

# Morning Report

Wednesday, 2 December 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,589	1.1%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	29,824	0.6%	10 yr bond	99.04				90 day BBSW	0.02	0.00
Japan Nikkei	26,788	1.3%	3 yr bond	99.83				2 year bond	0.10	0.00
China Shanghai	3,618	1.8%	3 mth bill rate	99.99				3 year bond	0.12	0.00
German DAX	13,382	0.7%	SPI 200	6,622.0				3 year swap	0.13	0.00
UK FTSE100	6,385	1.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.92	0.02
Commodities (close & change)*			TWI	61.5	-	-	61.3	<b>United States</b>		
CRB Index	158.9	-1.1	AUD/USD	0.7344	0.7373	0.7340	0.7371	3-month T Bill	0.08	0.00
Gold	1,814.83	37.9	AUD/JPY	46.66	76.98	76.58	76.87	2 year bond	0.17	0.02
Copper	7,688.00	114.3	AUD/GBP	0.5512	0.5522	0.5480	0.5489	10 year bond	0.92	0.08
Oil (WTI)	44.55	-0.8	AUD/NZD	1.0473	1.0485	1.0418	1.0431	<b>Other (10 year yields)</b>		
Coal (thermal)	69.80	-0.2	AUD/EUR	0.6158	0.6167	0.6104	0.6104	Germany	-0.53	0.04
Coal (coking)	105.00	0.0	AUD/CNH	4.8357	4.8446	4.8208	4.8261	Japan	0.02	-0.01
Iron Ore	127.22	1.1	USD Index	92.0	92.1	91.2	91.2	UK	0.35	0.04

Data as at 8:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** US authorities acknowledge that a stimulus package is required. The USD continues to weaken. Vaccine roll-out plans are taking shape and there appears to be some progress in UK-EU Brexit talks.

**Share Markets:** The Dow pushed above 30,000 in early trade but slipped back later in the session. The Dow rose 0.6% while the S&P500 rose 1.1% to a new record high. European markets firmed with the FTSE100 up 1.9% and the Dax up 0.7%.

In Australia, SPI200 futures are up 41 points suggesting a solid start to today's trade.

**Interest Rates:** The RBA left the cash rate and its three-year government bond target at 0.10% when it met yesterday. The RBA appears ready to extend its bond purchase program if required by the economy.

Positive economic news and optimism over US economic growth in 2021 saw US 10-year government bond yields rise 8 basis points to 0.92%. Their Australian equivalent rose 2 basis points, also to 0.92%.

**Foreign Exchange:** The US dollar index fell to a new two year low of 91.2. Despite this, the AUD has pulled back into the US 73 cent range having traded in the US74 cent range earlier in the week.

**Commodities:** Copper has risen to an eight-year

high while iron ore has risen to seven-year highs. Gold was also firmer overnight on a weaker USD.

**COVID-19:** New cases of COVID-19 in the US continue to exceed 150k per day.

**Australia:** There was an avalanche of data released in Australia yesterday.

Dwelling prices rose 0.8% in November to be up 3.1% on November 2019. All capital cities reported an increase in the month and all capital cities, except for Melbourne, are up on a year earlier.

Building approvals rose 3.8% in October to be up 14.3% on a year earlier. The trough in building approvals appears to have passed.

The current account surplus shrunk by \$6.3 billion in the September quarter to stand at \$10.0 billion. It was the sixth consecutive quarter in which a surplus has been printed. Such a long streak of surpluses has not occurred since the early 1970s.

The Australian Industry Group's index of manufacturing for November fell to 52.1 from 56.3 in October. This suggests some loss of growth momentum in the sector.

Weekly payroll numbers released for the week ending 14 November indicated that the number of payroll jobs now stands at 2.9% below their level of 14 March when the pandemic was declared. Total wages paid was 3.9% below their 14 March level.

The weekly payrolls data shows a steep decline in payroll jobs among firms employing less than 20 workers. Their level of employment is 6.0% below its 14 March level whereas firms employing over 200 employees are only 0.3% below their 14 March level.

**China:** The Caixin China manufacturing purchasing managers index rose to 54.9 in November, up from 53.6 in the previous month. China's economic recovery continues apace.

**Eurozone:** Consumer prices in the Eurozone fell 0.3% in November to be down 0.3% over 12 months. Annual core inflation was measured at 0.2%. Continued low inflation will keep European interest rates at record low levels.

**New Zealand:** CoreLogic's measure of NZ house prices rose 9.2% in the 12 months to November up from 8.0% in the year to October.

**United States:** During Senate testimony, US Fed Chair Jerome Powell and Treasury Secretary Steve Mnuchin both agreed on the need for more fiscal stimulus to help the economy weather rising infections and lockdowns. Powell noted that the risk of doing too much is less than that of doing too little.

The Treasury secretary has yet to review the \$908bn proposal a bipartisan group of lawmakers released in an effort to break the months-long impasse over another relief package. Neither party's leaders have signed on to the plan so far.

Manufacturing in the US expanded at a slower pace in November, easing back from the strongest reading in two years as orders, employment and production cooled. The Institute for Supply Management's gauge of factory activity fell 1.8 points to 57.5 in November. Despite the modest decline, the index remains well above pre-pandemic levels.

Federal Reserve Governor Lael Brainard said last night that more government fiscal aid is needed to prevent deeper damage to a US economy coping with a fresh surge in coronavirus cases. The central bank is "committed to providing sustained accommodation" through ultra-low interest rates and asset purchases, Brainard said in the text of a speech. At the same time, "additional fiscal support is essential to bridge past Covid's second wave in order to avoid labour market scarring, reductions in crucial state and local services, and bankruptcies," she said.

#### Today's key data and events:

NZ Terms of Trade Q3 exp -3.8% prev 2.5% (8:45am)

AU GDP Q3 (11:30am)

q/q exp 3.0% prev -7.0%

y/y exp -3.9% prev -6.3%

AU RBA Governor Lowe's Semi-Annual Parliamentary Testimony (12pm)

EZ PPI Oct exp 0.2% prev 0.3% (9pm)

EZ Unemployment Rate Oct exp 8.4% prev 8.3% (9pm)

US ADP Employment Change Nov exp 430k prev 365k (12:15am)

US Fed Chair Powell Appears Before House Finance Panel (2am)

US New York Fed President Williams Briefs Press (5am)

US Federal Reserve's Beige book (6am)

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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