

Wednesday, 13 May 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,045	-0.7%			Last	Overnight Chg		Australia		
US Dow Jones	33,588	-2.0%	10 yr bond	98.23				90 day BBSW	0.04	0.00
Japan Nikkei	28,148	-1.6%	3 yr bond	99.75				2 year bond	0.08	0.01
China Shanghai	3,629	0.6%	3 mth bill rate	99.95				3 year bond	0.29	0.01
German DAX	15,150	0.2%	SPI 200	6,993.0				3 year swap	0.32	0.00
UK FTSE100	7,005	0.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.77	0.05
Commodities (close & change)*			TWI	64.8	-	-	64.4	United States		
CRB Index	208.0	0.4	AUD/USD	0.7838	0.7843	0.7719	0.7734	3-month T Bill	0.01	-0.01
Gold	1,815.69	-21.8	AUD/JPY	85.27	85.26	84.60	84.74	2 year bond	0.16	0.00
Copper	10,452.50	69.8	AUD/GBP	0.5548	0.5546	0.5488	0.5498	10 year bond	1.69	0.07
Oil (WTI)	65.70	0.4	AUD/NZD	1.0786	1.0817	1.0770	1.0807	Other (10 year yields)		
Coal (thermal)	103.90	2.9	AUD/EUR	0.6458	0.6456	0.6393	0.6404	Germany	-0.12	0.04
Coal (coking)	117.83	1.8	AUD/CNH	5.0338	5.0421	4.9865	4.9901	Japan	0.08	0.01
Iron Ore	226.55	-0.8	USD Index	90.2	90.8	90.2	90.8	UK	0.89	0.05

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: Markets were rattled by stronger-than-expected US inflation data. US equities tumbled, while long-end US yields and the US dollar jumped higher.

Share Markets: US stocks fell sharply on the stronger-than-expected inflation report, led by the tech sector. The S&P 500 dropped 2.1%, its biggest fall since February, while Nasdaq fell 2.7% and the Dow was down 2.0%.

In contrast, European shares firmed, lifted by optimism about economic reopening and booming commodities. The Dax was up 0.2%.

The ASX 200 slipped 0.7% and futures point to a weak open.

Interest Rates: The yield on 10-year US Treasuries jumped up 7 basis points to 1.69% on the US inflation print. The Australian 10-year bond yield rose by 5 basis points to 1.77% on the announcement of higher issuance from larger-than-expected spending in the Federal Budget.

Foreign Exchange: The Australian dollar slipped from 0.7838 to 0.7734 alongside a stronger US dollar.

Commodities: Oil and copper firmed, while gold retreated.

Australia: There were no major economic data releases yesterday.

Eurozone: Industrial production edged up 0.1% in March, after declining 1.2% in February, to be up

10.9% over the year.

UK: UK GDP dropped 1.5% in the March quarter alongside a wave of COVID-19 cases and an extended lockdown. In year-ended terms, the economy was down 6.1%. However, the economy is in a strong position to rebound in the second quarter alongside the success of the vaccine roll-out and the easing of restrictions. Monthly GDP data showed the economy grew 2.1% in March.

Meanwhile, Industrial production grew 1.8% in March, beating expectations of 1.0% growth. The UK trade deficit rose from £7.1bn to £2.0bn in March. Trade with the European Union has picked up from its Brexit slump.

United States: The consumer price index rose 0.8% in March to be up 4.2% on the year, the strongest monthly growth since 2009. The data was well above analysts' expectations of a 0.2% increase in the month. Core inflation jumped 0.9% in the month and 3.0% in annual terms.

The sharp uptick partly reflects base effects from the low levels of inflation at the start of the pandemic. The increase was mainly driven by hotels and airlines, some of the industries hardest hit by the pandemic, reinforcing most economists' belief that the rise in inflation will be temporary. Bottlenecks in supply chains led to a record jump in the price of used cars and trucks, although these price pressures are expected to ease once supply

comes back online.

The Federal Reserve isn't worried about the jump in prices. Fed Vice Chair Clarida acknowledged he was surprised by the data but called it 'one data point'. Atlanta Fed President Bostic said he expects bouts of volatility around inflation to last through to September. The key underlying message from the Fed remains that any jump in inflation is transitory, signalling that any tapering remains some way off.

Today's key data and events:

JN Current Account Mar exp ¥2764.7bn prev ¥2916.9bn
(9:50am)

AU Consumer Inflation Expectations May prev 3.2%
(11:00am)

US PPI Final Apr y/y exp 0.3% prev 1.0% (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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