

Tuesday, 24 August 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,490	0.4%			Last	Overnight Chg		Australia		
US Dow Jones	35,336	0.6%	10 yr bond	98.91				90 day BBSW	0.01	0.00
Japan Nikkei	27,494	1.8%	3 yr bond	99.77				2 year bond	0.02	0.00
China Shanghai	3,644	1.5%	3 mth bill rate	99.99				3 year bond	0.19	0.01
German DAX	15,853	0.3%	SPI 200	7,440.0				3 year swap	0.37	0.02
UK FTSE100	7,109	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.10	0.02
Commodities (close & change)*			TWI	60.0	-	-	60.2	United States		
CRB Index	211.9	5.0	AUD/USD	0.7136	0.7218	0.7125	0.7210	3-month T Bill	0.04	-0.01
Gold	1,805.43	24.3	AUD/JPY	78.30	79.19	78.25	79.08	2 year bond	0.22	0.00
Copper	9,041.00	149.0	AUD/GBP	0.5238	0.5257	0.5231	0.5255	10 year bond	1.25	0.00
Oil (WTI)	65.64	3.5	AUD/NZD	1.0443	1.0473	1.0428	1.0461	Other (10 year yields)		
Coal (thermal)	146.70	1.9	AUD/EUR	0.6100	0.6145	0.6090	0.6139	Germany	-0.48	0.01
Coal (coking)	237.67	-0.3	AUD/CNH	4.6383	4.6755	4.6362	4.6704	Japan	0.02	0.01
Iron Ore	136.90	1.1	USD Index	93.5	93.5	92.9	93.0	UK	0.54	0.01

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: Market sentiment was supported by news of full regulatory approval being granted for the Pfizer vaccine by US regulators and reports that China has reduced local case numbers of the delta variant to zero.

Share Markets: US equity markets rose. The S&P 500 was up 0.9% to close just shy of its all-time high and the NASDAQ rose 1.6% to close at a new all-time high.

The ASX 200 rose by 0.4% and futures point to a positive open today.

Interest Rates: US interest rates were broadly unchanged. The US 10-year bond yield was unchanged at 1.25% and the 2-year yield continued to hover around 0.22%.

The Australian 3-year government bond yield (futures) were unchanged at 0.23% while the 10-year government bond yield (futures) rose from 1.09% to 1.10%.

Foreign Exchange: The USD fell across a basket of major currencies as risk sentiment improved. The USD Index fell from a high of 93.5 to a low of 92.9, before settling at 93.0.

The AUD/USD pair recovered some of its losses over recent days. The AUD rose from a low of 0.7125 to a high of 0.7218, before pairing back slightly to 0.7210.

Commodities: Oil rose by over 5% to break through

\$65. This was the highest daily jump in oil prices since March. Gold, copper and iron ore also rose.

COVID-19: NSW recorded 818 new cases yesterday.

Elsewhere, the ACT recorded 16 cases, Victoria posted 71 cases and Queensland recorded 1 case.

Vaccinations for children are firmly in the spotlight, particularly since a sizeable share of the new cases in Sydney have been amongst children. From this week, children aged 12 and over who are on the National Disability Insurance Scheme will be eligible to receive a Pfizer vaccine.

Meanwhile, the lockdown in New Zealand has been extended until midnight on 27 August, with 35 new cases reported yesterday.

Australia: There were no major economic data releases yesterday.

Eurozone: Activity indicators slowed but continued to show the economy maintained momentum in August. Flash PMIs remained in expansionary territory and close to 15-year highs. The Markit Manufacturing PMI fell to 61.5 in August, from 62.8 in July. This was below expectations of 62.0. The Markit Services PMI fell to 59.7, from 59.8 in the month prior. This was above consensus expectations of 59.5. Conditions were supported by continued easing of restrictions in the region, despite the rise of the delta variant and ongoing supply constraint issues.

Consumer confidence fell for a second month to -5.3 in August, down from -4.4 in July. This was below consensus expectations of -4.9. Confidence was dented by the spread of the delta variant across the region. However, confidence remains above its pre-pandemic level.

United Kingdom: Activity across the manufacturing sector slowed slightly but was stronger than expected by the market. The Markit manufacturing PMI fell to 60.1 in August, down from 60.4 in July. This was above market expectations of 59.5.

Activity across the services sector fell more sharply in August. The Markit services PMI fell to 55.5, down from 59.6 in July and below consensus expectations of 59.1. Staff shortages continue to weigh on the services sector.

United States: The Chicago national activity index rose to 0.53 in July. This was up from a revised -0.01 in June and above consensus expectations of 0.12. Production-related indicators drove the increase.

Existing home sale rose to 5.99m in July, up from 5.86m in June. This was above consensus expectations of 5.83m. The increases occurred despite a rise in inventory, indicating strong housing demand.

The Markit manufacturing PMI fell to 61.2 in August. This was down from 63.4 in July and below consensus expectation of 62.0. Despite the fall, the reading indicates that the manufacturing sector continued to expand in the month. The sector continues to manage supply chain disruptions, which hit record highs in the August survey. Labour shortages also remain a concern.

The Markit services PMI fell to 55.2 in August. This was down from 59.9 in July and below consensus expectations of 59.2. This was the third consecutive monthly fall. Staff shortages were noted as concerns which drove the fall in activity.

Today's key data and events:

NZ Retail Sales Volumes Q2 exp 2.5% prev 2.5% (8:45am)
AU ANZ RM Cons. Conf. w/e Aug 22 prev 101.1 (9:30am)
US Richmond Fed Mfg Index Aug exp 25 prev 27 (12am)
US New Home Sales Jul exp 3.3% prev -6.6% (12am)

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.

Jarek Kowcza, Senior Economist

Ph: 0481-476-436

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.