,770	-0.3%	3 mth bill rate	99.91		-0.01		3 year bond	0.77	0.03
German DAX	15,757	1.0%	SPI 200	7,422.0		4		3 year swap	1.01	0.07
UK FTSE100	7,278	0.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.81	0.02
Commodities (close & change)*			TWI	62.6	-	-	62.9	United States		
CRB Index	241.2	0.0	AUD/USD	0.7491	0.7525	0.7485	0.7504	3-month T Bill	0.05	0.00
Gold	1,793.96	-13.8	AUD/JPY	85.18	85.92	85.12	85.65	2 year bond	0.45	0.01
Copper	9,960.75	168.8	AUD/GBP	0.5442	0.5463	0.5430	0.5451	10 year bond	1.61	-0.02
Oil (WTI)	84.66	0.9	AUD/NZD	1.0456	1.0485	1.0450	1.0477	Other (10 year yields)		
Coal (thermal)	201.00	5.7	AUD/EUR	0.6452	0.6480	0.6448	0.6469	Germany	-0.12	0.00
Coal (coking)	395.67	1.3	AUD/CNH	4.7810	4.7996	4.7774	4.7857	Japan	0.11	0.00
Iron Ore	121.55	0.7	USD Index	93.8	94.0	93.7	93.9	UK	1.11	-0.03

Data as at 7:30am AEDT. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Strong corporate earnings results underpinned positive risk sentiment despite lingering inflation and growth concerns. This drove US and European stock markets to new all-time highs. Longer-term US interest rates fell and the US dollar was higher against most major currencies.

Share Markets: Share markets rose to new all-time highs amid strong corporate earnings results. Around 81% of S&P 500 companies have beaten earnings expectations so far during this reporting season. Company earnings are likely to remain front of mind for investors this week as Amazon, Apple, Microsoft, and Samsung are due to report.

The S&P 500 rose 0.2% and the Nasdaq was up 0.1%. European stocks also closed at record highs.

The ASX 200 was flat yesterday. Futures are suggesting a broadly flat open this morning.

Interest Rates: The US yield curve flattened slightly as short-term interest rates rose and longer-term rates fell. The US 2-year yield rose 1 basis point to 0.45%. The 10-year yield was down 2 basis points to 1.61%.

The Australian 3-year government bond yield (futures) rose from 0.97% to 0.99%. The 10-year government bond yield (futures) fell from 1.83% to 1.82%.

Foreign Exchange: The US dollar gained against most major currencies. The USD Index rose from a

low of 93.7 to a high of 94.0, before falling to be around 93.9.

The AUD/USD pair was higher on the day. The pair rose from a low of 0.7485 to a high of 0.7525, before settling around 0.7504 at the time of writing.

Commodities: Oil rose to be above \$84 and near the highest levels since 2014. Coal, iron ore and copper were also higher, while gold slipped.

COVID-19: NSW recorded 282 new cases and one death yesterday. Victoria recorded 1,510 new cases and four deaths. Elsewhere, the ACT recorded 12 new cases and Queensland recorded 2 new cases.

Australia: The Roy Morgan weekly consumer confidence index remained broadly unchanged at 106.8 for the week ending 24 October. Consumer confidence was up slightly in Victoria following the end of the lockdown last Thursday. Weekly inflation expectations rose 0.3 percentage points to 5.0%. This is the highest reading since December 2014.

United States: House prices continued to increase in August, albeit at a slower rate than expected. The FHFA house price index rose 1.0% in the month, following a 1.4% rise in July. This was below consensus expectations of a 1.5% increase.

The CoreLogic CS 20-city house price index also rose 1.2% in August, following a 1.5% gain in July. This was below consensus expectations of a 1.5% increase. In annual terms, prices have risen by

19.7% over the year to August. This follows a 20.0% increase in prices over the year to July. Prices in all 20 cities covered are at all-time highs.

The housing market remains red hot. However, the latest data suggests that the pace of growth may be beginning to slow.

New home sales rose to a six-month high in September. Sales increased 14.0% to an annual rate of 800k. This follows an annual rate of 702k in August and was above consensus expectations of 756k. The median new house price rose by 18.7% over the year to September to \$408,800. Sales continue to be supported by strong demand amid a shortage of supply.

Consumer confidence rose in October following declines over the previous three months. Consumer confidence rose to 113.8, up from a revised 109.8 in September. This was above consensus expectations of 108.0. Improved employment prospects amid a recovery in the labour market and a fall in new infections have boosted confidence. Confidence had recently been dented by rising case numbers related to the Delta variant and growing inflationary pressures.

The Richmond Fed manufacturing survey moved into positive territory as manufacturing activity rose in the mid-Atlantic region in October. The survey rose to 12 in the month, following an outcome of -3 in September. This was above consensus expectations of 5. A positive reading suggests an expansion in manufacturing activity. New orders, employment and shipments were all higher in the month.

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Today's key data and events:

NZ Trade Balance Sep prev -\$2.1bn (8:45am)
NZ ANZ Business Confidence Oct Final prev -8.6 (11am)
AU CPI Q3 (11:30am)
Headline q/q exp 0.8% prev 0.8%
Headline y/y exp 3.1% prev 3.8%
Underlying q/q exp 0.5% prev 0.5%
Underlying y/y exp 1.9% prev 1.6%
CH Industrial Profits Sep y/y prev 10.1% (12:30pm)
EZ M3 Money Supply Sep y/y exp 7.4% prev 7.9% (7pm)
US Durable Goods Orders Sep Prel. exp -1.0% prev 1.8% (11:30pm)

Times are AEDT. 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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