

Thursday, 16 September 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)			
S&P/ASX 200	7,417	-0.3%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>			
US Dow Jones	34,814	0.7%	10 yr bond	98.74				90 day BBSW	0.01	0.00	
Japan Nikkei	30,512	-0.5%	3 yr bond	99.65				2 year bond	0.01	0.00	
China Shanghai	3,832	-0.2%	3 mth bill rate	99.98				3 year bond	0.20	-0.03	
German DAX	15,616	-0.7%	SPI 200	7,447.0				3 year swap	0.40	-0.01	
UK FTSE100	7,016	-0.2%	FX Last 24 hrs		Open	High	Low	Current	10 year bond	1.21	-0.05
<b>Commodities (close &amp; change)*</b>			TWI	61.3	-	-	61.1	<b>United States</b>			
CRB Index	225.5	3.9	AUD/USD	0.7322	0.7339	0.7301	0.7334	3-month T Bill	0.03	-0.01	
Gold	1,794.06	-10.5	AUD/JPY	80.33	80.35	79.83	80.21	2 year bond	0.21	0.00	
Copper	9,617.75	183.8	AUD/GBP	0.5303	0.5308	0.5290	0.5297	10 year bond	1.30	0.02	
Oil (WTI)	72.61	2.2	AUD/NZD	1.0317	1.0327	1.0306	1.0314	<b>Other (10 year yields)</b>			
Coal (thermal)	176.55	1.7	AUD/EUR	0.6203	0.6210	0.6186	0.6206	Germany	-0.31	0.03	
Coal (coking)	360.33	-5.2	AUD/CNH	4.7131	4.7194	4.7029	4.7135	Japan	0.04	-0.02	
Iron Ore	113.00	-2.4	USD Index	92.7	92.7	92.4	92.5	UK	0.78	0.04	

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

**Main Themes:** Investor appetites for US equities returned, underpinned by encouraging economic data.

**Share Markets:** The S&P 500 share market index rose the most in almost three weeks, as concerns over a slowdown in economic growth eased. Energy shares led the S&P into positive territory for only the second time in eight trading sessions. At the close, the S&P 500 index was 38 points firmer (or +0.9%) and the Dow was up 237 points (or +0.7%). The Nasdaq 100 index rose for the first time in more than a week. It closed 124 points higher (or +0.8%).

**Interest Rates:** The US 10-year bond yield rose 2 basis points and the US 2-year bond yield was flat.

**Foreign Exchange:** The AUD/USD lacked direction in the overnight trading sessions in Europe and the US. It was volatile within a tight trading range of 0.7301-0.7339. It is likely AUD traders are trading water ahead of the very important economic release later today – labour force. The range of forecasts for employment in August is very wide, ranging from +2k to -300k. The median estimate sits at -80k.

**Commodities:** The West Texas Intermediate quote for oil surged to a six-week high overnight and Brent oil hit US\$75 a barrel overnight for the first time since August 2. Prices rose as storms in the Gulf of Mexico added to a rapidly tightening oil market. US crude stockpiles tumbled by a larger-

than-expected 6.4 million barrels last week to the lowest since September 2019.

**COVID-19:** NSW recorded 1,259 new cases yesterday and twelve deaths. The evening curfew that was imposed on the 12 local government areas of concern has been lifted.

Meanwhile, Victoria recorded 423 cases and the ACT recorded 13 new cases.

Yesterday, the Victorian Premier announced that the Ballarat region will enter a 7-day lockdown.

**Australia:** There is widespread speculation in the press that the Australian government is poised to tear up the troubled \$90 billion contract with French shipbuilder Naval Group and partner with the United States and United Kingdom to switch to an American-made nuclear-powered submarine.

In a rare step, US President Biden is expected to announce later today that the United States plans to share its nuclear-powered submarine technology with Australia.

The new trilateral security partnership will be known as AUKUS.

Consumer sentiment improved in September, as Australia's vaccination rate continued to increase rapidly, giving consumers hope around a path out of lockdowns.

