

Morning Report

Tuesday, 31 August 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,505	0.2%			Last	Overnight Chg		Australia		
US Dow Jones	35,400	-0.2%	10 yr bond	98.87			0.01	90 day BBSW	0.01	0.00
Japan Nikkei	27,789	0.5%	3 yr bond	99.75			0.00	2 year bond	0.01	-0.01
China Shanghai	3,698	0.2%	3 mth bill rate	99.99			0.00	3 year bond	0.23	-0.04
German DAX	15,887	0.2%	SPI 200	7,460.0			17	3 year swap	0.40	0.00
UK FTSE100	7,148	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.16	-0.03
Commodities (close & change)*			TWI	60.8	-	-	61.0	United States		
CRB Index	219.5	0.3	AUD/USD	0.7308	0.7318	0.7285	0.7296	3-month T Bill	0.04	-0.01
Gold	1,810.34	-7.2	AUD/JPY	80.29	80.38	79.98	80.21	2 year bond	0.20	-0.01
Copper	9,413.75	108.8	AUD/GBP	0.5312	0.5317	0.5294	0.5303	10 year bond	1.28	-0.03
Oil (WTI)	69.21	0.5	AUD/NZD	1.0436	1.0440	1.0413	1.0424	Other (10 year yields)		
Coal (thermal)	161.55	2.1	AUD/EUR	0.6190	0.6201	0.6176	0.6184	Germany	-0.44	-0.02
Coal (coking)	252.17	0.0	AUD/CNH	4.7233	4.7306	4.7111	4.7159	Japan	0.02	-0.01
Iron Ore	156.90	0.1	USD Index	92.7	92.8	92.6	92.7	UK	0.58	0.00

Data as at 8:00am AEST. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: The US S&P 500 share market index jumped to a new all-time high and global bond yields retreated. The US dollar and AUD/USD exchange rate stuck to tight trading ranges. The UK market was closed for a public holiday, which contributed to thinner trading conditions.

Share Markets: US share markets advanced, driving the S&P 500 its twelfth all-time high this month. The S&P 500 rose 19 points (or +0.4%). Tech rose, helping send Apple and Alphabet up to a record. The Nasdaq increased 136 points (or +0.9%). Meanwhile, the Dow dropped 56 points (or -0.2%).

Interest Rates: Global bond yields retreated overnight. The US 2-year and 10-year bond yields fell 1 basis point and 3 basis points, respectively.

Foreign Exchange: The US dollar index traded in a very narrow range overnight after taking a big step down in the previous trading session on Friday. UK markets were closed for a holiday, which made for thinner trading conditions.

The AUD/USD also kept to a tight trading range. The AUD/USD lifted to a high overnight of 0.7318, from a low of 0.7285. The AUD/USD fell away modestly after reaching 0.7318, which is near a key resistance level of near 0.7340.

Commodities: Oil closed higher. About 12% of US crude refining capacity is shut due to Hurricane Ida.

COVID-19: NSW recorded 1,290 new cases

yesterday, its highest daily tally. The NSW hospital system continues to come under further significant strain, especially in Western Sydney.

Victoria recorded 73 cases and the ACT recorded 12 new cases.

In other COVID-19 news, South African scientists have identified a new COVID-19 variant that has a concerning number of mutations.

Australia: There is a deluge of economic data still coming this week. Today, we receive data on the balance of payments, government demand, building approvals and private-sector credit. The first two releases will help us crystallise what the outcome for GDP in the June quarter will be, which is published tomorrow. We are forecasting a rise of 0.5% in the June quarter. Data for the current quarter is out later this year and will show a sizeable contraction, led by a downturn in the NSW economy.

Yesterday, data showed that company profits jumped 7.1% in the June quarter, well above consensus expectations for an increase of 2.5%. The increase was driven by mining profits, which were boosted by higher commodity prices. Excluding mining, profits declined.

Business inventories edged up 0.2% in the June quarter, after a 2.1% jump in the March quarter. Inventories are set to subtract 0.7 percentage

points from GDP in the June quarter.

Europe: European Central Bank member and Bank of France Governor, Francois Villeroy, overnight said that the ECB should take account of a recent improvement in financing conditions in discussing the future of its monthly asset purchases. He also said there is no urgency to decide on the future of the Pandemic Emergency Purchase Programme at the ECB's September meeting because unlike the US Federal Reserve, the ECB could adjust its monthly purchases according to financing conditions.

He also said the economies in the euro zone should be back to pre-COVID-19 levels in early 2022 or maybe earlier and that there was no risk of durably higher inflation at this stage.

United States: Pending home sales fell 1.8% in July, taking the annual pace to a contraction of 9.5%. Low inventories and high prices remain headwinds, although the report noted that the heated market might be starting to cool with inventories slowly rising.

The Dallas Fed manufacturing survey fell to 9.0 in August, from 27.3 in July. Consensus expectations were for a smaller fall to 23.0 only. Supply-chain issues continue to impact manufacturing. Declines were broad-based. The employment component fell to 21.9 from 23.7 and new orders dropped to 15.6 from 26.8. However, wages & benefits remained elevated at 43.4.

Today's key data and events:

NZ Building Permits Jul prev 3.8% (8:45am)
AU RM Consumer Conf. w/e Aug 20 prev 101.6 (9:30am)
NZ ANZ Business Confidence Aug prev -3.8 (11am)
CH Non-Mfg PMI Aug exp 52.0 prev 53.3 (11am)
CH Mfg PMI Aug exp 50.2 prev 50.4 (11am)
AU Balance of Payments Q2 (11:30am)
 Current Acct. Q2 exp \$20.5bn prev \$18.3bn
 Net Exports of GDP exp -0.7% prev -0.6%
AU Building Approvals Jul exp -5.0% prev -6.7% (11:30am)
AU Private Sect. Credit Jul exp 0.5% prev 0.9% (11:30am)
EZ CPI Core y/y Aug Prel. exp 1.5% prev 0.7% (7pm)
US FHFA House Prices Jun exp 1.9% prev 1.7% (11pm)
US S&P CL House Prices Jun exp 1.8% prev 1.8% (11pm)
US Chicago PMI Aug exp 68.0 prev 73.4 (11:45pm)
US Cons. Conf. Index Aug exp 123.0 prev 129.1 (12am)

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.

Besa Deda, Chief Economist

Ph: (02)-8254-3251

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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