

Tuesday, 15 June 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,312	clsd y'day	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	34,394	-0.2%	10 yr bond	98.52	-0.02			90 day BBSW	0.03	0.00
Japan Nikkei	29,162	0.7%	3 yr bond	99.83	-0.02			2 year bond	0.02	0.00
China Shanghai	3,763	-0.6%	3 mth bill rate	99.97	0.00			3 year bond	0.25	0.00
German DAX	15,674	-0.1%	SPI 200	7,368.0	13			3 year swap	0.32	0.00
UK FTSE100	7,147	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.49	0.00
<b>Commodities (close &amp; change)*</b>			TWI	63.8	-	-	63.8	<b>United States</b>		
CRB Index	211.0	-1.2	AUD/USD	0.7706	0.7726	0.7694	0.7713	3-month T Bill	0.01	-0.01
Gold	1,877.53	-21.0	AUD/JPY	84.48	84.94	84.47	84.90	2 year bond	0.16	0.04
Copper	9,938.25	-37.5	AUD/GBP	0.5462	0.5479	0.5454	0.5467	10 year bond	1.49	0.04
Oil (WTI)	70.88	0.0	AUD/NZD	1.0807	1.0809	1.0783	1.0797	<b>Other (10 year yields)</b>		
Coal (thermal)	121.00	-3.0	AUD/EUR	0.6366	0.6375	0.6358	0.6364	Germany	-0.25	0.02
Coal (coking)	172.00	3.3	AUD/CNH	4.9233	4.9523	4.9220	4.9418	Japan	0.04	0.01
Iron Ore	213.00	0.9	USD Index	90.5	90.6	90.4	90.5	UK	0.74	0.03

Data as at 8:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** Financial markets are waiting for the US Federal Reserve meeting later this week. A New York Federal Reserve survey highlighted that Americans are bracing for higher inflation.

**Share Markets:** US share markets ended the session mixed. The Dow fell 86 points (or -0.3%) but the S&P 500 index lifted 8 points (or 0.2%) to a record high, underpinned by demand for IT and communication shares. Meanwhile, the Nasdaq jumped 105 points (or 0.7%).

**Interest Rates:** Data that showed American consumers expect higher inflation in the near term and over the course of several years help push US bond yields higher. The US 2-year bond yield and US 10-year bond yield were each up 4 basis points at the close.

**Foreign Exchange:** The Australian dollar lost almost one US cent in Friday night's trading session and then was in consolidation mode overnight – sticking to a very tight trading range. The Australian dollar, however, has stayed in a familiar range over the past month of 0.7680-0.7814. Currency traders and investors are awaiting this week's Federal Reserve meeting for clues on when policy makers may start scaling back stimulus. Until then, currency markets are likely to stick to familiar trading ranges.

**Commodities:** The West Texas Intermediate quote for oil closed above US\$70 a barrel – its highest close since October 2018. The roll out of vaccines in

Europe and the US is helping to underpin demand for oil.

**Australia:** There was no major data released yesterday. Today, the Reserve Bank publishes its minutes from its board meeting earlier this month. We will be looking for any further clues from the Bank ahead of its July decision on its yield curve control and quantitative easing programs.

**New Zealand:** The business manufacturing index rose by 0.3 points in May to 58.6, from a revised 58.3 in April. A reading above 50 indicates expansion. The index indicates that manufacturing continues to grow at a solid pace, holding well above its long-term average of 53.1.

**Europe:** Industrial production rose 0.8% in April compared to March's upwardly revised 0.4% increase. Consensus had been expecting a gain of 0.4%. The year-on-year rate surged to 39.3% in April, from 11.5% in March, due to base effects. Despite the lift in the eurozone bloc in April, Germany – Europe's largest economy – reported a 0.3% drop in industrial production.

**United States:** Americans are anticipating a wave of higher inflation over the next few years. One year from now, the public expects inflation to hit 4%, a record high for the New York Federal Reserve report. It is up from the projected 3.4% rise in April. Three years from now, survey respondents said they expected inflation to be at 3.6%, the second

highest reading for the survey series, and up from 3.1% in April. The survey has been running since 2013, so it tracks a period during which price gains have been relatively tame.

This data may be a topic of this week's Federal Reserve Open Market Committee (FOMC) meeting. Indeed, a growing number of strategists predict a more hawkish message to emerge from this meeting.

**World:** The Group of Seven (G7) leaders debated how strongly to respond to China's effort to win influence around the world and rebuke it over alleged forced labour practices. US President Joe Biden took a more hawkish stance. Some other leaders were wary of the risk the group is seen as an outright anti-China bloc.

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

AU ABS House Prices Q1 prev 3.0% (11:30am)  
AU RBA Board Meeting Minutes (11:30am)  
EZ CPI May Final exp 2.0% prev 1.6% (4:00pm)  
EZ Trade Balance Apr prev €15.0b exp €13.0bn (7:00pm)  
UK ILO Unemploy. Rate Apr exp 4.7% prev 4.8% (4:00pm)  
US Retail Sales May exp 0.4% prev -0.8% (10:30pm)  
US PPI Final May y/y exp 0.5% prev 0.6% (10:30pm)  
US NY Empire Mfg Jun exp 22.0 prev 24.3 (10:30pm)  
US Ind. Production May exp 0.6% prev 0.7% (11:15pm)  
US Busin. Inventories Apr exp -0.1% prev 0.3% (12:00am)  
US NAHB Housing Index Jun exp 83 prev 83 (12:00am)  
US Total Net TIC flows Apr prev \$146.4bn (6:00am)

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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