

Monday, 13 September 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,407	0.5%			Last	Overnight Chg		Australia		
US Dow Jones	34,608	-0.8%	10 yr bond	98.75			-0.04	90 day BBSW	0.01	0.00
Japan Nikkei	30,382	1.2%	3 yr bond	99.73			0.01	2 year bond	0.01	0.00
China Shanghai	3,881	0.3%	3 mth bill rate	99.98			0.00	3 year bond	0.26	-0.03
German DAX	15,610	-0.1%	SPI 200	7,368.0			-28	3 year swap	0.43	-0.01
UK FTSE100	7,029	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.22	-0.05
Commodities (close & change)*			TWI	61.4	-	-	61.5	United States		
CRB Index	220.4	2.0	AUD/USD	0.7368	0.7410	0.7349	0.7358	3-month T Bill	0.04	0.00
Gold	1,787.58	-7.0	AUD/JPY	80.88	81.43	80.75	80.85	2 year bond	0.21	0.00
Copper	9,684.50	315.0	AUD/GBP	0.5325	0.5339	0.5313	0.5316	10 year bond	1.34	0.04
Oil (WTI)	69.72	1.6	AUD/NZD	1.0367	1.0382	1.0332	1.0340	Other (10 year yields)		
Coal (thermal)	173.65	0.0	AUD/EUR	0.6231	0.6260	0.6220	0.6222	Germany	-0.33	0.03
Coal (coking)	353.00	17.0	AUD/CNH	4.7522	4.7637	4.7357	4.7407	Japan	0.05	0.01
Iron Ore	131.05	2.7	USD Index	92.5	92.6	92.3	92.6	UK	0.76	0.02

Data as at 7:00am AEST. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Risk aversion in global markets continued to increase amid concerns around slower economic growth and the spread of the delta variant. US equities markets fell for a fifth consecutive day, the US dollar rose and US bond yields were up.

Share Markets: US equity markets fell for a fifth consecutive day. The S&P 500 was down 0.8% on the day to post its largest weekly decline of 1.7% since mid June. The NASDAQ also fell 0.9%.

The ASX 200 rose 0.5% on Friday. Futures are pointing to the index opening lower today.

Interest Rates: Long-term US interest rates rose following stronger-than-expected producer price inflation (PPI) data. Short-term rates were broadly unchanged. The US 10-year bond yield rose 4 basis points to 1.34%, while the 2-year bond yield was broadly unchanged at 0.21%.

The Australian 10-year government bond yield (futures) rose 5 basis points to 1.25%. 2-year bond yield (futures) fell 3 basis points to 0.26%.

Foreign Exchange: The US dollar increased in line with higher risk aversion in markets. The USD Index rose from a low of 92.3 to a high of 92.6.

The AUD/USD pair fell, also in line with higher risk aversion, from a high of 0.7410 to a low of 0.7349.

Commodities: Gold fell and recorded its first weekly decline since August. Stronger-than-expected US

PPI data led to markets reassessing the timeline of when the Fed may reduce monetary stimulus.

Oil, iron ore, coal and copper were all up.

COVID-19: NSW recorded 1,262 new cases yesterday and seven deaths. Victoria recorded 392 new cases yesterday, and the ACT recorded 15.

From today, new rules for fully vaccinated people are in place in NSW. Fully vaccinated residents living outside local government areas (LGAs) of concern will be able to gather outdoors in small groups. Fully vaccinated residents living inside LGAs of concern will also be allowed to spend more time outdoors with members of their household.

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

New Zealand: The reinstatement of strict COVID-19 restrictions across the country in mid August led retail card spending to plunge 19.8%, following a revised 0.7% gain in July.

United Kingdom: Industrial production rose 1.2% in July, to be 3.8% higher over the year. This was above consensus expectations of a 0.4% increase for the month and up from a 0.7% decline in June. The mining and quarrying sector drove the increase in the month, following strong demand for raw materials.

United States: The producer price index (PPI) rose by 0.7% in August. Annual growth rose to 8.3% over

the year, a record level since the beginning of the series in November 2010. This was up from 7.8% growth over the year to July, which was itself a record when reported. Growth was above consensus expectations of a 0.6% increase for the month but down on the July result of 1.0%. Strong demand amid continuing supply chain disruptions is driving increases in prices. Shortages of raw materials, challenges in finding suitable labour and shipping and transportation difficulties continue to impact producers.

Cleveland Fed President Loretta Mester spoke over the weekend. She spoke of inflation concerns persisting for longer than initially thought, noting that her “own modal forecast is for inflation to remain high this year and then to begin to move back down next year; however, I see upside risks to this forecast.”

Today's key data and events:

JN PPI Aug y/y exp 5.7% prev 5.6% (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.

Jarek Kowcza, Senior Economist

Ph: 0481 476 436

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
0481 476 436

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.