The Melbourne Institute's monthly consumer sentiment index increased by 2.0% to 106.2, to

remain above its long-run average. Consumer confidence has been more resilient through this latest round of lockdowns compared to the national lockdown in 2020 and the extended Victorian lockdown in late 2020.

The improvement in sentiment has been supported by the vaccine rollout. People who have had the jab or are planning to get vaccinated are much more confident than those who are unwilling or undecided.

Sentiment lifted strongly in September in Queensland (up 8.4%). Sentiment also rose in NSW, by 5.3%. But sentiment was down in other states, led by falls in WA (-9.1%) and SA (-4.3%). Sentiment in Victoria, which extended its sixth lockdown, was broadly flat in the month (+0.1%).

**China:** China's economic slowdown deteriorated in August, as the country battled the delta outbreak with tight restrictions. Retail sales growth slowed to 2.5% in the year to August, from 8.5% in the year to July. In terms of month-on-month changes, retail sales rose just 0.2% in August after a 0.2% decline in July. It is the weakest two-month period since the national lockdown last year.

Meanwhile, industrial production rose 5.3% over the year to August, which is the slowest pace in one year. Production had expanded by 6.4% in the year to July.

**Europe:** Industrial production in the eurozone rose by 1.5% in July and lifted 7.7% in the year to July. Both results were much higher than consensus expectations.

**New Zealand:** New Zealand's annual current account deficit widened to 3.3% of GDP in June, compared to (a revised) 2.5% in March. However, on a quarterly basis, the deficit narrowed by \$2.2 billion in seasonally adjusted terms to \$3.0 billion.

Both the goods and services balance lifted throughout the June quarter. On the goods side, export values accounted for most of the lift, up \$1.4 billion. Service exports recovered slightly after dropping to a 20-year low in the March quarter, up \$1.7 billion in June. This was thanks to the quarantine free travel with Australia and the Cook Islands.

**United Kingdom:** Inflation data for August was firmer than expected by consensus. The headline consumer price index (CPI) rose by 0.7% in August and by 3.2% in the year to August. It compares with consensus estimates of 0.5% and 2.0%, respectively. The core CPI also came in higher than consensus expectations at 3.1% year-on-year. This data has

increased market expectations for a more hawkish tilt at next week's Bank of England policy meeting.

**United States:** Industrial production increased 0.4% in August, but it could have been 0.3 percentage points higher had it not been for the effects of Hurricane Ida, which caused flooding and destruction in parts of Louisiana and the north-eastern United States.

The monthly increase was in line with analysts' expectations and put it 0.3% above its level in February 2020, the last month of normalcy before the Covid-19 pandemic caused industrial output to contract sharply.

However, the sector is still struggling with ongoing supply-chain issues, as indicated by a nearly flat increase in motor vehicle production as the sector struggles with shortages of crucial semiconductors.

The NY Fed's regional activity survey (Empire) jumped to 34.3 in September, from 18.3 in August. The result was well above consensus expectations that centred on an outcome of 17.9. The survey revealed solid increases in orders and shipments, as well prices. There were also notable gains in both employment and hours worked.

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

NZ GDP Q2 (8:45am)

q/q exp 1.1% prev 1.6%

y/y exp 16.1% prev 2.4%

AU Consumer Inflation Expect'ns Sep prev 3.3% (11am)

AU Labour Force Aug (11:30am)

Employment Change exp -150k prev 2.2k

Unemployment Rate exp 5.0% prev 4.6%

Participation Rate exp 65.5% prev 66.0%

EZ Trade Balance Jul exp €14.9bn prev €12.4bn (7pm)

US Retail Sales Aug exp -0.7% prev -1.1% (10:30pm)

US Initial Jobless Claims w/e 11 Sep exp 323K prev 310K (10:30pm)

US Philadelphia Fed Index Sep exp 19.0 prev 19.4 (10:30pm)

US Business Inventories Jul exp 0.5% prev 0.8% (12am)

US Total Net TIC Flows Jul prev US\$31.5bn (6am)

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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