

Tuesday, 13 July 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,333	0.8%	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	34,996	0.4%	10 yr bond	98.66	-0.02			90 day BBSW	0.03	0.00
Japan Nikkei	28,569	2.2%	3 yr bond	99.66	0.00			2 year bond	0.08	-0.01
China Shanghai	3,719	0.7%	3 mth bill rate	99.97	0.00			3 year bond	0.31	-0.04
German DAX	15,791	0.7%	SPI 200	7,315.0	64			3 year swap	0.40	-0.03
UK FTSE100	7,125	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.32	-0.04
<b>Commodities (close &amp; change)*</b>			TWI	62.2	-	-	62.5	<b>United States</b>		
CRB Index	212.7	0.9	AUD/USD	0.7490	0.7496	0.7449	0.7480	3-month T Bill	0.05	0.00
Gold	1,806.28	-2.0	AUD/JPY	82.52	82.67	82.02	82.55	2 year bond	0.23	0.01
Copper	9,488.75	194.3	AUD/GBP	0.5390	0.5397	0.5373	0.5386	10 year bond	1.36	0.01
Oil (WTI)	74.10	-0.5	AUD/NZD	1.0698	1.0724	1.0686	1.0707	<b>Other (10 year yields)</b>		
Coal (thermal)	136.40	0.3	AUD/EUR	0.6309	0.6318	0.6284	0.6306	Germany	-0.30	0.00
Coal (coking)	205.17	1.2	AUD/CNH	4.8544	4.8558	4.8270	4.8447	Japan	0.03	0.00
Iron Ore	206.30	-1.6	USD Index	92.1	92.4	92.1	92.2	UK	0.65	0.00

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:** Financial markets rose overnight, as investors wait for earnings season to begin. US stocks increased to new all-time highs and US bond yields rose slightly.

**Share Markets:** US stock markets rose to hit a fresh record high. The S&P 500 rose 0.4% and the tech-heavy NASDAQ rose 0.2%.

The markets will closely monitor second quarter earnings reports being released by US corporates this week as they will provide an indicator of whether current valuations are supported by strong corporate profits.

European markets also rose. The Euro Stoxx 50 was up 0.6%, the FTSE 100 was broadly flat and the German DAX rose 0.7%. The ASX 200 rose by 0.8%.

**Interest Rates:** Interest rates rose slightly as the US Treasury issued new debt. The US 2-year yield rose 1 basis point to 0.23% and the US 10-year yield also rose 1 basis point to 1.36%. The US Treasury sold \$58 billion of 3-year notes and \$38 billion of 10-year notes.

Australian 10-year bond yields (futures) rose from 1.33% to 1.34% and 3-year bond yields (futures) remained broadly unchanged at 0.4%.

**Foreign Exchange:** The US dollar index strengthened against major currencies. The USD Index rose from a low of 92.1 to a high of 92.4.

The AUD/USD pair ranged between 0.7449 and

0.7496 but settled at being only slightly lower on the previous day.

**Commodities:** WTI crude oil fell 0.6% to be currently sitting at \$74.10 as a dispute between OPEC+ nations over production increases continues to impact the market. Iron ore was also down 0.8% to \$206.30 and gold also fell.

**COVID-19:** NSW recorded 112 new COVID-19 cases yesterday. The Premier indicated that more federal financial support will be announced within the coming days.

**Australia:** There were no major economic data releases yesterday.

**Japan:** For a third straight month, machine orders continued to surge, gaining 7.8% in May, despite tighter virus-related restrictions. The print was considerably stronger than consensus expectations of a 2.4% increase. Machine orders are a leading indicator of capital investment.

The produce price index rose 0.6% in June to be 5.0% over the year. The increase over the past 12 months partly reflects base effects but also higher commodity prices and the shortage of semiconductors.

**New Zealand:** Retail card spending rose by 0.9% in June, following a 1.7% gain in May. The increase reflects solid consumer demand through the middle of the year. This adds to growing evidence that

demand is picking up, while cost pressures and supply constraints have been apparent for some time. We expect this combination will prompt the Reserve Bank of New Zealand to start lifting the cash rate in November this year.

**United States:** Minneapolis Fed President and Federal Open Market Committee (FOMC) member Neel Kashkari spoke about inflation and the labour market, noting that “It really is the labour market that I think is the most important factor in how much inflation we have on a sustained basis going forward.”

**Today's key data and events:**

AU ANZ RM Cons. Conf. w/e Jul 11 prev 107.8 (9:30am)

AU NAB Business Survey Jun (11.30am)

Business Conditions prev 37

Business Confidence prev 20

CH Trade Balance Jun exp US\$44.5 bn prev US\$45.5bn

CH Exports Jun y/y exp 22.9% prev 27.9%

CH Imports Jun y/y exp 29.3% prev 51.1%

US CPI Jun exp 0.5% prev 0.6% (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.

**Jarek Kowcza, Senior Economist**

Ph: 02-8254-3251

## 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

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.