

Thursday, 26 August 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,532	0.4%			Last	Overnight Chg		Australia		
US Dow Jones	35,406	0.1%	10 yr bond		98.82	-0.03		90 day BBSW	0.01	0.00
Japan Nikkei	27,725	0.0%	3 yr bond		99.72	-0.02		2 year bond	0.02	0.00
China Shanghai	3,711	0.7%	3 mth bill rate		99.99	0.00		3 year bond	0.24	0.02
German DAX	15,861	-0.3%	SPI 200		7,461.0	-11		3 year swap	0.42	0.00
UK FTSE100	7,150	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.16	0.01
Commodities (close & change)*			TWI		60.7	-	-	60.7	United States	
CRB Index	216.7	1.6	AUD/USD	0.7256	0.7280	0.7237	0.7277	3-month T Bill	0.05	0.00
Gold	1,791.00	-11.9	AUD/JPY	79.59	80.10	79.40	80.05	2 year bond	0.24	0.02
Copper	9,356.50	-18.0	AUD/GBP	0.5286	0.5295	0.5277	0.5287	10 year bond	1.34	0.05
Oil (WTI)	68.07	-0.3	AUD/NZD	1.0439	1.0460	1.0422	1.0434	Other (10 year yields)		
Coal (thermal)	123.90	1.1	AUD/EUR	0.6172	0.6185	0.6165	0.6182	Germany	-0.42	0.06
Coal (coking)	241.25	2.4	AUD/CNH	4.6945	4.7100	4.6870	4.7082	Japan	0.02	0.01
Iron Ore	152.15	6.4	USD Index	92.9	93.1	92.8	92.8	UK	0.60	0.06

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: Risk appetites continued to be whetted overnight. US share markets hit new all-time highs again and the AUD/USD continued to recover from its low on August 20. However, trading volumes were thin ahead of the US Federal Reserve's Jackson Hole gathering.

Share Markets: Share markets marched higher overnight with trading volumes low ahead of the US Fed's virtual Jackson Hole gathering (tomorrow morning AEST). The S&P 500 index added 10 points (or +0.2%) to hit a new peak and the Nasdaq rose 22 points (or +0.2%) to also hit a new all-time high. Separately the Dow rose 39 points (or +0.1%).

Interest Rates: US Treasury prices dropped after a solid 5-year auction, kicking US 10-year yields up 5 basis points to above 1.34%. US 2-year yields lifted 2 basis points to 0.24%.

Foreign Exchange: The AUD/USD continued its recover from its 9½-month low of 0.7106 on August 20, reaching an high overnight of 0.7280. To be convinced that the AUD/USD has resumed its uptrend from 0.7106, we need to first see the AUD/USD break above resistance at 0.7305. A break above the next resistance level at 0.7420 would provide further evidence.

Commodities: x

COVID-19: NSW recorded 919 new cases yesterday. This was the highest number of daily infections on record in Australia. Elsewhere, the ACT recorded 9

new cases and Victoria recorded 45 cases.

The Federal Government is expected to announce additional support for businesses today. News reports suggest large tourism, hospitality and recreation employers with an annual turnover of up to \$1 billion will now be able to access the JobSaver subsidy scheme. The program, which provides financial aid based on pre-lockdown payroll costs, is currently limited to businesses with annual turnovers of \$250 million and below.

News reports also suggest the NSW government will announce a relaxation of some restrictions today or tomorrow for those that are vaccinated. The Australian Medical Association has warned now is not the time to relax any restrictions.

Westmead Hospital, a major hospital in the western suburbs of NSW is operating under emergency conditions, also known as code yellow. Blacktown Hospital, another large hospital in the western suburbs, is also under significant strain.

Yesterday, the Queensland Premier announced that interstate hotspot arrivals into hotel quarantine will be paused for two weeks. Anyone with an exemption for compassionate or medical purposes will still be allowed to enter hotel quarantine.

Meanwhile, New Zealand recorded 62 new cases.

The corporate landscape continues to evolve due to the pandemic. Delta Air in the US will impose a US\$200 monthly surcharge on unvaccinated

employees, becoming the first major US company to levy a penalty to encourage workers to get protected.

Australia: Construction activity rose 0.8% in the June quarter after a 2.4% increase in the March quarter. Over the year, construction work rose 0.4%.

New residential construction and renovations fell 0.1% and 0.6%, respectively, in the June quarter. It may be that the snap lockdowns during the quarter and the NSW Bondi outbreak, which began on June 16, disrupted work. Capacity constraints and temporary supply disruptions may have also been a factor.

Public works helped drive growth, rising 3.2% in the June quarter, as governments committed to new projects as part of the stimulus package.

Private non-residential construction was mixed. Non-residential building work fell by 0.4% in the quarter. But private engineering edged 0.5% higher in the quarter with work holding above commencements, as progress is made in reducing the pipeline of work.

Eurozone: The headline German IFO business climate index worsened to 99.4 in August versus last month's 100.8 and the consensus estimates of 100.4. The expectations' sub index drove the overall index lower. It indicates firms' projections for the next six months and this index dropped sharply to 97.5 in August from the previous month's 101.2 reading.

New Zealand: A monthly trade deficit of \$402 million was recorded in July, following a revised surplus of \$245 million in June. The monthly deficit was driven by an increase in imports. Imports rose to a new monthly high of \$6.2 billion. Meanwhile, exports fell slightly, from \$5.9 billion in June to \$5.8 billion in July. The annual trade deficit widened to \$1.1 billion in July, from \$277 million in June.

United States: New orders for durable goods decreased 0.1% in July after a rise of 0.8% in June. Demand for durable goods has increased in 13 of the past 15 months. The overall number was hurt by a 48.9% decline between June and July on new orders for non-defence aircraft and parts, a category that is often very volatile.

Low business and retail inventories have translated to increased demand for manufacturers, but supply-chain issues continue to constrain production and delay some shipments. The Delta variant of COVID-19, which started its surge earlier this summer,

presents another threat.

Today's key data and events:

AU RBA's Connolly speaks at Risk Conference (9:55am)
 AU Private New Capital Expenditure (Capex) Q2 exp 0.8% prev 6.3% (11:30am)
 AU Weekly Payroll Jobs w/e 31 (11:30am)
 EZ M3 Money Supply Jul exp 7.6% prev 8.3% (6pm)
 US Initial Jobless Claims w/e 21 Aug exp 350K prev 348K (10:30pm)
 US GDP Q2 exp 6.7% prev 6.5% (10:30pm)
 US Core PCE Q2 exp 6.1% prev 6.1% (10:30pm)
 US Kansas City Fed index Aug exp 25 prev 30 (1am)
 US Federal Reserve's Jackson Hole Retreat (9am)

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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The Detail

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