

Tuesday, 8 June 2021

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | | |
|-------------------------------|----------|-------|--|------|-------------|----------------------|---------|---------------------------------|-------------------------------|-------|------|
| S&P/ASX 200 | 7,282 | -0.2% | | | Last | Overnight Chg | | | Australia | | |
| US Dow Jones | 34,630 | -0.4% | 10 yr bond | | 98.42 | -0.01 | | | 90 day BBSW | 0.03 | 0.00 |
| Japan Nikkei | 29,019 | 0.3% | 3 yr bond | | 99.80 | 0.00 | | | 2 year bond | 0.05 | 0.01 |
| China Shanghai | 3,773 | 0.2% | 3 mth bill rate | | 99.98 | 0.00 | | | 3 year bond | 0.29 | 0.00 |
| German DAX | 15,677 | -0.1% | SPI 200 | | 7,286.0 | 5 | | | 3 year swap | 0.35 | 0.00 |
| UK FTSE100 | 7,077 | 0.1% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 1.65 | 0.01 | |
| Commodities (close & change)* | | | TWI | | 63.7 | - | - | 63.7 | United States | | |
| CRB Index | 209.5 | -0.8 | AUD/USD | | 0.7660 | 0.7766 | 0.7727 | 0.7758 | 3-month TBill | 0.02 | 0.00 |
| Gold | 1,899.21 | 7.6 | AUD/JPY | | 84.51 | 84.88 | 84.65 | 84.76 | 2 year bond | 0.15 | 0.02 |
| Copper | 9,883.75 | -57.5 | AUD/GBP | | 0.5430 | 0.5483 | 0.5463 | 0.5472 | 10 year bond | 1.57 | 0.02 |
| Oil (WTI) | 69.16 | -0.1 | AUD/NZD | | 1.0724 | 1.0749 | 1.0719 | 1.0732 | Other (10 year yields) | | |
| Coal (thermal) | 115.60 | 5.3 | AUD/EUR | | 0.6316 | 0.6383 | 0.6356 | 0.6363 | Germany | -0.20 | 0.02 |
| Coal (coking) | 164.33 | -1.3 | AUD/CNH | | 4.9016 | 4.9660 | 4.9444 | 4.9550 | Japan | 0.08 | 0.00 |
| Iron Ore | 194.50 | 0.7 | USD Index | | 90.5 | 90.3 | 89.9 | 90.0 | UK | 0.81 | 0.02 |

Data as at 9:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Asset markets mostly consolidated in last night's trading session after Friday's unexpected US payrolls outcome. US share markets ended weaker, bond yields slightly higher and the US dollar index fell.

Share Markets: Most US share markets finished the session lower, as recent data seemed to vindicate the US Federal Reserve's dovish stance on monetary policy – especially Friday's payrolls data. The Dow Jones fell by 126 points (or -0.4%) and the S&P 500 index fell 3 points (or -0.1%). Meanwhile, the Nasdaq lifted 67 points (or +0.5%).

Interest Rates: US bond yields moved higher across the yield curve with the 2-year yield and 10-year yield each rising by 2 basis points.

Demand for a key Federal Reserve facility used to help control short-term rates surged to the highest on record overnight. A total of \$486.1 billion was parked at the overnight reverse repurchase facility last night, up from \$483.3 billion on Friday. Even though the offering rate on the Fed facility is 0%, demand has been increasing as a flood of cash overwhelms US dollar funding markets, which is in part a result of central-bank asset purchases and drawdowns of the Treasury's cash account.

Foreign Exchange: The US dollar was weaker against the major currencies overnight, which helped the AUD/USD exchange rate move from an overnight low of 0.7727 to an overnight high of

0.7766.

Commodities: The widely-watched basket of commodity prices – the CRB index – ended weaker overnight, reflecting lower prices for key commodities overnight.

Australia: Job advertisements jumped 7.9% in May to reach their highest level since 2008. It is an encouraging sign that the unemployment rate will continue to trend down, despite the expiry of JobKeeper. We expect the unemployment rate to continue to decline and reach 5.0% by the end of the year.

China: China's trade surplus widened to US\$45.5 billion in May, as imports grew faster than exports. Exports rose 27.9% from a year earlier, fuelled by strong global demand as the United Kingdom and United States both emerged from months of lockdown, fuelling consumer spending. Imports grew 51.1% in the year to May, the fastest pace in 10 years. The increase was largely due to the rise in commodity prices.

Europe: Germany's factory orders contracted by 0.2% in April, following an upwardly revised increase of 3.9% in March. The slight pullback in April does not change the overall picture of a very strong German manufacturing sector.

Sentix's investor confidence index rose to 28.1 in June, from 21.0 in May. The index is now at its

highest level since early 2018.

United States: There was no major economic data published overnight.

Today's key data and events:

JN GDP Q1 Final exp -1.2% prev -1.3% (9:50am)

AU NAB Business Survey May (11:30am)

Business Conditions prev 32.0

Business Confidence prev 26.0

EZ GDP Q1 Final exp -0.6% prev -0.6% (7:00pm)

EZ ZEW Expectations Jun prev 84.0 (7:00pm)

US Trade Balance Apr exp -US\$68.5bn prev -US\$74.4bn
(10:30pm)

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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