

Thursday, 21 October 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,414	0.5%			Last	Overnight Chg		Australia		
US Dow Jones	35,609	0.4%	10 yr bond	98.21			0.04	90 day BBSW	0.04	0.00
Japan Nikkei	29,256	0.1%	3 yr bond	99.08			0.04	2 year bond	0.15	0.00
China Shanghai	3,759	-0.2%	3 mth bill rate	99.93			0.00	3 year bond	0.76	-0.01
German DAX	15,523	0.0%	SPI 200	7,396.0			12	3 year swap	0.88	0.00
UK FTSE100	7,223	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.81	0.08
Commodities (close & change)*			TWI	62.5	-	-	62.8	United States		
CRB Index	240.4	0.0	AUD/USD	0.7475	0.7523	0.7465	0.7518	3-month T Bill	0.04	0.00
Gold	1,782.08	12.8	AUD/JPY	85.51	85.97	85.42	85.93	2 year bond	0.39	-0.01
Copper	10,271.25	63.8	AUD/GBP	0.5420	0.5446	0.5413	0.5440	10 year bond	1.66	0.02
Oil (WTI)	83.87	0.9	AUD/NZD	1.0450	1.0458	1.0425	1.0440	Other (10 year yields)		
Coal (thermal)	193.00	-6.1	AUD/EUR	0.6425	0.6455	0.6418	0.6452	Germany	-0.13	-0.02
Coal (coking)	392.67	-0.3	AUD/CNH	4.7666	4.8097	4.7609	4.8078	Japan	0.09	0.01
Iron Ore	124.25	2.8	USD Index	93.8	93.9	93.5	93.6	UK	1.15	-0.02

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: Investor sentiment remain upbeat overnight, reflected in firm gains in US share markets and the US 10-year bond yield rising to a 5-month high. The USD continued to face selling pressures and the AUD/USD rose to its highest since 7 July.

Share Markets: US share markets rose for a sixth day, as favourable earnings put the S&P 500 within reach of a record high. However, tech shares slowed some of the momentum. The Dow rose 152 points (or +0.4%), the S&P 500 index lifted 17 points (or 0.4%), but the Nasdaq eased 7 points.

Interest Rates: The US 2-year bond yield dropped back 1 basis point and the US 10-year yield continued to rise. Overnight, the US 10-year yield gained another 2 basis points to close at 1.66% - the highest close in five months.

The Australian 3-year government bond yield (futures) fell from 0.96% to 0.91%, while the 10-year yield fell from 1.83% to 1.78%. Interest-rate markets are pricing the first RBA rate hike to occur as soon as September 2022.

Foreign Exchange: The US dollar remained under selling pressures overnight. The AUD/USD continued to rise, reflecting the improvement in risk appetites from investors and selling pressures on the USD. The possibility that the RBA may move soon than it has flagged is also underpinning demand for the AUD. The AUD/USD rose to a high

overnight of 0.7523 – the highest since 7 July. The next resistance level for the AUD/USD in the near term is 0.7600.

Bitcoin rose to a record, topping US\$66,000 for the first time, as optimism about greater mainstream acceptance grew after last night's strong debut by the ProShares Bitcoin Strategy ETF.

Commodities: OPEC is powerless to ease the gas crisis, according to Saudi Arabia's energy minister. He said that global oil consumption may rise by as much as 600,000 barrels a day, but any further boost to demand may be limited because many gas-fired generators can't switch easily to oil.

West Texas Intermediate oil futures shrugged off earlier losses after the Energy Information Agency reported that US crude stockpiles unexpectedly fell 431,000 barrels last week.

COVID-19: NSW recorded 283 new cases and seven deaths yesterday. Victoria recorded 1,842 new cases and 12 deaths. Elsewhere, the ACT recorded 24 new cases.

Australia: The six-month annualised growth rate in the Westpac-Melbourne Institute leading index fell from 0.5% in August to -0.5% in September. This index indicates the likely pace of economic activity relative to trend three to nine months into the future. It is the first negative reading since September 2020, signalling below trend growth.

China: The distressed developer ditched discussions to sell a 50.1% stake in its listed property-management arm to Hopson for about HK\$20 billion (US\$2.6 billion). Evergrande claimed the buyer hadn't qualified to make a mandatory buyout offer. The shares of all three firms will resume trading later today. The failure adds pressure on Evergrande to raise money, as creditors seek payment of more than US\$300 billion.

Eurozone: The final reading for consumer prices in the euro zone showed a rise of 0.5% in September for a 3.4% annual rise. The final result matched the preliminary readings. The headline number is well above the European Central Bank's target of 2%, but the overshoot was largely due to a surge in energy prices. Core inflation prices lifted 0.4% in the month and 1.9% year on year, faster than the 1.6% annual rise in August.

United Kingdom: Inflation fell back slightly in September, despite pressure on households from soaring petrol prices and businesses being hit by shortages of truck drivers and materials. The consumer prices index rose by 0.3% in September, which was slightly below consensus expectations for a rise of 0.4%. The annual rate eased to 3.1%, from 3.2% in August, as the impact of the government's eat-out-to-help-out scheme dropped out of the calculation. Prior to August, the last time the annual inflation rate was at 3.1% or higher was 2017.

United States: The Beige Book said the US economy grew at a "modest to moderate" rate in September and early October, as the latest surge of coronavirus cases crested and began to recede. The Beige Book is a summary of information from the Fed's 12 regional districts.

The Beige Book also noted that "outlooks for near-term economic activity remained positive, overall, but some Districts noted increased uncertainty and more cautious optimism than in previous months."

On the labour market, the report noted that jobs growth was dampened by a low supply of workers.

On inflation, most districts reported "significantly elevated prices." Some districts are expecting high prices to continue, others are expecting them to moderate.

The Federal Reserve's Randal Quarles added his voice to the chorus calling for tapering to start in November. He also refuted suggestions that the Federal Reserve is behind the curve in responding to rising inflation, which he still believes is transitory. At the same time, "there is evidence in

the past couple of months that a broader range of prices are beginning to increase at moderate rates."

Today's key data and events:

AU Weekly Payroll Jobs w/e 25 Sep (11:30am)

AU NAB Business Survey Q3 (11:30am)

NZ Credit Card Spending Sep prev -14.3% (1pm)

US Initial Jobless Claims w/e 16 Oct exp 297k prev 293k (11:30pm)

US Philad. Fed Index Oct exp 25.0 prev 30.7 (11:30pm)

US Leading Index Sep exp 0.4% prev 0.9% (1am)

US Existing Home Sales Sep exp 3.6% prev -2.0% (1am)

EZ Consumer Confidence Oct exp -5.0 prev -4.0 (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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The Detail

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