

Friday, 12 November 2021

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|--|----------|-------|--|---------|-------------|----------------------|---------|---------------------------------|--------|-------|
| S&P/ASX 200 | 7,382 | -0.6% | | | Last | Overnight Chg | | Australia | | |
| US Dow Jones | 35,921 | -0.4% | 10 yr bond | 98.14 | | | | 90 day BBSW | 0.04 | 0.00 |
| Japan Nikkei | 29,278 | 0.6% | 3 yr bond | 98.79 | | | | 2 year bond | 0.71 | 0.09 |
| China Shanghai | 3,703 | 1.2% | 3 mth bill rate | 99.94 | | | | 3 year bond | 1.01 | 0.12 |
| German DAX | 16,083 | 0.1% | SPI 200 | 7,402.0 | | | | 3 year swap | 1.31 | -0.01 |
| UK FTSE100 | 7,384 | 0.6% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 1.81 | 0.08 |
| Commodities (close & change)* | | | TWI | 61.7 | - | - | 61.4 | United States | | |
| CRB Index | 237.5 | 2.8 | AUD/USD | 0.7326 | 0.7341 | 0.7287 | 0.7290 | 3-month T Bill | 0.04 | -0.01 |
| Gold | 1,862.72 | 13.1 | AUD/JPY | 83.45 | 83.66 | 83.12 | 83.16 | 2 year bond | closed | |
| Copper | 9,705.50 | -59.0 | AUD/GBP | 0.5463 | 0.5470 | 0.5444 | 0.5456 | 10 year bond | closed | |
| Oil (WTI) | 81.21 | -0.1 | AUD/NZD | 1.0378 | 1.0402 | 1.0357 | 1.0384 | Other (10 year yields) | | |
| Coal (thermal) | 144.00 | -0.1 | AUD/EUR | 0.6382 | 0.6391 | 0.6355 | 0.6369 | Germany | -0.23 | 0.02 |
| Coal (coking) | 372.67 | -3.3 | AUD/CNH | 4.6898 | 4.6967 | 4.6585 | 4.6598 | Japan | 0.07 | 0.01 |
| Iron Ore | 91.60 | -0.9 | USD Index | 94.9 | 95.2 | 94.8 | 95.2 | UK | 0.92 | -0.01 |

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: Trading was thin as US bond markets were closed for the Veterans Day public holiday. However, equity markets were open and recovered some of yesterday's losses. The US dollar was firmer against its G-10 peers.

Share Markets: Equity markets recovered some of yesterday's losses following the stronger-than-expected US inflation outcome. The S&P 500 rose 0.1% and the Nasdaq was 0.5% higher.

Interest Rates: The physical US bond market was closed for the Veterans Day public holiday. However, futures market continued to trade. The US 10-year yield implied by the futures market rose from 1.55% to 1.60%.

The Australian 10-year government bond yield (futures) rose from 1.84% to 1.87%. The 3-year government bond yield (futures) rose from 1.20% to 1.22%.

Foreign Exchange: The US dollar was stronger against a basket of major currencies. The USD Index rose from a low of 94.8 to a high of 95.2. This is its highest level since July 2020.

The AUD/USD pair was weaker on the day. The pair fell from a high of 0.7341 to a one-month low of 0.7287. The pair has recovered slightly at is trading around 0.7290 at the time of writing.

Commodities: Gold rose to approach a five-month high. Copper and coal were down. Oil and iron ore

were also slightly weaker.

COVID-19: The first dose vaccination rate for Australians aged 16 and over is expected to reach 90% today.

Australia: Labour force data for October showed a solid rebound in the jobs market in New South Wales. Victoria dragged down the numbers, likely reflecting restrictions easing later in Melbourne.

Employment declined 46.3k, consistent with our expectation of a 50k decline in the month. The participation rate lifted as workers returned to the labour market. It contributed to an increase in the unemployment rate to 5.2%, from 4.6% in September.

A better indicator of the state of the labour market during lockdowns is hours worked. Nationally, hours worked eased just 0.1% in October. But this obscures a solid 3.9% rebound in hours worked in NSW, which was offset by a 4.0% decline in Victoria.

Jobs dropped in Victoria (52.8k) but jumped up in NSW (21.7k) marking the first increase in jobs in the state since May. Elsewhere, employment slipped lower in Queensland, WA, the ACT and Tasmania, and increased in SA and the NT.

Job ads increased in October, and remain around their highest level in a decade. This speaks to the challenges many businesses face in securing staff but also suggests that the labour market is well

placed to bounce back in the coming period.

In other data, consumer inflation expectations came in at 4.6% in November. This follows a revised outcome of 4.6% in October. This is the third consecutive outcome above 4.0%.

United Kingdom: The economy continues to be impacted by increasing case numbers, rising prices, labour shortages, and supply chain disruptions as Q3 GDP numbers showed that the economy grew at a slower-than-expected pace.

The economy expanded by 1.3% in Q3, to be 6.6% higher over the year. This was below consensus expectations of 1.5% growth for the quarter and 6.8% growth over the year. GDP is still around 2% below pre-pandemic levels and the recovery is trailing other G7 economies.

Services spending, including on accommodation and food, underpinned growth in the quarter. However, consumer spending disappointed expectations, contributing to a decline in wholesale and retail trade. Government spending was stronger-than-expected, while business investment was weaker-than-expected.

The recovery in the industrial sector lost some steam in September as industrial production declined over the month. Industrial production fell 0.4% in September, below consensus expectations of a 0.2% gain and down from a revised 1.0% gain in August. Manufacturing production was also down over the month, while construction output and services activity both rose.

The weaker-than-expected data led to markets pairing back their expectations for a rate increase from the Bank of England.

Today's key data and events:

NZ BusinessNZ Mfg PMI Oct prev 51.4 (8:30am)

NZ Net Migration Sep prev 353 (8:45am)

EZ Industrial Production Sep exp -0.5 prev -1.6% (9pm)

US UoM Consumer Sentiment Nov Prel. exp 72.5 prev 71.7 (2am)

Times are AEDT. 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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