

Tuesday, 1 June 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,162	-0.2%			Last	Overnight Chg		Australia		
US Dow Jones	34,529	Closed	10 yr bond	98.37		0.02	90 day BBSW	0.04	0.00	
Japan Nikkei	28,860	-1.0%	3 yr bond	99.78		0.00	2 year bond	0.06	-0.01	
China Shanghai	3,790	0.4%	3 mth bill rate	99.96		-0.01	3 year bond	0.28	0.00	
German DAX	15,421	-0.6%	SPI 200	7,135.0		-31	3 year swap	0.38	0.00	
UK FTSE100	7,023	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.71	0.02
Commodities (close & change)*			TWI	63.6	-	-	63.5	United States		
CRB Index	205.7	-0.1	AUD/USD	0.7712	0.7741	0.7701	0.7734	3-month T Bill	0.00	Closed
Gold	1,906.87	3.1	AUD/JPY	84.71	84.91	84.60	84.76	2 year bond	0.14	Closed
Copper	10,250.75	38.6	AUD/GBP	0.5434	0.5462	0.5432	0.5444	10 year bond	1.59	Closed
Oil (WTI)	66.91	0.6	AUD/NZD	1.0628	1.0661	1.0622	1.0630	Other (10 year yields)		
Coal (thermal)	112.10	0.0	AUD/EUR	0.6322	0.6349	0.6320	0.6326	Germany	-0.19	0.00
Coal (coking)	158.00	1.8	AUD/CNH	4.9068	4.9338	4.9058	4.9291	Japan	0.09	0.00
Iron Ore	195.00	0.2	USD Index	90.1	90.1	89.8	89.8	UK	0.80	0.00

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

Main Themes: Markets were subdued with the US closed. The ASX 200 declined slightly and the US dollar edged lower. Beijing took steps to rein in the yuan's rally.

Share Markets: US stock markets were closed for the Memorial Day holiday. The Dax declined 0.6% and the ASX 200 slipped 0.2%

Interest Rates: The Australian 10-year government bond yield ticked up 2 basis points to 1.71%. US Treasury markets were closed.

Foreign Exchange: The People's Bank of China took steps to clamp down on the yuan's appreciation by increasing the reserve ratio required for banks' foreign-currency deposits from 15 June. It is the first such hike since 2007, underscoring the authorities' determination to maintain currency stability. The offshore yuan weakened slightly on the change.

Commodities: The Australian dollar continued to trade in the range seen over recent weeks. Oil climbed as OPEC forecast that inventories will fall this year if the group sticks to its current plan. Most industrial metals gained.

COVID-19: There were 11 new locally acquired cases reported out of Melbourne yesterday as the outbreak extended into two aged care facilities.

Australia: The Reserve Bank meets today although no change in policy settings is expected.

Private sector credit grew 0.2% in April, after growing at its fastest monthly pace in a year in March. Credit growth remains tepid, but it has turned a corner after the appetite for borrowing soured during most of 2020.

The expansion and recovery in credit extended to the private sector continues to be led by an acceleration in housing credit growth. Housing credit rose 0.4% in April, lifting the annual rate to 4.4% - the fastest annual rate since January 2019.

Housing credit extended to owner occupier continues to grow at a firm clip with a 0.6% gain in April. In year-on-year terms, housing credit quickened 6.2% - the fastest since January 2019.

The housing upswing has been driven by owner occupiers, but investors are now jumping in and driving demand up even further for housing credit. Credit to investors for housing lifted 0.4% in April, the strongest monthly growth rate in 4 years.

Business credit fell in April by 0.3%, marking the first fall in three months. Businesses are feeling very confident. An upturn in business investment has arrived, helped by generous government tax incentives. However, business credit growth is not yet growing sharply because businesses built cash flow buffers over 2020 due to fears about the pandemic and their future revenues.

As the business investment recovery continues, businesses will feel more comfortable to expand

and they will reduce these buffers, leading to a stronger and more sustained lift in business credit growth. Elevated levels for business conditions, confidence and capacity utilisation suggest it is just a matter of time before a deeper recovery in business credit growth occurs.

China: The manufacturing PMI edged lower to 51.0 from 51.1 April, partly reflecting factory closure for the seven-day 'Golden Week' holiday. The services PMI increased to 55.2 in May from 54.9 in April. A reading above 50 indicates an expansion.

Separately, China will allow all couples to have a third child, a move aimed at boosting the nation's falling birthrate. China relaxed its stringent birth policy in 2016 to allow a second child, although the reform did little to reverse the declining birthrate.

Japan: Due to ongoing COVID-19 restrictions, retail sales contracted 4.5% in April, compared to a 1.2% increase in March. Over the year, retail sales rose 12% reflecting base effects from a sharp drop in spending following the onset of the pandemic. After emerging from the slump in activity last year, Japan's economy contracted in the first quarter alongside a slow vaccine rollout and the reintroduction of restrictions to halt a resurgence of infections.

New Zealand: Business confidence rose to 1.8 in May, from -2.0 in April, but fell from the preliminary reading of 7. Inflation pressures continue to build, with expectations for inflation over the year ahead increasing to 2.2% from 2.0% as firms face trouble sourcing inputs for production due to freight disruptions.

Today's key data and events:

NZ Building Permits Apr prev 17.9% (8:45am)
 AU CoreLogic Dwelling Prices May exp 2.2% prev 1.8% (10:00am)
 AU Business Indicators Q1 (11:30am)
 Company Profits exp 3.5% prev -6.6%
 Inventories exp 1.0% prev 0.0%
 AU Balance of Payments Q1 (11:30am)
 Current Account exp \$19.0bn prev \$14.5bn
 Net Export Contrib to GDP exp -1.1% prev -0.1%
 AU Building Approvals Apr exp -10.0% prev 17.4% (11:30am)
 CH Caixin Mfg PMI May exp 52.0 prev 51.9 (11:45am)
 AU RBA Policy Decision (2:30pm)
 Cash Rate exp 0.10% prev 0.10%
 UK House Prices May exp 0.8% prev 2.1% (4:00pm)
 UK Markit Mfg PMI May Final exp 66.1 prev 66.1 (6:30pm)
 EZ Unemployment Rate Apr exp 8.1% prev 8.1% (7:00pm)
 EZ CPI May y/y exp 1.9 prev 1.6% (7:00pm)
 US Markit Mfg PMI May Final exp 61.5 prev 61.5 (11:45pm)
 US Const'n Spending Apr exp 0.5% prev 0.2% (12:00am)
 US ISM Mfg May exp 60.9 prev 60.7 (12:00am)
 US Dallas Fed Index May exp 36.3 prev 37.3 (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.

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The Detail

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