

Morning Report

Wednesday, 30 June 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,301	-0.1%	Last		Overnight Chg			Australia		
US Dow Jones	34,292	0.0%	10 yr bond	98.47	0.02			90 day BBSW	0.03	0.00
Japan Nikkei	28,813	-0.8%	3 yr bond	99.54	0.01			2 year bond	0.07	-0.01
China Shanghai	3,745	-0.9%	3 mth bill rate	99.94	-0.01			3 year bond	0.41	-0.02
German DAX	15,691	0.9%	SPI 200	7,253.0	33			3 year swap	0.48	0.00
UK FTSE100	7,088	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.54	-0.05
Commodities (close & change)*			TWI	63.3	-	-	63.0	United States		
CRB Index	211.3	0.4	AUD/USD	0.7567	0.7571	0.7508	0.7513	3-month T Bill	0.04	0.00
Gold	1,761.24	-17.2	AUD/JPY	83.72	83.73	83.00	83.06	2 year bond	0.25	0.00
Copper	9,323.00	-49.3	AUD/GBP	0.5451	0.5455	0.5423	0.5427	10 year bond	1.47	-0.01
Oil (WTI)	72.98	0.1	AUD/NZD	1.0746	1.0766	1.0730	1.0743	Other (10 year yields)		
Coal (thermal)	131.00	2.4	AUD/EUR	0.6345	0.6346	0.6311	0.6313	Germany	-0.17	0.02
Coal (coking)	174.00	0.0	AUD/CNH	4.8891	4.8911	4.8551	4.8578	Japan	0.06	0.00
Iron Ore	206.65	0.4	USD Index	91.9	92.2	91.9	92.1	UK	0.74	0.02

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

Main Themes: Concerns about the spread of the Delta variant worldwide overwhelmed upbeat US economic data. End-of-financial-year window dressing and rebalancing last affected markets.

Share Markets: US share markets were choppy in narrow trading ranges. However, the S&P 500 still eked out a small gain to reach a new record high. The S&P 500 rose 1 point. The Dow lifted 9 points (or +0.1%) and the Nasdaq jumped 28 points (or +0.2%).

Interest Rates: Concerns about the spread of the Delta variant worldwide overwhelmed upbeat US economic data, leading to lower global bond yields overnight. In the US, the 2-year bond yield fell 1 basis point and the 10-year bond yield dropped 5 basis points.

The Australian 3-year bond yield (futures) fell from 0.48% to 0.46%, while the 10-year yield ranged between 1.54% and 1.56%.

Foreign Exchange: Selling in the Australian dollar overnight was a consistent theme, driven by broad-based demand for the US dollar. The Australian dollar fell to a one-week low overnight of 0.7508 against the US dollar. There is minor support for the AUD/USD at 0.7495 with major support at 0.7475. A drop below 0.7475 could lead to the Aussie dollar falling to 0.7360-0.7380 reasonably quickly.

Commodities: OPEC delayed preliminary talks between ministers by one day to allow producing

countries more time to resolve differences before a critical meeting, according to delegates. While members such as Russia have considered backing a hike in oil output, Saudi Arabia has signalled it prefers a gradual approach.

COVID-19: NSW recorded 19 new locally acquired COVID-19 cases yesterday. The total number of cases in this "Bondi" outbreak now totals 149. Queensland and the Northern Territory each recorded 2 new cases.

Yesterday the Queensland Premier announced a lockdown in South East Queensland, Townsville and Palm Island Local Government Areas. It began last night and will last for three days.

New Zealand is set to resume the travel bubble with South Australia, the ACT, Tasmania, and Victoria from July 5. Travellers will need to present a negative COVID-19 test result before departing Australia.

Australia: The New South Wales government announced a relief package for small businesses that were impacted by the latest lockdown. Grants between \$5,000 to \$10,000 will be made available for small businesses and hospitality and tourism operators that meet the eligibility criteria. Payroll tax deferrals will be available to all businesses and the Dine and Discover program will be extended to the end of August from the previous July 31 deadline. Hotels and clubs will also be given some

tax relief, including the option to defer their June quarter gaming machine tax payments.

Separately, the Roy Morgan consumer confidence slipped to 112.2 last week compared to 112.4 in the previous week. However, confidence fell 4.6% in the week in Sydney alongside the virus outbreak in NSW, even though interviews were mostly conducted before the Greater Sydney lockdown began on Saturday evening.

Europe: Economic confidence in the eurozone economy rose to a 21-year high of 117.9 in June, from 114.5 in May.

United Kingdom: House prices rose 0.7% in June and accelerated by 13.4% in the year to June. It is the fastest annual growth rate in 17 years (since November 2004). Dwelling prices have been underpinned by low mortgage rates and government tax breaks.

United States: Consumer confidence jumped 7.3 points to 127.3 in June - its highest level in nearly 1½ years, according to the latest survey from the Conference Board. The index is now back to a level it was at prior to the pandemic. Growing labour market optimism and a reopening economy offset concerns about higher inflation. Both the current conditions and expectations indexes improved.

The S&P Case-Shiller national home price index rose 1.62% in April and lifted 14.6% year on year in April. It is the fastest annual pace in more than three decades. Meanwhile, the 20-city composite index grew 1.6% in April and rose 14.9% from a year earlier (the highest annual rate since December 2005).

Federal Reserve members Barkin and Kashkari provided balanced assessments in remarks made overnight. Kashkari expected the labour market to improve further but didn't want to cut off the recovery prematurely. Barkin said there's a long way to go on the jobs front before bond purchases can be tapered.

Today's key data and events:

AU Priv. Sector Credit May exp 0.3 % prev 0.2% (11:30am)
 CH Non Mfg PMI Jun exp 55.3 prev 55.2 (11am)
 CH Mfg PMI Jun exp 50.8 prev 51.0 (11am)
 NZ Business Confidence Jun Final prev -0.4 (11am)
 UK GDP Q1 Final exp -1.5% prev -1.5% (4pm)
 EZ CPI Jun y/y exp 1.9% prev 2.0% (7pm)
 US ADP Employment Jun exp 550k prev 978k (10:15pm)
 US Chicago PMI Jun exp 70.0 prev 75.2 (11:45pm)
 US Pending Home Sales May exp -1.0% prev -4.4% (12:00am)

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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