

Morning Report

Wednesday, 28 July 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,431	0.5%	Last		Overnight Chg			Australia		
US Dow Jones	35,059	-0.2%	10 yr bond	98.83	0.03			90 day BBSW	0.02	0.00
Japan Nikkei	27,970	0.5%	3 yr bond	99.70	0.00			2 year bond	0.04	-0.01
China Shanghai	3,544	-2.5%	3 mth bill rate	99.97	-0.01			3 year bond	0.26	0.00
German DAX	15,519	-0.6%	SPI 200	7,378.0	-31			3 year swap	0.38	-0.01
UK FTSE100	6,996	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.21	0.03
Commodities (close & change)*			TWI	61.7	-	-	61.8	United States		
CRB Index	218.1	-1.4	AUD/USD	0.7381	0.7389	0.7337	0.7363	3-month T Bill	0.04	0.00
Gold	1,799.09	1.5	AUD/JPY	81.47	81.51	80.64	80.83	2 year bond	0.20	0.01
Copper	9,799.25	295.8	AUD/GBP	0.5341	0.5343	0.5299	0.5305	10 year bond	1.24	-0.05
Oil (WTI)	71.65	-0.3	AUD/NZD	1.0548	1.0599	1.0541	1.0585	Other (10 year yields)		
Coal (thermal)	141.00	0.9	AUD/EUR	0.6254	0.6258	0.6216	0.6230	Germany	-0.44	-0.02
Coal (coking)	217.00	-0.3	AUD/CNH	4.7854	4.8142	4.7742	4.8059	Japan	0.02	0.01
Iron Ore	194.20	1.2	USD Index	92.6	92.8	92.3	92.5	UK	0.56	-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: Risk sentiment was negatively impacted by growing concerns around China's intervention into the private sector. Rising delta variant cases also dragged on risk sentiment.

Share Markets: US equity markets fell on concerns around China's intervention into the private sector and rising COVID-19 cases. Chinese firms listed in the US fell sharply, as did the Chinese market.

The S&P 500 was down 0.2%. The NASDAQ was down 1.2%, its biggest drop in more than two months. The NASDAQ Golden Dragon China Index, which tracks 98 of the largest Chinese firms listed in the US, has fallen by more than 19% over three days. This is its largest fall on record.

The Hong Kong Hang Seng Index fell by 4.2%. This is its largest fall since May 2020 following concerns that US fund are selling Chinese and Hong Kong assets.

Interest Rates: The US 10-year Treasury bond yield fell from 1.29% to a low of 1.23%, before recovering to 1.24%. The US 2-year Treasury bond yield rose by 1 basis point to 0.20%.

The Australian 3-year government bond yield (futures) fell from 0.31% to 0.30%, while the Australian 10-year government bond yield (futures) fell from 1.21% to 1.18%.

Foreign Exchange: The US dollar fell slightly against most major currencies. The USD Index opened at

92.6 and ranged between a high of 92.8 and a low of 92.3, before settling at 92.5.

The AUD/USD pair fell from a high of 0.7389 to a low of 0.7337. It is currently trading at 0.7363.

Commodities: Gold, copper and iron ore increased. Oil fell to below \$72 a barrel.

COVID-19: NSW recorded 172 locally acquired COVID-19 cases yesterday, with 60 cases infectious in the community. Victoria recorded 10 new cases, although all were isolated during their infectious period.

The NSW lockdown is currently due to end at midnight on July 30 although media reports are suggesting it may be extended for another 4 weeks. Premier Berejiklian has indicated she will make an announcement today.

The stay-at-home orders that were in place for the NSW regions of Orange, Blayney and Carbone have ended, as there has been no locally transmitted cases since July 20.

The lockdowns in Victoria and South Australia have ended. However, trailing restrictions remain.

In addition to existing support measures, the NSW government will offer businesses affected by the current lockdown free advice through the Business Connect advisory service.

Australia: The Roy Morgan consumer confidence index fell 3.6 points to 100.7 in the week ending 25

July. NSW, Victoria and South Australia were under lockdown during this period. However, confidence still remains well above its lows in 2020.

China: Industrial profits growth slowed to 20.0% year on year from 36.4% in May, marking the fourth consecutive month annual profit growth has slowed. This is due to surging raw material prices that continue to weigh on factory margins as well as a less-favourable base.

Europe: The money supply continued to grow as the European Central Bank maintains liquidity support. M3 money supply grew by 8.3% over the year to June, down from a revised 8.5% over the year to May. This was above consensus expectations of 8.2%.

United States: New orders for durable goods rose by 0.8% in June, following a revised 3.2% rise in May. This was below consensus expectations of 2.2%. While the result was below market expectations, results for prior months were revised upwards. Falls in defence spending were offset by increases in demand for commercial aircraft. Spending grew despite reports of supply constraints, suggesting continued strength in business spending on equipment.

The Federal Housing Finance Agency (FHFA) house price index rose by 1.7% in May from 1.8% in April. This was above consensus expectations of 1.6%. House prices have risen by 18.0% over the year to May. The result takes the index to a record level.

The S&P CoreLogic 20-city house price index rose by 1.8% in May. This was above consensus expectations of a 1.5% rise and follows a 1.6% in April. All 20 cities reported increases and this increase takes the index to a record high. Annual growth in prices also beat expectations. Growth over the year to May was 17.0%, from 15.0% growth over the year to April. This was above consensus expectations of 16.3%.

Consumer confidence increased to 129.1 in July, from a revised 128.9 in June. This was above consensus expectations of 123.9. It is the sixth consecutive month of increases and takes the index to its highest level since February 2020. Confidence remains high despite the initial boost from reopening and vaccination progress having cooled off. Consumers continue to expect business conditions, jobs, and personal financial prospects to improve.

The Richmond Fed manufacturing index rose to 27 in July, from a revised 26 in June. This was above consensus expectations of 20. The survey result

showed optimism among manufacturers that business conditions would continue to improve. Employers reported difficulties with finding the right skilled labour, but also increased employment and wages over the period.

Today's key data and events:

AU CPI Q2 (11:30am)

Headline q/q exp 0.9% prev 0.6%

Headline y/y exp 4.0% prev 1.1%

Underlying q/q exp 0.4 % prev 0.3%

Underlying y/y exp 1.6% prev 1.1%

UK House Prices Jul exp 0.3% prev 0.7% (4pm)

US FOMC Meeting Decision (4am)

Federal Funds Rate exp 0.00%-0.25% prev 0.00%-0.25%

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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