

Monday, 28 June 2021

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,308	0.5%	Last		Overnight Chg			Australia		
US Dow Jones	34,434	0.7%	10 yr bond	98.39	-0.04			90 day BBSW	0.03	0.00
Japan Nikkei	29,066	0.7%	3 yr bond	99.48	-0.01			2 year bond	0.07	0.01
China Shanghai	3,781	1.1%	3 mth bill rate	99.94	-0.01			3 year bond	0.46	0.03
German DAX	15,608	0.1%	SPI 200	7,212.0	5			3 year swap	0.51	0.06
UK FTSE100	7,136	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.56	0.00
Commodities (close & change)*			TWI	63.2	-	-	63.2	United States		
CRB Index	210.4	0.9	AUD/USD	0.7587	0.7617	0.7573	0.7583	3-month T Bill	0.04	-0.01
Gold	1,781.44	6.3	AUD/JPY	84.12	84.26	83.92	84.03	2 year bond	0.27	0.00
Copper	9,399.40	-4.4	AUD/GBP	0.5449	0.5476	0.5446	0.5461	10 year bond	1.52	0.03
Oil (WTI)	74.05	0.8	AUD/NZD	1.0743	1.0748	1.0710	1.0733	Other (10 year yields)		
Coal (thermal)	119.70	1.9	AUD/EUR	0.6358	0.6366	0.6345	0.6354	Germany	-0.16	0.03
Coal (coking)	174.25	2.3	AUD/CNH	4.9090	4.9153	4.8917	4.8975	Japan	0.05	-0.01
Iron Ore	211.70	0.1	USD Index	91.8	91.9	91.5	91.9	UK	0.78	0.04

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

Main Themes: Investor sentiment remained upbeat after news on Thursday night of US President's Biden's infrastructure deal. The S&P 500 rose to a new all-time high and US global bond yields rose. However, US economic data was mixed.

Share Markets: US share markets finished last week on a high note. The S&P 500 index hit another record high on Friday, rising 14 points (or +0.3%). The Dow surged 237 points (or +0.7%).

Interest Rates: The US 2-year bond yield ended Friday's session unchanged at 0.27% whilst the 10-year bond yield rose 3 basis points to 1.52%.

The Australian 3-year government bond yield (futures) rose from 0.51% to 0.52%, while the 10-year yield jumped from 1.57% to 1.63%.

Foreign Exchange: The US dollar index retreated in early trade from around 91.8 to 91.5. Weaker-than-expected personal spending and consumer sentiment data helped encourage the sell off in the greenback. However, the US dollar recovered lost ground to rise to a Friday night high of near 91.9. The AUD was whipsawed in a trading range of 0.7617 to 0.7573 against the USD. It is currently trading at around 0.7592, a full cent higher than where it started the week last week.

Commodities: Oil and gold both advanced.

COVID-19: On Saturday, Greater Sydney entered a lockdown to 9 July. There were 30 daily cases reported in NSW yesterday. Queensland recorded

two new cases in the community. In WA, the Perth and Peel regions will go back to phase one restrictions over fears a new community case is the Delta COVID-19 variant. And the Northern Territory has recorded 4 new cases of COVID-19 linked to a gold mine worker.

For those in NSW in lockdown, the COVID-19 disaster relief payment is available. It is a one-off payment available to workers who are unable to work due to COVID-19. For workers that have lost less than 20 hours, the payment is \$325. For workers who have lost 20 hours or more, the payment is \$500. There are eligibility conditions.

Australia: There was no major economic data released on Friday.

China: Profit growth at China's industrial firms slowed again in May as surging raw material prices squeezed margins and weighed on factory activity. Profits at China's industrial firms rose 36.4% in May from a year earlier, a slowing from the 57.0% surged reported in April. On the plus side, demand remains strong and companies have improved their operations, the country's statistics bureau said. The rebound is still K-shaped, with smaller companies trailing larger ones.

New Zealand: A monthly trade surplus of \$469 million was recorded in May. The annual trade balance, however, posted its first deficit in eleven months of \$62 million. The annual deficit was

driven by the steady recovery in imports.

United Kingdom: The GfK consumer confidence index remained at -9 in June, unchanged from May, matching pre-pandemic levels. Widely held expectations for rising retail price inflation may weaken consumer confidence as the country continues its post COVID recovery.

United States: Personal spending stagnated in May (0.0%), reflecting a decline in spending on goods. However, personal spending in April was revised up from a rise of 0.5% to a rise of 0.9%. Meanwhile, personal incomes declined for a second month, falling 2.0% in May.

A closely watched inflation measure continued to climb; the core personal consumption expenditures (PCE) gauge, which the Federal Reserve officially uses for its inflation target, rose 0.5% in May. The annual pace lifted from 3.1% in April to 3.4% in May.

Separately, the University of Michigan survey showed that consumers' sentiment slipped in the second half of June, remaining at subdued levels. The final reading of the index of consumer sentiment was 85.5 in June, down from the preliminary reading mid month of 86.4. It was also below consensus expectations that centred on an outcome of 86.5. However, June's final reading is higher than May's final level of 82.9. More than half of those surveyed expected declines in the unemployment rate in the year ahead and nearly three-quarters of all consumers expected rising interest rates in the next twelve months.

The 1-year inflation expectation gauge rose to 4.2% (preliminary was 4.0%) and the more important 5-10-year measure remained at 2.8% (was 3.0% in May).

Minneapolis Fed President Neil Kashkari said Friday some price increases are likely to be temporary while Eric Rosengren of the Boston Fed said "there is a lot of hype around inflation right now" and argues recent high prices will subside.

Republican senators said Joe Biden's reassurance that he isn't linking a bipartisan \$579 billion infrastructure plan to a larger tax and spending bill will allow negotiations to move forward.

Today's key data and events:

EZ ECB's Wedimann Euro Finance Summit Speech (10pm)
US Dallas Fed Index Jun exp 32.5 pre 34.9 (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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