

Monday, 12 July 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,273	-0.9%			Last	Overnight Chg		Australia		
US Dow Jones	34,870	1.3%	10 yr bond	98.62	-0.02		90 day BBSW	0.03	0.00	
Japan Nikkei	27,940	-0.6%	3 yr bond	99.62	0.00		2 year bond	0.10	0.00	
China Shanghai	3,694	0.0%	3 mth bill rate	99.97	0.00		3 year bond	0.35	0.00	
German DAX	15,688	1.7%	SPI 200	7,262.0	76		3 year swap	0.43	0.00	
UK FTSE100	7,122	1.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.36	0.04
Commodities (close & change)*			TWI	62.4	-	-	62.2	United States		
CRB Index	211.8	2.2	AUD/USD	0.7428	0.7494	0.7410	0.7490	3-month T Bill	0.04	-0.01
Gold	1,808.32	5.5	AUD/JPY	81.52	82.55	81.35	82.52	2 year bond	0.21	0.02
Copper	9,488.75	194.3	AUD/GBP	0.5387	0.5414	0.5380	0.5390	10 year bond	1.36	0.07
Oil (WTI)	74.80	0.2	AUD/NZD	1.0690	1.0716	1.0687	1.0698	Other (10 year yields)		
Coal (thermal)	136.10	2.0	AUD/EUR	0.6271	0.6311	0.6260	0.6309	Germany	-0.29	0.01
Coal (coking)	204.00	-0.5	AUD/CNH	4.8233	4.8559	4.8111	4.8544	Japan	0.03	0.01
Iron Ore	206.65	2.3	USD Index	92.4	92.5	92.1	92.1	UK	0.66	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: Risk sentiment recovered on Friday without a clear catalyst. Major market equities and bond yields rose, and the US dollar weakened.

Share Markets: US shares rose as markets flipped back into risk-taking mode. The S&P 500 rose 1.1% to a new record high while the Dow increased 1.3%, also hitting a new high.

The Dax climbed 1.7%. The ASX 200 declined 0.9%, although futures point to a strong open.

Interest Rates: The US 10-year bond yield jumped 7 basis points to 1.36%. The 2-year yield rose 2 basis point to 0.21%.

Australian 10-year bond yields (futures) rose from 1.33% to 1.39% while 3-year futures yields edged lower from 0.40% to 0.39%.

Foreign Exchange: The AUD/USD pair dipped in early trading on Friday as tighter virus restrictions were announced in Sydney, before increasing to 0.7490, making up some for some of lost ground from earlier in the week. The defensive US dollar declined.

Commodities: WTI crude oil rallied to land back above \$74.50. Copper and gold also increased.

COVID-19: NSW recorded 77 new locally acquired COVID-19 cases yesterday. Premier Berejiklian advised she expects more than 100 new cases today.

On Friday, tougher restrictions for parts of New

South Wales were announced. Outdoor gatherings have been reduced from 10 people to two people and must be within 10km of your home. Browsing in shops is prohibited and only one person per household per day may leave their home for essential items. The number of people that can attend funerals has also been reduced to 10. At Friday's press conference, the Premier stated that unless there is a massive reduction in the number of cases over the next few days, she cannot guarantee that the lockdown will end on July 16.

Restrictions in regional NSW remain unchanged.

Australia: There were no major economic data releases on Friday.

China: The People's Bank of China cut the reserve requirement ratio (RRR) by 50 basis points to 12%, effective from 15 July. This reduces the amount of cash banks must hold in reserve to boost lending. The move came as a surprise to analysts. However, China's economic recovery is slowing and the RRR cut is one way for authorities to ensure the recovery is sustained from here.

The producer price index rose 8.8% over the year to June, down from the near 13-year high of 9.0% in May. This was in line with consensus expectations. A stronger dollar and Chinese government measures helped to reduce pressure on commodity prices, particularly copper and steel. The fall provided some reprieve for businesses which have

been managing persistently high raw material costs. Meanwhile, the consumer price index rose 1.1% over the year to June, down from 1.3% in May. This was below consensus expectations of 1.2% growth. Food prices fell by 1.7% and non-food prices rose by 1.7%.

Europe: The minutes of the European Central Bank's June meeting revealed discussions that inflation pressures from the economic recovery might be less pronounced than feared. While inflation pricing had risen, members noted that projections were still well below target and so agreed to maintain accommodation. There was a suggestion that asset purchases could be increased.

United Kingdom: UK GDP for May disappointed, coming in at 0.8% in the month against expectations of a 1.4% increase. Supply constraints were cited as one of the drivers of the miss.

Industrial production rose 0.8% in May while manufacturing production slipped 0.1%, although both releases were stronger than expected. The UK's trade deficit narrowed to £0.8bn in May from £1.6bn in April.

Today's key data and events:

NZ Card Spending Retail Jun prev 1.7% (8:45am)

JN Machinery Orders May exp 2.5% prev 0.6% (9:50am)

JN PPI y/y May exp 4.8% prev 4.9% (9:50am)

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

Senior Economist

Jarek Kowcza
jarek.kowcza@bankofmelbourne.com.au
(02) 8254 3251

Research Assistant (Secondment)

Sonali Patel
Sonali.patel@bankofmelbourne.com.au
(02) 8254 0030

The Detail

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