

# Morning Report

Monday, 30 August 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	7,488	0.0%	Last		Overnight Chg			Australia			
US Dow Jones	35,456	0.7%	10 yr bond		98.84	0.01		90 day BBSW	0.01	0.00	
Japan Nikkei	27,641	-0.4%	3 yr bond		99.71	0.00		2 year bond	0.02	0.00	
China Shanghai	3,692	0.6%	3 mth bill rate		99.98	-0.01		3 year bond	0.27	0.01	
German DAX	15,852	0.4%	SPI 200		7,441.0	13		3 year swap	0.42	-0.01	
UK FTSE100	7,148	0.3%	FX Last 24 hrs		Open	High	Low	Current	10 year bond	1.19	0.00
Commodities (close & change)*			TWI		60.9	-	-	60.8	United States		
CRB Index	219.2	2.8	AUD/USD		0.7238	0.7317	0.7222	0.7308	3-month T Bill	0.05	0.00
Gold	1,817.57	25.1	AUD/JPY		79.68	80.35	79.42	80.29	2 year bond	0.22	-0.03
Copper	9,413.75	108.8	AUD/GBP		0.5283	0.5315	0.5276	0.5312	10 year bond	1.31	-0.04
Oil (WTI)	68.74	1.3	AUD/NZD		1.0414	1.0445	1.0410	1.0436	Other (10 year yields)		
Coal (thermal)	159.45	2.3	AUD/EUR		0.6156	0.6202	0.6148	0.6190	Germany	-0.42	-0.02
Coal (coking)	252.17	7.2	AUD/CNH		4.6918	4.7281	4.6843	4.7233	Japan	0.03	0.00
Iron Ore	161.35	5.7	USD Index		93.0	93.2	92.6	92.7	UK	0.58	-0.02

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

**Main Themes:** Federal Reserve Chair Powell's much anticipated address at the Jackson Hole Symposium signalled a gradual withdrawal of policy support while reinforcing bond purchases could be tapered by the end of the year. US equities rose and US bond yields declined.

**Share Markets:** US stocks rose after from Fed Chair Powell's remarks. The Dow rose 0.7%, the S&P 500 was up 0.9% and the Nasdaq rose 1.2%. The ASX 200 was flat.

**Interest Rates:** The US 10-year yields declined 4 basis points to 1.31% and the 2-year yield fell 3 basis points to 0.22%.

The Australian 10-year (futures) yield hovered around 1.18% while the 3-year futures yield edged up 1 basis point to 0.30%.

**Foreign Exchange:** The Australian dollar jumped higher, increasing from 0.7238 to 0.7308, following Powell's speech. The US dollar was weaker.

**Commodities:** Oil, iron ore and gold all firmed.

**COVID-19:** NSW recorded 1218 new cases yesterday, its highest daily tally. Victoria recorded 92 cases.

From 13 September, children between the ages of 12 and 16 will be able to book a Pfizer vaccination, following updated advice from the Australian Technical Advisory Group on Immunisation.

Meanwhile, New Zealand recorded 83 new cases. Prime Minister Ardern said that the lockdown was

likely to be extended for a further two weeks. Auckland and Northland are expected to remain under the strictest, level 4, restrictions. Other parts of New Zealand will move to level 3 restrictions from 31 August.

**Australia:** Retail sales continue to be battered by lockdowns. Retail sales fell by 2.7%, to be 3.1% lower over the year to July. This follows a 1.8% fall in June. Retail sales have now fallen by 4.4% over the two months.

The fall was driven by declines across most states which were in lockdown for all or part of the period. This included NSW (-8.9%), SA (-3.3%) and Queensland (-0.9%). This marked the largest monthly drop in sales in NSW since April 2020 and the third largest fall on record. While Victoria was also in lockdown for part of July, sales rose 1.3% alongside a reopening boost from lockdowns in June.

Spending patterns were consistent with previous lockdowns. Clothing, footwear & personal accessories, Cafes, restaurants & takeaway food services, and Department stores all saw large double-digit falls. All now sit well below their pre-pandemic levels as at December 2019.

Meanwhile, food spending increased by 2.3% as people were forced to spend more time at home and stocked up on essential goods.

The lockdowns across Australia continue to weigh

on the near-term outlook. Encouragingly, spending tends to bounce back strongly once restrictions lift. However, restrictions are likely to remain in place for some time, before easing gradually over the December quarter this year.

**China:** Industrial profits grew by 16.4% over the year to July, down from 20.0% in June. This was the fifth consecutive month of weaker growth. Profits were impacted by higher raw material costs and supply chain constraints because of extreme weather conditions across parts of the country. The country has also been dealing with recent outbreaks of the delta strain in various cities.

**New Zealand:** Consumer confidence fell 3.1% to 109.6 in August, following 113.1 in July. The survey was undertaken over the four weeks to 22 August. Less than 15% of the sample is expected to have been taken while the country was in lockdown. The number of people who believe it is a good time to buy a major household item fell 11 points to +13. Inflation expectations lifted from 4.9% in July to 5.1% in August.

**United States:** Federal Reserve Chair Powell's opening remarks at the Jackson Hole Symposium were not as hawkish as some had expected. The annual conference is often used to signal important policy changes. Powell did not announce a specific timeline on quantitative easing tapering but said the central bank could begin slowing down asset purchases this year.

Powell acknowledged that the target for "substantial further progress" may have been met for inflation, but this had yet to be achieved for employment, with "substantial slack remaining in the labour market".

Powell also signalled that the Fed isn't in a hurry to hike rates, noting the coming reduction in asset purchases "will not be intended to carry a direct signal regarding the timing of interest rate lift off, for which we have articulated a different and substantially more stringent test."

Separately, there were several US data releases on Friday. Personal income in July was firmer than expected, increasing 1.1% in the month. Personal spending disappointed slightly, rising 0.3% in the month. Spending on goods fell while spending on services increased, as consumers rotate back into services on the reopening of the economy.

The PCE core deflator was in line with consensus, increasing 0.3% in July, the lowest monthly reading in five months, to be up 3.6% over the year.

The final reading of the University of Michigan

consumer sentiment index for August was revised up marginally, from 70.2 to 70.3.

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

AU Company Profits Q2 exp -1.5% prev -0.3% (11:30am)  
 AU Inventories Q2 exp 1.4% prev 2.1% (11:30am)  
 EZ Consumer Confidence Aug Final prev -5.3 (7pm)  
 EZ Economic Confidence Aug exp 118.0 prev 119.0 (7pm)  
 EZ Industrial Confidence Aug exp 13.6 prev 14.6 (7pm)  
 US Pending Home Sales Jul exp 0.4% prev -1.9% (12am)  
 US Dallas Fed Mfg Index Aug exp 22.8 prev 27.3 (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.

**Matthew Bunny, Economist**

Ph: (02) 8254 0023

## Contact Listing

**Chief Economist**

Besa Deda  
dedab@banksa.com.au  
(02) 8254 3251

**Economist**

Matthew Bunny  
matthew.bunny@banksa.com.au  
(02) 8254 0023

**Senior Economist**

Jarek Kowcza  
jarek.kowcza@banksa.com.au  
0481 476 436

**Research Assistant (Secondment)**

Sonali Patel  
Sonali.patel@banksa.com.au  
(02) 8254 0030

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