

## Economic Analysis

Daily Report 26 August 2021

Interest Rates (%)			FX		Commodities US\$		
<b>Australia</b>	<b>Δ bp</b>		AUD/USD	0.7275	0.3%	WTI Crude Oil	68.00 \$0.61
90-day Bill	0.01	0	AUD/JPY	80.04	0.6%	Brent Crude Oil	72.25 \$1.20
3-year Bond	0.26	2	AUD/EUR	0.6180	0.1%	Mogas95*	80.33 \$1.63
10-year Bond	1.19	1	AUD/GBP	0.5286	0.0%	CRB Index	216.71 1.62
			AUD/NZD	1.0436	0.0%	Gold	1790.86 -\$10.91
			AUD/CNY	4.7110	0.3%	Silver	23.82 \$0.01
<b>US</b>			EUR/USD	1.1771	0.1%	Iron Ore (62% Fe)**	147.99 -\$0.11
2-year	0.24	-1	USD/JPY	110.01	0.2%	Iron Ore (21-22 Average)	183.54 -\$0.91
10-year	1.35	5	USD/CNY	6.4756	0.1%	Copper	9356.00 -\$20.00
			<b>RBA Policy</b>		<b>Equities</b>		
			O/N Cash Rate Target	0.10%	ASX200	7532 1	
			Interbank O/N Cash Rate	0.03%	Dow Jones	35406 40	
<b>Other 10-year</b>			RBA Bond Purchases (YCC)***	A\$79.3b	S&P500	4496 10	
Japan	0.02	0	RBA Bond Purchases (QE)***	A\$192.0b	Stoxx600	472 0	
Germany	-0.42	5			CSI300	4898 10	
UK	0.60	6					

\*Mogas95 is the Singapore benchmark petrol price closely linked to Australian domestic fuel price.

\*\*Iron ore is the second SGX futures contract.

\*\*\*YCC stands for the yield curve control policy. QE stands for quantitative easing (the RBA's bond buying program).

Sentiment in the US equity market remained positive overnight, with the S&P 500 and Nasdaq reaching fresh record highs after the US House of Representatives passed the US\$3,500b budget framework. This followed mixed results in Europe and Asia.

Long-term US Treasury yields continued to rise, pushing long-term yields higher across the major Western advanced economies. Investors are awaiting Fed Chair Jerome Powell's speech at the Jackson Hole Symposium on Friday but expectations have faded that his speech will pave the way for an announcement on QE tapering at the September FOMC meeting.

News on the pandemic front was supportive of market sentiment, with the US top infectious disease expert Dr Anthony Fauci expressing his opinion that COVID-19 could be brought back under control in the US by early 2022. At the same time, Pfizer is seeking US approval for its COVID-19 booster, after its original vaccine was granted a full approval on Monday.

Data-wise, US durable goods orders slipped in July, dragged down by lower transportation orders following increases in the past two months. According to some press reports, persisting supply chain disruptions could also have played a role in the fall in car orders. Excluding autos, durable goods orders grew by a solid 0.7%.

In Australia, New South Wales announced a record 919 new local COVID-19 cases yesterday. This morning Victoria reported 80 new infections, a record for the current outbreak, with half of the cases infectious while in the community. Across the Tasman, New Zealand reported 62 new community infections, taking the size of its outbreak to 210.

Aussie construction work done rose a weaker than expected 0.8% in Q2 after rising 2.4% in Q1. Residential construction work surprisingly fell 0.1%, driven by falls in Victoria and South Australia. The major offset was a 3.8% increase in public infrastructure spending. Western Australian residential construction rose 5.8% in the quarter, however, this was offset by a 4.0% decline in engineering construction.

Ongoing positive global sentiment saw the Aussie dollar appreciate further against the major currencies. 10-year Commonwealth bond yields picked up, albeit less than their US equivalents. Yesterday, the RBA bought another A\$1.0b of Semis, including A\$129m of WATC bonds.

### ECONOMIC DATA REVIEW

- **AU:** Construction Work Done (QoQ, Q2) – Actual 0.8%, Expected 2.5%, Previous 2.4%.
- **US:** Durable Goods Orders (MoM, Jul) – Actual -0.1%, Expected -0.3%, Previous 0.8% (revised).

### ECONOMIC DATA PREVIEW

- **AU:** Private Sector Capex (QoQ, Q2) – Expected 2.4%, Previous 6.3%.
- **US:** Initial Jobless Claims (w/e 21 Aug) – Expected 350k, Previous 348k.

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