

Morning Report

Monday, 25 October 2021



Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	7,415	0.0%			Last	Overnight Chg		Australia		
US Dow Jones	35,677	0.2%	10 yr bond	98.20			0.03	90 day BBSW	0.04	0.00
Japan Nikkei	28,805	0.3%	3 yr bond	99.07			0.01	2 year bond	0.12	-0.05
China Shanghai	3,755	-0.3%	3 mth bill rate	99.90			-0.01	3 year bond	0.73	0.02
German DAX	15,543	0.5%	SPI 200	7,416.0			30	3 year swap	0.95	0.02
UK FTSE100	7,205	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.80	0.01
Commodities (close & change)*			TWI	62.8	-	-	62.6	United States		
CRB Index	237.7	0.0	AUD/USD	0.7467	0.7512	0.7454	0.7469	3-month T Bill	0.05	0.00
Gold	1,792.65	9.8	AUD/JPY	85.13	85.55	84.61	84.81	2 year bond	0.45	0.00
Copper	9,792.00	-156.5	AUD/GBP	0.5414	0.5446	0.5406	0.5428	10 year bond	1.63	-0.07
Oil (WTI)	83.76	1.3	AUD/NZD	1.0436	1.0496	1.0417	1.0447	Other (10 year yields)		
Coal (thermal)	170.50	10.0	AUD/EUR	0.6424	0.6453	0.6409	0.6411	Germany	-0.11	0.00
Coal (coking)	392.00	-1.3	AUD/CNH	4.7744	4.7931	4.7615	4.7677	Japan	0.10	0.01
Iron Ore	119.95	1.5	USD Index	93.8	93.8	93.5	93.6	UK	1.15	-0.06

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

Main Themes: Risk sentiment declined as comments from Fed Chair Powell raised concerns about inflation. Bond yields and the US dollar were also lower.

Share Markets: Equity markets fell on Friday. This followed comments from Fed Chair Powell suggesting that the supply chain disruptions causing elevated inflation are likely to persist for longer than previously expected. Tech stocks led the falls.

The S&P 500 pulled back 0.1% after advancing for seven straight days. The Nasdaq fell 0.8%, while the Dow Jones rose 0.2%.

The ASX 200 ended Friday's session flat.

Interest Rates: The US 10-year treasury yield fell 7 basis points to 1.63%. The 2-year yield was unchanged around 0.45%.

Foreign Exchange: The US dollar fell against a basket of major currencies. The USD index fell from a high of 93.8 to a low of 93.5, before recovering to settle at 93.6.

Despite the weakness in the US dollar, the AUD/USD pair was also weaker. The pair fell from a high of 0.7512 to a low of 0.7454. It has recovered to currently be around where it opened, at 0.7469.

Commodities: Oil rose to above \$83. Gold, iron ore and thermal coal were also higher. Copper was down on the session.

COVID-19: NSW recorded 296 new cases and four

deaths yesterday. Victoria recorded 1,935 new cases and 11 deaths. Elsewhere, the ACT recorded nine new cases.

Victorian Premier Andrews announced details of the state's plan once 90% of people aged 12 and over have received two doses of a vaccine. This is expected to occur around 24 November. At this point, most remaining restrictions will be lifted for fully vaccinated people. Venue caps and density requirements will be lifted and masks will only be required in high risk indoor settings. Unvaccinated people will remain subject to restrictions, including limits on non-essential retail.

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

Eurozone: Activity in the manufacturing sector advanced at a faster rate than expected. However, manufacturing activity is at its lowest level since February 2021, as the sector continues to be impacted by supply chain disruptions. Manufacturing PMI came in at 58.5 in October, down slightly from the September outcome of 58.6. This was above consensus expectations of 57.1. A reading above 50 indicates expansion.

Services PMI fell to 54.7 in October, from 56.4 in September. This was below consensus expectations of 55.4. Rising COVID-19 case numbers continue to impact the services sector, particularly tourism and recreation.

United Kingdom: The GfK consumer confidence index fell to -17 in October, from -13 in September. A combination of surging inflation, food and fuel shortages and an increase in COVID-19 cases have dampened sentiment.

Retail sales fell in September, despite panic buying by consumer of fuel. Sales were down 0.2% in September, following a 0.9% fall in August. This was below consensus expectations of a 0.6% increase and marks the fifth consecutive monthly fall. Supply chain issues and labour shortages continue to impact the availability of products.

Economic activity regained momentum in October. The manufacturing sector expanded faster-than-expected. The manufacturing PMI rose from 57.1 in September to 57.7 in October. This was above consensus expectations of 56.0. Expansion in services sector activity contributed to overall expansion in the economy. The services PMI rose to 58.0 in October, from 55.4 in September. This was above consensus expectations of 54.5. However, supply chain disruption continue to feed into higher cost pressures. Both input prices and consumer prices rose at their fastest pace since the index began in 1998.

United States: Activity in the manufacturing sector slowed in October but remained in expansionary territory. The manufacturing PMI fell to 59.2 in October, from 60.7 in September. This was below consensus expectations of 60.5. Manufacturers continue to report strong demand, however, supply chain constraints and labour shortages are weighing on the sector.

Conversely, activity in the services sector improved in October. The services PMI rose to 58.2, up from 54.9 in September. This was above consensus expectations of 55.2. The services sector is being supported by strong demand as COVID-19 case numbers continue to fall. Employment in the sector has improved as demand increases.

Treasury Secretary Janet Yellen said that she expects price increases to remain high through the first half of 2022. However, she noted this reflects “temporary” pain. She expects inflation to ease in the second half of 2022, as supply chain constraints and labour shortages subside.

Today's key data and events:

EZ IFO Bus. Climate Survey Oct exp 98.0 prev 98.8 (7pm)

US Chicago Fed Nat Act Index Sep prev 0.29 (11:30pm)

US Dallas Fed Index Oct exp 6.2 prev 4.6 (1:30am)

Times are AEDT. 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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