

Monday, 7 June 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,295	0.5%	Last		Overnight Chg			Australia		
US Dow Jones	34,756	0.5%	10 yr bond	98.44	0.06			90 day BBSW	0.03	0.00
Japan Nikkei	28,942	-0.4%	3 yr bond	99.80	0.01			2 year bond	0.04	0.01
China Shanghai	3,765	0.2%	3 mth bill rate	99.97	-0.01			3 year bond	0.31	0.04
German DAX	15,693	0.4%	SPI 200	7,300.0	7			3 year swap	0.34	-0.01
UK FTSE100	7,069	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.69	0.02
Commodities (close & change)*			TWI	63.7	-	-	63.2	United States		
CRB Index	210.3	2.8	AUD/USD	0.7660	0.7745	0.7651	0.7742	3-month T Bill	0.01	-0.01
Gold	1,891.59	20.8	AUD/JPY	84.51	84.85	84.33	84.78	2 year bond	0.14	-0.07
Copper	9,941.25	169.0	AUD/GBP	0.5430	0.5470	0.5420	0.5466	10 year bond	1.55	-0.07
Oil (WTI)	69.62	0.8	AUD/NZD	1.0724	1.0758	1.0706	1.0736	Other (10 year yields)		
Coal (thermal)	110.25	-2.3	AUD/EUR	0.6316	0.6367	0.6312	0.6364	Germany	-0.21	-0.03
Coal (coking)	165.67	3.0	AUD/CNH	4.9016	4.9495	4.8979	4.9479	Japan	0.09	0.00
Iron Ore	203.00	4.1	USD Index	90.5	90.6	90.0	90.1	UK	0.79	-0.05

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: Disappointing US jobs data provided markets some relief that the Fed will not rush to pare back support. US stocks closed near record highs and yields declined.

Share Markets: US stocks rose after weaker-than-expected payrolls dampened concerns the Fed may tighten policy sooner than expected. The S&P 500 rose 0.9%, close to its record high, while the Dow increased 0.5% and the Nasdaq jumped 1.5%. The Dax climbed 0.4% and the ASX 200 rose 0.5%.

Interest Rates: US 10-year treasury yields declined 7 basis points to 1.55%. Australian 10-year yields were up 2 basis points, while 3-year yields rose 4 basis points.

Foreign Exchange: The Australian dollar jumped from 0.7660 to 0.7742 on US dollar weakness but remained in its range from recent weeks.

Commodities: Commodity prices were generally up, with oil, iron ore and gold edging higher.

Australia: The residential property boom continues to drive growth in housing finance with the value of new loans, excluding refinancing, increasing 3.7% in April. Over the year, housing loan commitments are up 68.2% - the fastest rate on record.

Owner-occupiers continue to lead the housing upturn. New lending to owner-occupiers increased 4.3% in the month, although construction-related spending continued to drop, declining 11.4%. This

fall follows the expiry of the HomeBuilder scheme in April.

Investor lending rose 2.1% in April, the slowest pace in six months, after leaping 14.3% in March. Policymakers will be keeping a close eye on developments in investor lending. We cannot rule out a tightening in macroprudential controls in 2022.

In further evidence of mounting affordability pressures, lending to first home buyers declined for the third month in a row and are now 5.4% below the peak in January 2021. First home buyers tend to be more sensitive to affordability pressures than other cohorts. And with dwelling prices expected to increase further, the affordability crunch looks set to intensify.

The increase in lending was broad-based across the country. The biggest increase was in the Northern Territory (7.0%), followed by Victoria (6.8%) and New South Wales (6.6%).

We expect the momentum in housing finance will carry forward. Low interest rates, elevated consumer confidence and the ongoing recovery in the labour market will continue to provide support over the coming period.

Europe: Retail sales declined 3.1% in April, partly reflecting stricter lockdown measures in some parts of Europe.

Japan: Household spending rose 13.0% year-on-year in April, up from 6.2% annual growth in March. However, most of the increase reflected last year's low base. In month-on-month terms, spending increased just 0.1%. A number of regions in Japan have been under a state of emergency since late April, including Tokyo, as the country battles another wave of COVID-19 cases.

United States: Non-farm payrolls increased 559k in May. While the data showed that jobs growth picked up pace from a 266k increase in April, it was well below expectations of a 675k increase. The US labour market remains 7.6 million jobs short of pre-pandemic levels.

The unemployment rate dropped to 5.8% from 6.1% in May. However, it remains elevated relative to its level before the pandemic, around 3.5%. Average hourly earnings surprised to the upside, increasing 0.5% in the month.

Factory orders disappointed, declining 0.6% in April, with a 0.2% decline expected. Durable goods orders declined 1.3% in April, in line with the preliminary estimate.

World: G-7 nations reached a landmark deal to impose a minimum corporate tax rate of at least 15% on foreign earnings. The rules could help countries collect tax from digital companies in countries where they make money, instead of just where they are headquartered. That includes tech giants, like Amazon and Facebook, who for years have shifted revenue offshore into more favourable jurisdictions. However, the rules are unlikely to materially lift tax revenue in Australia, estimated to raise just hundreds of millions of dollars extra each year for the Federal budget.

Today's key data and events:

AU ANZ Job Ads May prev 4.7% (11:30am)
 JN Leading Index CI Apr exp 102.9 prev 102.5 (3:00pm)
 EZ GE Factory Orders Apr exp 0.5% prev 3.0% (4:00pm)
 EZ Sentix Investor Confidence Jun exp 23.8 prev 21.0 (6:30pm)
 US Consumer Credit Apr exp \$22.5bn prev \$25.8bn (5:00am)
 CH Trade Balance May exp US\$50.5bn prev US\$42.9bn
 CH Exports May y/y exp 32.0% prev 32.3%
 CH Imports May y/y exp 54.5% prev 43.1%

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.

Matthew Bunny, Economist

Ph: 02-8254-0023

Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Economist

Matthew Bunny

matthew.bunny@bankofmelbourne.com.au

(02) 8254 0023

The Detail

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne's agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
