

Morning Report

Friday, 30 July 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,417	0.5%			Last	Overnight Chg		Australia		
US Dow Jones	35,085	0.4%	10 yr bond	98.83			-0.02	90 day BBSW	0.02	0.00
Japan Nikkei	27,782	0.7%	3 yr bond	99.73			-0.01	2 year bond	0.03	-0.01
China Shanghai	3,576	1.5%	3 mth bill rate	99.98			0.00	3 year bond	0.23	0.00
German DAX	15,640	0.5%	SPI 200	7,338.0			7	3 year swap	0.36	0.01
UK FTSE100	7,078	0.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.15	0.00
Commodities (close & change)*			TWI	61.7	-	-	61.7	United States		
CRB Index	221.2	2.1	AUD/USD	0.7374	0.7413	0.7359	0.7398	3-month T Bill	0.04	-0.01
Gold	1,828.17	21.1	AUD/JPY	81.04	81.36	80.75	80.98	2 year bond	0.20	0.00
Copper	9,806.50	135.5	AUD/GBP	0.5302	0.5307	0.5282	0.5296	10 year bond	1.27	0.04
Oil (WTI)	73.62	1.2	AUD/NZD	1.0598	1.0604	1.0541	1.0549	Other (10 year yields)		
Coal (thermal)	152.40	1.2	AUD/EUR	0.6225	0.6241	0.6210	0.6222	Germany	-0.45	0.00
Coal (coking)	217.00	1.8	AUD/CNH	4.7857	4.7903	4.7703	4.7772	Japan	0.02	0.00
Iron Ore	186.95	-3.7	USD Index	92.3	92.3	91.9	91.9	UK	0.57	0.00

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: Investor appetites were upbeat after weaker than expected US GDP data suggested the US Federal Reserve may be slow to tighten policy.

Share Markets: US share markets edged toward all-time highs after the latest read on US GDP eased worries about inflation and the Federal Reserve tapering support. The S&P 500 index rose 19 points (or +0.4%) to close within a whisker of its all-time high. The Dow jumped 154 points (or +0.4%).

Interest Rates: US shorter-end yields were little changed. Yields at the longer end of the yield curve lifted. The US 10-year yield closed 4 basis points higher and the 30-year yield also rose 4 basis points.

Foreign Exchange: The US dollar was sold off after US GDP data disappointed market expectations. It fell from an overnight high of 92.29 to a one-month low of 91.86. The sell off in the US dollar pushed the AUD/USD pair higher. The AUD rose from an overnight low of near 0.7360 to an overnight high of 0.7413, but this overnight trading range remains within recent trading ranges.

The sell off in the USD also bolstered demand for other major currencies with the EUR/USD rising to a one-month high overnight at 1.1893.

Commodities: Most commodities rose overnight, including gold, iron ore and oil prices.

COVID-19: NSW recorded 239 locally acquired COVID-19 cases yesterday. It is the highest number

of daily cases on record for NSW.

NSW's Premier announced tighter restrictions for residents residing in the 8 local government areas of concern. Residents in those areas must not travel more than 5km from their home and must always wear face masks when outside of their home.

Victoria recorded 7 new cases and South Australia recorded 2 new cases. There are also news reports of an infectious case in Queensland.

Australia: The Grattan Institute yesterday released a report that warned Australia can't afford to abandon its zero Covid-19 strategy until 80% of the population is vaccinated. The Institute predicted that it could take until March next year if children are not included in the rollout and if the vaccine supply problems are not resolved by October.

The export price index rose 13.2% in the June quarter, driven by strong demand for iron ore from China and constrained global supply. The import price index climbed 1.9% in the June quarter, underpinned by stronger oil demand alongside reduced supply.

New Zealand: The business confidence gauge fell to -3.6 in July, from -0.6 in June. However, underlying measures of business activity held firm and are back around their long-run averages. Employment and investment intentions remain strong, consistent with an economy that is sustaining strong demand.

Expectations for inflation over the year ahead rose to 2.7%, the highest level since late 2012 and well above the Reserve Bank of New Zealand's target midpoint.

United States: The US economy grew much less than expected in the second quarter, barely accelerating from the previous period. GDP rose at an annualised rate of 6.5%, just up from a revised outcome of 6.3% in the first quarter. Consensus expectations centred on a gain of 8.4%. However, US output still returned to its pre-pandemic level for the first time since COVID-19 struck. Strong growth is also expected for the rest of this year, although widening worries about the Delta variant are causing growth expectations to be shaved.

GDP rose 1.6% on a quarter-on-quarter basis. The weakest components of the report were residential investments and inventories, highlighting the extent to which labour shortages and supply chain disruptions are slowing what is otherwise a solid economic expansion.

Personal consumer spending was the strongest component of the GDP data. It rose at an annualised rate of 11.8% in the June quarter, after growth of 11.4% in the first quarter. Stimulus cheques to households between mid March and early April have helped underpin spending.

Initial jobless claims fell to 400,000 last week, a higher level than forecast, from an upwardly revised 424,000 the previous week. Continuing claims rose slightly, against consensus for a small decline.

The pending home sales index fell 1.9% to 112.8 in June, as home prices rebounded.

Today's key data and events:

NZ ANZ Consumer Confidence Index Jul prev 114.1 (8am)
 NZ Building Permits Jun prev -2.8% (8:45am)
 JN Job to App. Ratio Jun exp 3.0% prev 3.0% (9:30am)
 JN Industrial Prod. Jun P. exp 5.0% prev -6.5% (9:50am)
 JN Retail Sales Jun exp 2.7% prev -0.3% (9:50am)
 AU Private Sector Credit Jun exp 0.4% prev (11:30am)
 AU PPI Q2 prev 0.4% (11:30am)
 EZ Unemployment Rate Jun exp 7.9% prev 7.9% (7pm)
 EZ GDP Q2 exp 1.5% prev -0.3% (7pm)
 EZ CPI y/y Jul Prel. exp 0.7% prev 0.9% (7pm)
 US Emp. Cost Index Q2 exp 0.9% prev 0.9% (10:30pm)
 US Personal Income Jun exp -0.3% prev -2.0% (10:30pm)
 US Personal Spending Jun exp 0.7% prev 0.0% (10:30pm)
 US PCE Core Deflator Jun exp 0.6% prev 0.5% (10:30pm)
 US Chicago PMI Jul exp 64.1 prev 66.1 (11:45pm)
 US UoM Cons. Sent. Jul Final exp 80.8 prev 80.8 (12am)
 CH Non-Mfg PMI Jul (11am Sat 31 Jul)
 CH Mfg PMI Jul (11am Sat 31 Jul)

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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