

Friday, 23 July 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,386	1.1%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	34,823	0.1%	10 yr bond	98.79			-0.02	90 day BBSW	0.03	0.00
Japan Nikkei	27,548	0.6%	3 yr bond	99.70			0.00	2 year bond	0.04	0.00
China Shanghai	3,747	0.3%	3 mth bill rate	99.97			-0.01	3 year bond	0.25	0.03
German DAX	15,515	0.6%	SPI 200	7,363.0			2	3 year swap	0.38	-0.01
UK FTSE100	6,968	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.19	0.03
<b>Commodities (close &amp; change)*</b>			TWI	61.4	-	-	61.6	<b>United States</b>		
CRB Index	216.3	3.4	AUD/USD	0.7331	0.7397	0.7342	0.7380	3-month T Bill	0.04	-0.01
Gold	1,806.92	3.3	AUD/JPY	80.56	81.47	80.86	81.28	2 year bond	0.20	-0.01
Copper	9,331.50	13.0	AUD/GBP	0.5380	0.5376	0.5352	0.5363	10 year bond	1.28	-0.01
Oil (WTI)	71.91	1.6	AUD/NZD	1.0596	1.0603	1.0554	1.0586	<b>Other (10 year yields)</b>		
Coal (thermal)	146.70	-4.0	AUD/EUR	0.6223	0.6277	0.6229	0.6271	Germany	-0.43	-0.03
Coal (coking)	215.33	5.2	AUD/CNH	4.7569	4.7831	4.7487	4.7785	Japan	0.02	0.00
Iron Ore	192.45	-0.7	USD Index	93.0	92.9	92.5	92.9	UK	0.57	-0.04

Data as at 7:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** US and European share markets mostly rose overnight following another batch of earnings reports. US interest rates fell slightly.

**Share Markets:** US share markets rose for their third day, albeit at a slower pace than the previous two days. This is the biggest three-day gain since April and sees markets approaching their all-time highs. The S&P 500 rose 0.2% and the NASDAQ rose 0.4%.

European markets mostly rose overnight. The Euro Stoxx was up 0.8% and the German DAX was up 0.6% following the outcome of the European Central Bank's Monetary Policy Meeting. The FTSE bucked the trend and was down 0.4%.

The ASX 200 rose 1.1% yesterday to a new all-time high of 7,386.41.

**Interest Rates:** US 10-year bond yields fell 1 basis point to 1.28%. The 2-year yield also fell 1 basis point to 0.2%.

**Foreign Exchange:** The US Dollar Index fell slightly overnight from 93.0. It fell to a low of 92.5 before recovering to 92.9, where it is currently sitting.

The AUD/USD pair fell to a low of 0.7342 overnight before recovering ground to be at 0.7380 now.

**Commodities:** Oil rose by 2.2% on expectations that supply will tighten over 2021 as global economies recover from the pandemic. Copper and gold rose while iron ore fell.

**COVID-19:** NSW recorded 124 new COVID-19 cases yesterday, up to 87 of which were infectious in the community. Victoria recorded 26 new cases and South Australia recorded 5 new cases.

The South Australian government has announced a \$100 million support package for businesses amid the state's 7-day lockdown.

Cash grants of \$3,000 will be made available to small and medium businesses that suffer significant loss of income and sole traders can apply for a \$1,000 grant. The South Australian government will also provide \$600 weekly support payments to workers in regional South Australia, after areas outside of Adelaide were left out of the federal governments declared "hotspots".

Individuals in the federal governments declared hotspots will be eligible to receive \$600 if they lose more than 20 hours of work over the next week or \$375 if they lose between 8 and 20 hours of work.

**Australia:** Quarterly surveyed business conditions rose to a record high in the June quarter. The index increased to 32, up 12 index points from the previous quarter.

Business confidence eased slightly in the June quarter to 17 but remained well above the long-run average. However, the survey only captures part of the lockdown in Victoria which started in late May and predates the current restrictions in NSW, Victoria and South Australia.

The survey also indicated that inflationary pressures continued to build while the reported difficulty of finding suitable labour climbed to a new high.

Separately, weekly payroll jobs fell by 1.0% in the fortnight to July 3, following a 0.4% increase in the previous fortnight. There were lockdowns in four out of the eight capital cities during this period. It also coincided with school holidays in most states and territories. Across the country, the largest falls were in NSW (-1.4%), the Northern Territory (-1.4%), Western Australia (-1.1%) and Queensland (-1.0%).

**Europe:** The European Central Bank (ECB) left its key policy settings unchanged following its Monetary Policy Meeting. This was widely expected by markets. The ECB altered the format of its statement to provide greater clarity around its decisions and reiterated its new 2% inflation target.

The ECB revised its forward guidance to a more dovish stance. It stated that current accommodative monetary policy settings will remain in place until “it sees inflation reaching two per cent well ahead of the end of its projection horizon and durably for the rest of the projection horizon”. The guidance stated that this may lead to a period of transitory, above target inflation.

Consumer confidence fell to -4.4 in July, from -3.3 in June as COVID-19 cases increased across Europe, prompting new restrictions. This was below consensus expectations of -2.6.

**United States:** Initial jobless claims rose in the w/e 17 July to 419k, from a revised 368k in the prior week. This was above consensus expectations of 350k. The move was characterised as noise and attributed to one-off factors and volatility of weekly data.

Existing home sales increased to 5.86m in June from a revised 5.78m in May. This was below consensus expectations of 5.90m. This was the first increase in five months as housing inventory improved slightly to 1.25m, from low levels. This suggests that despite increasing prices, demand for homes remains strong. The median selling price of existing homes has increased by 23.4% over the year to an all-time high of \$363,300.

The Chicago Fed national activity survey fell to 0.09 but continues to suggest above-trend growth in the economy. This was down from 0.26 in the previous month and below consensus expectation of 0.30. 45 of the 85 indicators contributed positively, while 40 indicators had negative contributions.

The Kansas City Fed manufacturing survey rose to

30 in July, from 27 in the month prior. This was above consensus expectations of 25. The positive reading indicates expansion in manufacturing activity in July. The volume of new orders, production and number of employees rose.

In other data, the Conference Board leading index rose 0.7% to a new record high. This was below consensus expectations of a 0.8% rise.

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

UK GfK Consumer Sentiment Jul exp -8 prev -9 (9:01am)

UK Retail Sales Jun exp -0.1% prev -1.4% (4pm)

EZ Mfg PMI Jul P exp 62.5 prev 63.4 (6pm)

EZ Services PMI Jul P exp. 59.3 prev 58.3 (6pm)

UK Mfg PMI Jul P exp 62.4 prev 63.9 (6:30pm)

UK Services PMI Jul P exp 62.0 prev 62.4 (6:30pm)

US Mfg PMI Jul P exp 62.0 prev 62.1 (11:45pm)

US Services PMI Jul P exp 64.5 prev 64.6 (11:45pm)

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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