

Monday, 27 September 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,343	-0.4%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	34,798	0.1%	10 yr bond	98.59		0.02	90 day BBSW	0.02	0.00	
Japan Nikkei	30,249	2.1%	3 yr bond	99.56		0.00	2 year bond	0.02	0.01	
China Shanghai	3,787	-0.8%	3 mth bill rate	99.97		0.00	3 year bond	0.30	0.06	
German DAX	15,532	-0.7%	SPI 200	7,304.0		2	3 year swap	0.49	0.01	
UK FTSE100	7,051	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.41	0.15
<b>Commodities (close &amp; change)*</b>			TWI	60.7	-	-	61.1	<b>United States</b>		
CRB Index	225.3	1.3	AUD/USD	0.7300	0.7316	0.7236	0.7260	3-month T Bill	0.03	-0.01
Gold	1,750.42	7.7	AUD/JPY	80.50	80.77	80.01	80.37	2 year bond	0.27	0.01
Copper	9,341.75	59.3	AUD/GBP	0.5319	0.5327	0.5296	0.5312	10 year bond	1.45	0.02
Oil (WTI)	73.98	0.7	AUD/NZD	1.0320	1.0374	1.0315	1.0348	<b>Other (10 year yields)</b>		
Coal (thermal)	191.10	1.8	AUD/EUR	0.6217	0.6229	0.6182	0.6192	Germany	-0.23	0.03
Coal (coking)	373.33	-9.0	AUD/CNH	4.7167	4.7246	4.6817	4.6920	Japan	0.06	0.02
Iron Ore	116.50	5.5	USD Index	93.1	93.4	93.0	93.3	UK	0.93	0.02

Data as at 7:30am AEST. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** Investors remained optimistic in the face of concerns around Fed tapering, debt issues surrounding Chinese property developer Evergrande, and a crackdown on cryptocurrencies in China. US equities closed higher, bond yields were up and the USD rose.

**Share Markets:** US equities closed higher on Friday. The S&P 500 was up 0.2%, while the NASDAQ was broadly unchanged.

The ASX 200 fell 0.4%. Futures are pointing to a slightly higher open.

**Interest Rates:** The US 10-year treasury yield rose 2 basis points to 1.45%. The 2-year yield was up 1 basis point to 0.27%.

The Australian 10-year government bond yield (futures) rose from 1.29% to 1.44%. The 3-year government bond yields (futures) rose from 0.39% to 0.45%.

**Foreign Exchange:** The US dollar strengthened against a basket of major currencies. The USD Index rose from a low of 93.0 to a high of 93.4, before settling around 93.3.

The move higher in the USD drove the AUD down. The AUD/USD pair fell from a high of 0.7316 to a low of 0.7236, before rebounding to 0.7260.

**Commodities:** Iron ore rose further to be above \$110. Gold and copper were up. Oil was slightly higher.

**COVID-19:** NSW recorded 961 new cases yesterday and nine deaths. Victoria recorded 779 new cases and 2 deaths. The ACT recorded 25 new cases and Queensland recorded zero new cases.

**Australia:** There were no major economic data releases on Friday.

**China:** Embattled Chinese property developer Evergrande reportedly missed an interest payment on its USD bonds on Thursday last week. The company has a 30-day grace period to make repayments before a default can be declared. The Ministry of Housing and Urban-Rural Development will supervise the firm to ensure that funds are used to finish outstanding housing projects.

Authorities announced new crackdowns on cryptocurrencies. Regulators announced that crypto-related transactions will be considered illegal, in addition to bans on mining.

**Eurozone:** Germany's IFO business climate survey came in at 98.8 in September. This was down from 99.6 in August and below consensus expectations of 99.0. This is the third consecutive monthly fall in the index. Supply shortages are impacting the manufacturing sector, with shortages of raw materials and intermediate products. Risks around the spread of the delta strain are also affecting sentiment.

**New Zealand:** The monthly trade deficit widened to a record \$2.1 billion in August, following a revised

deficit of \$0.4 billion in July. The monthly deficit was driven by a \$1.8 billion increase in imports. Meanwhile, exports were little changed. The annual trade deficit widened to \$2.9 billion in August, from a revised \$1.1 billion in July.

**United Kingdom:** The GfK consumer confidence index fell to -13 in September, from -8 in August. This is the lowest reading since April and the biggest monthly drop since 2020, when a surge in COVID-19 cases led to renewed lockdown restrictions. Growing concerns over energy bills, food costs and tax hikes prompted the drop in confidence.

**United States:** New home sales rose by 1.5% in August, down from a revised 6.4% increase in July and above consensus expectations of 1.0% growth. Sales increased to a four-month high. Supply also increased over the month to reach a near 13-year high. Demand appears to be stabilising as supply constraints ease. The median new home price was \$390,900, equal to the all-time high in July.

The Federal Reserve Bank of Cleveland President Loretta Mester said that she supports “starting to dial back our purchases in November and concluding them over the first half of next year.”

The Federal Reserve Bank of Kansas City President Esther George, who is a non-voting member, also spoke. In reference to the Federal Open Market Committee’s test for tapering bond purchases, she said that “criteria for substantial further progress have been met.”

**Today’s key data and events:**

JN PPI Services y/y Aug prev 1.1% (9:50am)

EZ M3 Money Supply y/y Aug prev 7.6% (6pm)

US Dur. Goods Orders Aug P. exp 0.6% prev -0.1% (10:30pm)

US Dallas Fed Mfg Index Sep exp 11.0 prev 9.0 (12:30am)

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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