

Morning Report

Tuesday, 1 December 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,518	-1.3%			Last	Overnight Chg		Australia		
US Dow Jones	29,639	-0.9%	10 yr bond	99.09				90 day BBSW	0.02	0.00
Japan Nikkei	26,434	-0.8%	3 yr bond	99.83				2 year bond	0.09	0.00
China Shanghai	3,555	-0.5%	3 mth bill rate	99.98				3 year bond	0.11	0.00
German DAX	13,291	-0.3%	SPI 200	6,518.0				3 year swap	0.13	0.01
UK FTSE100	6,266	-1.6%	FX Last 24 hrs					10 year bond	0.90	-0.01
Commodities (close & change)*								United States		
CRB Index	160.1	-0.9	TWI	61.4	-	-	61.5	3-month T Bill	0.07	-0.01
Gold	1,776.33	-11.5	AUD/USD	0.7385	0.7407	0.7339	0.7344	2 year bond	0.15	-0.01
Copper	7,573.75	80.5	AUD/JPY	76.89	77.11	76.62	76.66	10 year bond	0.84	0.00
Oil (WTI)	45.06	-0.5	AUD/GBP	0.5541	0.5555	0.5505	0.5512	Other (10 year yields)		
Coal (thermal)	69.95	0.7	AUD/NZD	1.0515	1.0522	1.0461	1.0473	Germany	-0.57	0.02
Coal (coking)	105.00	0.9	AUD/EUR	0.6176	0.6187	0.6143	0.6158	Japan	0.03	0.00
Iron Ore	126.12	1.6	AUD/CNH	4.8562	4.8672	4.8321	4.8357	UK	0.31	0.02
			USD Index	91.8	92.0	91.5	92.0			

Data as at 8:30am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Major global share markets declined amid month-end rebalancing while OPEC+ remained undecided about output hikes. Janet Yellen was confirmed as the US Treasury Secretary nominee.

Share Markets: US equities fell overnight in their last trading session of the month. The S&P 500 declined 0.5% from a record high and the Dow slid 0.9%.

European equities also ended November in the red. The Euro Stoxx 50 declined 1.0%, while the DAX edged 0.3% lower and the FTSE 100 slid 1.6%.

The ASX 200 index fell 1.3% yesterday (or 83 points), the worst daily performance in November. However, the index still climbed 10.0% in the month, recording the strongest monthly gain in over 30 years.

Interest Rates: Global bond yields were little changed overnight. In the US, the 10-year bond rate remained unchanged at 0.84%.

Foreign Exchange: The US dollar index initially declined to a fresh two-year low of 91.5 before bouncing back to 92.0. The AUD/USD pair weakened to an overnight low of 0.7344.

Commodities: OPEC+ talks ended on Monday without an agreement on delaying the output hike planned for early next year. None of the members have opposed the change but the precise terms

remain undecided. The stalemate led Saudi Arabia Energy Minister Prince Salman to consider resigning as co-chair of the committee that oversees the OPEC+ deals. Oil prices fell below US\$45.00 a barrel overnight but bounced back to close at US\$45.06 a barrel.

Gold weakened but copper was firmer.

COVID-19: Moderna announced it will file for US and EU clearance for its vaccine on Monday. Novavax, another vaccine developer, indicated the results for its trial will be announced soon.

Australia: Private-sector credit was flat in October, following two flat monthly outcomes. The result was driven by reduced demand for business and other personal credit. Housing credit remained resilient. Business credit slid 0.3%, the sixth consecutive monthly fall. "Other personal credit" improved marginally but still fell 0.7% in October. Housing credit continued to support private sector credit, rising 0.3% in October, mainly driven by owner-occupier credit.

Company profits rose 3.2% in the September quarter, after a sharp 15.8% rise in the June quarter. Solid growth rates were recorded in the accommodation and food industry (up 35.1%) and retail trade (16.4%). The biggest falls in the September quarter were observed in financial services (65.2%) and mining (9.4%).

Inventories decreased 0.5% (or \$0.8 billion) in the September quarter, after a sharp 2.9% decline in the June quarter. The result is associated with a 4.4% partial rebound in sales and indicates inventories will make a contribution of 0.9 percentage points to economic activity in the September quarter.

The Melbourne Institute inflation gauge for November rose 0.3%, taking the annual rate to 1.4%. The trimmed mean annual rate stood at 0.2%, well below the RBA's 2-3% target.

The Reserve Board will meet later today. After the significant stimulus measures announced at their November 3 meeting, we do not expect significant policy changes to be announced today, including around the cash rate and bond-buying program. We believe the RBA will be watching and waiting for now.

Federal Treasurer Frydenberg announced yesterday that the number of JobKeeper recipients in October decreased to 1.5 million workers, from 3.6 million in September. He attributed the fall to "stronger momentum in the economic recovery".

China: The economic recovery in China continued to gain traction in November. The manufacturing purchasing managers' index (PMI) rose to 52.1, its highest level since September 2017. A reading above 50.0 indicates an expansion in the sector. The services PMI edged up to 56.4 in November, from 56.2 in October. The encouraging results were driven by China's successful containment of COVID-19, the easing of restrictions and strong exports.

Eurozone: The International Monetary Fund (IMF) urged the European Central Bank (ECB) to consider employing further stimulus, as the European economy struggles with the pandemic. The IMF warned that unless the course of the pandemic changes "significantly", the economic recovery in the first quarter of next year will be weaker than expected.

New Zealand: Business confidence achieved its highest level since late 2017. The index rose from minus 15.7 in October to minus 6.9 in November. The positive vaccine news was the likely driver of the encouraging result.

United States: Pending home sales declined 1.1% in October, from a 2.0% fall in September. The result disappointed the market and suggested that the recent recovery in the US housing might not be as strong as previously thought.

The MNI Chicago business barometer declined to 58.2 in November from 61.1 in October. However,

the index has been above 50 (indicating expansion in business activity) for the sixth consecutive month.

Richmond Federal Reserve President Barkin indicated the US economy seems to be holding up well despite the surge in coronavirus cases and hospitalisations. He suggested that this scenario makes the case for further monetary stimulus more uncertain.

Today's key data and events:

AU AiG Perf of Mfg Nov prev 56.3 (8:30am)
 AU CoreLogic Dwelling Prices Nov exp 2.0% prev 0.2% (10am)
 AU Balance of Payments Q3 (11:30am)
 Current Account exp \$6.5bn prev \$17.7bn
 Net Exports Contrib. to GDP exp -1.7ppts prev 1ppt
 AU Building Approvals Oct exp -3.0% prev 15.4% (11:30am)
 AU Weekly Payroll Jobs & Wagesw/e Nov 14 (11:30am)
 AU RBA Board Meeting exp 0.10% prev 0.10% (2:30pm)
 CH Caixin Mfg PMI Nov exp 53.5 prev 53.6 (12:45pm)
 EZ CPI Nov y/y exp -0.2% prev -0.3% (9pm)
 US ISM Mfg Nov exp 58.0 prev 59.3 (2am)
 US Construction Spending Oct exp 0.8% prev 0.3% (2am)
 US Fed Chair Powell Appears Before Senate Banking Committee (2am)
 US Fed Governor Brainard Speaks (4am)
 US San Francisco Fed President Daly Speaks (5:15am)
 US Chicago Fed Evans Speaks (7am)

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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