

Tuesday, 19 October 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,381	0.3%			Last	Overnight Chg		Australia		
US Dow Jones	35,259	-0.1%	10 yr bond	98.22				90 day BBSW	0.03	0.01
Japan Nikkei	29,025	-0.1%	3 yr bond	98.97				2 year bond	0.15	0.03
China Shanghai	3,739	-0.1%	3 mth bill rate	99.90				3 year bond	0.78	0.19
German DAX	15,474	-0.7%	SPI 200	7,337.0				3 year swap	0.94	0.18
UK FTSE100	7,204	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.74	0.09
Commodities (close & change)*			TWI	62.4	-	-	62.3	United States		
CRB Index	237.9	0.0	AUD/USD	0.7417	0.7438	0.7379	0.7415	3-month T Bill	0.04	-0.01
Gold	1,764.49	-3.1	AUD/JPY	84.74	85.02	84.28	84.77	2 year bond	0.42	0.02
Copper	10,493.00	417.0	AUD/GBP	0.5393	0.5405	0.5374	0.5401	10 year bond	1.59	0.02
Oil (WTI)	82.34	0.1	AUD/NZD	1.0488	1.0497	1.0458	1.0464	Other (10 year yields)		
Coal (thermal)	212.80	-9.8	AUD/EUR	0.6397	0.6409	0.6362	0.6386	Germany	-0.15	0.02
Coal (coking)	394.50	-2.5	AUD/CNH	4.7723	4.7841	4.7456	4.7670	Japan	0.10	0.01
Iron Ore	122.35	0.3	USD Index	93.9	94.2	93.9	94.0	UK	1.14	0.03

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: US stocks extended gains as solid corporate earnings continued to bolster sentiment. US bond yields edged higher. Australian bond yields surged following a spike in New Zealand inflation.

Share Markets: The S&P 500 rose 0.3% and the Nasdaq climbed 0.8% while the Dow edged 0.1% lower. The ASX 200 rose 0.3%.

Interest Rates: US 10-year and 2-year treasury yields rose 2 basis points to 1.59% and 0.42% respectively.

The Australian 10-year (futures) yield was mostly unchanged at 1.78% while the 3-year futures yield increased 5 basis points to 1.03% following the much hotter-than expected inflation reading in New Zealand. Rising vaccination rates and the easing of restrictions across the country have also contributed to the sharp rise in yields. The dramatic increase in the 3-year futures yield suggests traders are becoming impatient for a rate hike to address inflationary pressures.

Foreign Exchange: The AUD/USD pair finished little changed at 0.7415 after trading in an intraday range of 0.7379 to 0.7438. The US dollar was mostly unchanged.

Commodities: Gold and coal slipped while copper firmed.

COVID-19: NSW recorded 265 new cases and five deaths. Victoria recorded 1,903 new cases and seven deaths. Elsewhere, the ACT recorded 17 new

cases.

The lockdown in Southern Tasmania has ended with trailing restrictions still in place.

The Queensland Premier has announced the states reopening plan. The 70% double dose vaccination target is expected to be achieved by 19 November. Domestic travellers from a hotspot can only enter Queensland if they have been fully vaccinated. Travellers must also return a negative COVID-19 test 72 hours before departure and complete 14 days of quarantine at home upon arrival.

Once the state hits the 80% double dose vaccination target which is estimated to be 17 December, the 14-day quarantine requirement will be removed. At 90% double dose, there will be no border restrictions or quarantine required for fully vaccinated people.

Australia: There were no major economic data releases yesterday.

China: China's economy weakened in the September quarter as the country faced power shortages, continued supply bottlenecks, sporadic COVID-19 outbreaks and tighter restrictions on the property market.

On a quarter-on-quarter basis, GDP grew 0.2% in the September quarter, following a 1.3% gain in the June quarter. This was below consensus expectations for growth of 0.4%. Compared to a year ago, GDP grew 4.9% in the September quarter,

down from 7.9% in the June quarter.

In other data, retail sales grew 4.4% and industrial production rose 3.1% in the 12 months to September.

New Zealand: The consumer price index (CPI) rose 2.2% in the September quarter, beating median consensus expectations of 1.5% and surging at the fastest pace in over a decade. It took the annual inflation rate from 3.3% in the June quarter to 4.9% in the September quarter. This was the biggest annual movement since the June quarter of 2011 and is past the Reserve Bank of New Zealand's (RBNZ) target inflation range of 1-3%. The increase was driven by higher prices for new housing, food, transport and petrol.

We are anticipating a series of rate hikes from the RBNZ over the coming months as it looks to keep inflation near its target range of 1-3% and cool the current housing market.

United Kingdom: As the stamp duty holiday came to an end in September, the demand for properties continues to outstrip the number of listings on the market. Rightmove data showed that house prices rose 1.8% in October and grew 6.5% in the year to October.

United States: Industrial production fell 1.3% in September, the sharpest fall in seven months, partly reflecting a pullback in motor vehicle manufacturing as well as backlogged supply chains, material shortages and storm-related outages.

The NAHB homebuilder confidence index rose in Oct to 80 from 75, a three-month high. Demand and home sales remain solid, however supply chain disruptions and labour shortages are pushing out completion times and pushing up the prices of building materials and homes.

Today's key data and events:

AU ANZ RM Cons. Conf. w/e 17 Oct prev 105.6 (9:30am)

AU RBA Board Meeting Minutes Oct (11:30am)

US Building Permits Sep exp -2.4% prev 5.6% (11:30pm)

US Housing Starts Sep exp 0.0% prev 3.9% (11:30pm)

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.

Matthew Bunny, Economist

Ph: (02) 8254 0023

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.