

Monday, 11 October 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,320	0.9%			Last	Overnight Chg		Australia		
US Dow Jones	34,746	0.0%	10 yr bond	98.30		-0.03	90 day BBSW	0.02	0.00	
Japan Nikkei	28,049	1.3%	3 yr bond	99.33		-0.02	2 year bond	0.10	0.00	
China Shanghai	3,765	0.7%	3 mth bill rate	99.93		-0.02	3 year bond	0.47	0.05	
German DAX	15,206	-0.3%	SPI 200	7,273.0		-4	3 year swap	0.66	0.06	
UK FTSE100	7,096	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.64	0.05
Commodities (close & change)*			TWI	61.3	-	-	61.5	United States		
CRB Index	235.4	1.1	AUD/USD	0.7311	0.7338	0.7256	0.7307	3-month T Bill	0.05	0.00
Gold	1,757.13	1.4	AUD/JPY	81.63	82.24	81.56	81.98	2 year bond	0.32	0.01
Copper	9,367.75	85.5	AUD/GBP	0.5370	0.5378	0.5354	0.5359	10 year bond	1.61	0.04
Oil (WTI)	79.35	1.1	AUD/NZD	1.0550	1.0583	1.0522	1.0556	Other (10 year yields)		
Coal (thermal)	207.00	-7.0	AUD/EUR	0.6327	0.6337	0.6306	0.6309	Germany	-0.15	0.03
Coal (coking)	388.00	0.0	AUD/CNH	4.7182	4.7286	4.6769	4.7096	Japan	0.09	0.02
Iron Ore	127.65	3.0	USD Index	94.2	94.3	93.9	94.1	UK	1.16	0.08

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

Main Themes: US non-farm payrolls printed under market expectations, influencing pricing behaviours in financial markets on Friday.

Share Markets: US share markets closed in the red on Friday, after non-farm payrolls for September came in well under expectations. The Dow Jones fell 9 points, the S&P 500 dropped 8 points (or -0.2%) and the Nasdaq declined 75 points (or -0.5%).

Interest Rates: The US 2-year bond yield closed 1 basis point higher to 0.32%, but had dipped to 0.29% immediately after the payrolls data. The US 10-year yield finished 4 basis points higher at the close at 1.61%.

Foreign Exchange: The US dollar index was sold off in the lead up to the payrolls release. It also was sold off immediately after the payrolls number disappointed market expectations, before recovering modestly and then sticking to a volatile range. The AUD/USD reached a Friday night high of 0.7338 in the wake of the payrolls number, but could not maintain the high.

The bullish remarks from policymakers in the UK led the British pound to rally against the US dollar. Against the USD, it rose to a high near 1.3660.

Commodities: The West Texas Intermediate (WTI) quote for world oil spiked briefly above US\$80 a barrel for the first time since November 2014.

COVID-19: NSW has emerged from lockdown today

with many restrictions easing.

Australia: On Friday, the Reserve Bank of Australia (RBA) released its semi-annual Financial Stability Review. In the review, the RBA said that the Australian economy has been quite resilient to the effects of the COVID-19 pandemic. However, our economic recovery has been interrupted by the recent spread of the Delta variant and extended lockdowns.

As vaccination rates continue to increase across the country, the RBA has expressed concerns for the longer-term outlook. With most of the global population yet to be vaccinated and infections rising, the central bank is worried about vaccine-resistant variants emerging.

The review also found the banking system to be generally sound and well capitalised. However, the RBA warned that 'exuberance' in a red-hot housing market was encouraging a build-up of debt that might destabilise the financial system and has called on banks to maintain their lending standards. In response to this risk, on Wednesday the Australian Prudential Regulation Authority (APRA) increased the interest rate 'buffer' used to assess loans, which will modestly reduce the borrowing capacity for new borrowers.

China: Activity in China's services sector returned to an expansion in September, as the recent COVID-19 outbreak in the eastern province of Jiangsu receded

and new business and employment picked up. The Caixin services purchasing managers' index (PMI) rose to 53.4 in September, from 46.7 in August. This was well above consensus expectations of 49.2.

The Caixin composite PMI, which includes both manufacturing and services, rose to 51.4 in September, from 47.2 in August.

Europe: The European Central Bank (ECB) President cautioned over the risks of premature tightening, the highly unusual recovery, and the need to avoid overreacting to what are still seen as temporary inflationary pressures. She stressed the need for careful management of the exit from the pandemic and pandemic support policies.

United Kingdom: The UK's Monetary Policy Committee (MPC) member Michael Saunders told the Telegraph markets are right to price in an earlier-than-expected rate hike as inflation accelerates. The Bank of England (BoE) Governor Andrew Bailey also warned of a potentially "very damaging" period of inflation. In its last meeting, the BoE raised the possibility that it could act as early as November.

United States: The US economy created the fewest jobs in nine months in September amid a drop in hiring at schools and worker shortages, but ebbing COVID-19 cases and the end of generous unemployment benefits could boost employment gains in the months ahead.

The survey of establishments showed non-farm payrolls increased by 194,000 jobs last month. For median forecast was for a rise of 500,000 jobs. Data for August was revised to show 366,000 jobs created instead of the previously reported 235,000 positions. Employment is 5.0 million jobs below its peak in February 2020.

The unemployment rate dropped from 5.2% in August to an 18-month low of 4.8% in September, but that was partly driven by a drop in the participation rate due to people leaving the labour force.

San Francisco Federal Reserve President Mary Daly yesterday said the US labour market will see "ups and downs" as the pandemic lingers but it's premature to judge that the recovery is in peril. Daly added that she does not expect the job market to "just be continuous".

US Treasury Secretary Janet Yellen expects Congress to act soon to bring the US into line with the global minimum tax rate after the deal won support from 136 countries Friday. The accord included a 15% base rate for corporations and the main parameters

of how much the 100 or so biggest multinationals would be taxed. Japan's finance minister said the plan still has work ahead.

Today's key data and events:

JN Machine Tool Orders y/y Sep Prel. prev 85.2% (5pm)
US Columbus Day National Holiday

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

The Detail

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