

Friday, 15 October 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,312	0.5%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	34,913	1.6%	10 yr bond	98.37		0.02		90 day BBSW	0.03	0.00
Japan Nikkei	28,551	1.5%	3 yr bond	99.29		0.02		2 year bond	0.11	0.01
China Shanghai	3,729	-0.1%	3 mth bill rate	99.94		-0.01		3 year bond	0.56	0.00
German DAX	15,463	1.4%	SPI 200	7,335.0		46		3 year swap	0.67	0.00
UK FTSE100	7,208	0.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.63	-0.06
<b>Commodities (close &amp; change)*</b>			TWI	61.8	-	-	62.1	<b>United States</b>		
CRB Index	238.1	0.0	AUD/USD	0.7379	0.7427	0.7372	0.7416	3-month T Bill	0.04	-0.01
Gold	1,795.87	2.9	AUD/JPY	83.58	84.40	83.54	84.30	2 year bond	0.36	0.00
Copper	9,701.50	211.5	AUD/GBP	0.5402	0.5426	0.5396	0.5424	10 year bond	1.51	-0.03
Oil (WTI)	81.46	1.0	AUD/NZD	1.0600	1.0603	1.0534	1.0543	<b>Other (10 year yields)</b>		
Coal (thermal)	219.80	3.0	AUD/EUR	0.6365	0.6405	0.6360	0.6395	Germany	-0.19	-0.06
Coal (coking)	397.33	0.7	AUD/CNH	4.7432	4.7805	4.7412	4.7729	Japan	0.08	-0.01
Iron Ore	120.70	-2.9	USD Index	94.0	94.1	93.8	94.0	UK	1.04	-0.05

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:** Better-than-expected corporate earnings and economic data outweighed concerns over inflation and supply chain disruptions. Major market equities rose and bond yields declined.

**Share Markets:** US stocks jumped higher, with the Dow up 1.6%, while the S&P 500 and Nasdaq leapt 1.7%. The ASX 200 increased 0.5%.

**Interest Rates:** The US 10-year treasury yield extended its decline by 3 basis points to 1.51%. The 2-year treasury yield finished unchanged.

The Australian 10-year (futures) yield declined 3 basis points to 1.63% while the 3-year futures yield edged 1 basis point lower to 0.73%.

**Foreign Exchange:** The AUD/USD pair continued to march higher, rising from 0.7379 to 0.7416, its highest level in more than a month. The US dollar is unchanged on the day.

**Commodities:** Coal and gold firmed. Iron ore slipped.

**COVID-19:** NSW recorded 406 new cases and six deaths. Victoria recorded 2,297 new cases and 11 deaths. Elsewhere, the ACT recorded 46 new cases and one death.

The lockdown in the ACT has ended, with trailing restrictions still in place.

**Australia:** The labour force numbers for September paint a mixed picture. There are tentative signs of stabilisation in the labour market in NSW, while

there was big hit to the jobs market in Victoria.

Across the country, employment declined by 138.0k, driven predominantly by a 122.8k fall in jobs in Victoria. The unemployment rate edged 0.1 percentage points higher to 4.6%. The participation rate to 64.5%, its lowest reading since June 2020.

But it is not all bad news. Hours worked – a better measure of the impact of lockdowns – actually increased 0.9% in September, led by Queensland and NSW.

The decline in jobs was also entirely driven by part-time employment, which fell 164.7k. Meanwhile, full-time employment rose 26.7k.

Job ads declined for the third consecutive month in September, however, are still well above pre-pandemic levels. This is an encouraging sign for employment growth as restrictions ease.

We expect employment will recover as the reopening of the economy provides welcome relief to businesses. The unemployment rate may increase further over the coming months as people return to the labour force and the participation rate increases. However, we expect unemployment will trend down over the next year, falling below 4.0% by the end of 2022.

Reserve Bank Deputy Governor Debelle spoke yesterday on climate change and the Australian financial system. Debelle flagged there is a growing

possibility of significant divestments from Australia as investors adjust to climate change risks, irrespective of whether people thought it was “fair or appropriate”. DeBelle said the divestment raised the question of how to transition to a low-carbon economy. This included addressing physical risks like more extreme weather events and transition risks, like the shift away from coal.

In other data released yesterday, consumer inflation expectations fell to 3.6% in October, from 4.4% in September. This time last year inflation expectations were around 3.4%.

**China:** The producer price index rose 10.7% over the year to September, the highest rate on record after 9.5% annual growth in August. China’s factory gate prices were fuelled by energy curbs, soaring raw material costs and supply bottlenecks. The power shortage in China has halted production at a number of factories across the country.

But the increases in producer prices have not fed through to consumers. The consumer price index rose 0.7% over the year to September, down from 0.8% annual growth in August. Food prices fell by 5.2% and non-food prices rose by 2.0% over the year to September.

**United States:** Initial jobless claims for the week ending 9 October were lower than expected, falling to 293k from 326k, reaching their lowest level since March 2020. Continuing claims declined from 2.7 million to 2.6 million. Claims have marched lower as the rebound in demand has boosted demand for labour. The latest surge in COVID cases hasn’t led to widespread layoffs.

Inflation concerns remain in focus. The producer price index rose 0.5% in September, slightly weaker than expected and the slowest monthly growth rate this year. The index rose 8.6% over the year. Excluding food and energy, the index rose 0.2% in the month and 6.8% over the year.

#### Today’s key data and events:

NZ BusinessNZ Mfg PMI Sep prev 40.1 (8:30am)  
 EZ Trade Balance Aug exp €14.2bn prev €13.4bn (8pm)  
 US NY Empire Mfg Oct exp 25.0 prev 34.3 (11:30pm)  
 US Retail Sales Sep exp -0.2% prev 0.7% (11:30pm)  
 US Import Price Index Sep exp 0.6% prev -0.3% (11:30pm)  
 US Export Price Index Sep exp 0.7% prev 0.4% (11:30pm)  
 US Business Inventories Aug exp 0.6% prev 0.5% (1am)  
 US UoM Cons. Sent. Oct Prel. exp 73.0 prev 72.8 (1am)

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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