

Tuesday, 3 August 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,491	1.3%			Last	Overnight Chg		Australia		
US Dow Jones	34,838	-0.3%	10 yr bond	98.87		0.04		90 day BBSW	0.02	0.00
Japan Nikkei	27,781	1.8%	3 yr bond	99.73		0.01		2 year bond	0.04	0.00
China Shanghai	3,631	2.0%	3 mth bill rate	99.98		0.00		3 year bond	0.24	0.00
German DAX	15,569	0.2%	SPI 200	7,367.0		-19		3 year swap	0.35	0.00
UK FTSE100	7,082	0.7%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.18	0.00
Commodities (close & change)*			TWI	61.6	-	-	61.6	United States		
CRB Index	215.7	-2.3	AUD/USD	0.7339	0.7382	0.7329	0.7364	3-month T Bill	0.04	0.00
Gold	1,814.19	-14.0	AUD/JPY	80.54	80.76	80.34	80.51	2 year bond	0.17	-0.01
Copper	9,708.75	-97.8	AUD/GBP	0.5281	0.5309	0.5277	0.5303	10 year bond	1.18	-0.04
Oil (WTI)	71.26	-2.7	AUD/NZD	1.0530	1.0571	1.0526	1.0560	Other (10 year yields)		
Coal (thermal)	152.55	-0.2	AUD/EUR	0.6184	0.6213	0.6179	0.6203	Germany	-0.49	-0.03
Coal (coking)	216.50	0.0	AUD/CNH	4.7435	4.7696	4.7426	4.7598	Japan	0.02	-0.01
Iron Ore	177.70	-0.4	USD Index	92.1	92.2	91.9	92.1	UK	0.52	-0.04

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: US equities and bond yields edged lower alongside disappointing US manufacturing data. The US dollar finished unchanged.

Share Markets: US equities slipped after softer-than-expected manufacturing data. The S&P 500 edged 0.2% lower and the Dow declined 0.3%.

The ASX 200 rose 1.3% but futures point to a soft open.

Interest Rates: The US 10-year yield declined for a second consecutive day, moving 4 basis points lower to 1.18%. The 2-year bond yield was largely unchanged at 0.17%.

The Australian 10-year (futures) yield slipped from 1.18% to 1.14% while the 3-year futures yield hovered around 0.28%.

Foreign Exchange: The Australian dollar partly recovered its losses against the US dollar from the previous session, rising from 0.7339 to 0.7364. The US dollar finished unchanged.

Commodities: West Texas Intermediate crude oil tumbled alongside concerns that the delta variant poses a threat to demand. Copper slipped following the weak US manufacturing data.

COVID-19: Queensland recorded 13 new community cases yesterday and the lockdown in parts of the state was extended until at least Sunday.

NSW recorded 207 locally acquired cases and

Victoria recorded 2 new cases.

Australia: The Reserve Bank Board meets today. The central bank is widely expected to defer the tapering of bond purchases announced at its July meeting following the worsening of the New South Wales virus outbreak.

CoreLogic data showed dwelling prices surged 1.6% in July, shrugging off the lockdowns in several states. In year-ended terms, dwelling prices have grown 16.1% – marking the fastest annual growth in more than 17 years. Prices continue to be driven higher by low mortgage rates and constrained supply.

Price growth in July was strongest in Canberra (2.6%) followed by Sydney (2.0%) and Brisbane (2.0%).

The housing market will continue to be supported by low rates and low supply. Beyond the near-term disruption from lockdowns, the ongoing recovery in the labour market will also boost prices. We continue to expect that dwelling prices will increase by up to 20% this year, followed by more moderate growth in 2022.

Separately, job advertisements declined 0.5% in July, the first fall in 14 months. However, ads are still very high, up 35% on their pre-pandemic level.

China: The Caixin manufacturing PMI slipped to 50.3 from 51.3 in July. This is the lowest reading in 15 months, although the index remains in

expansionary territory. The decline was underpinned by a softening in output growth and new orders.

Europe: The Markit manufacturing PMI for July was finalised at a slightly higher 62.8 (vs 62.6 previously).

United Kingdom: The manufacturing PMI for July from Markit was finalised at 60.4, in line with the preliminary reading.

United States: The ISM manufacturing survey fell from 60.6 to 59.5 (vs 61.0 expected), slipping below 60 for the first time in five-months. However it remains in expansionary territory. Most of the survey components fell from elevated levels. The commentary uniformly noted strong demand, and the challenges meeting it as supply chains remained strained.

Markit's manufacturing PMI survey was finalised marginally higher at 63.4 (vs 63.1 previously) – a new record high (since 2007).

Construction spending inched 0.1% higher in June, a slightly stronger result than expected. An increase in private projects was offset by a fall in public sector building.

Today's key data and events:

AU Housing Finance Jun (11:30am)

Total Jun exp 2.5% prev 4.9%

Owner Occupier Jun exp 0.0% prev 1.9%

Investor Jun exp 8.0% prev 13.3%

Building Approvals Jun exp -5.0% prev -7.1% (11:30am)

RBA Board Meeting (2:30pm)

Cash Rate exp 0.10% prev 0.10%

EZ PPI Jun y/y prev 9.6% (7pm)

US Factory Orders Jun exp 1.1% prev 1.7% (12am)

US Durable Goods Orders Jun Final prev 0.8% (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.

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