

# Morning Report

Wednesday, 04 November 2020

| Equities (close & % change)   |          |      | Sydney Futures Exchange (close & change) |         |        |               |         | Interest rates (close & change) |       |       |
|-------------------------------|----------|------|--|---------|--------|---------------|---------|---------------------------------|-------|-------|
| S&P/ASX 200                   | 6,066.4  | 1.9% |  |         | Last   | Overnight Chg |         | Australia                       |       |       |
| US Dow Jones                  | 27,579.6 | 2.4% | 10 yr bond                               | 99.17   |        | -0.05         |         | 90 day BBSW                     | 0.05  | 0.00  |
| Japan Nikkei                  | 23,295.5 | 1.4% | 3 yr bond                                | 99.85   |        | -0.01         |         | 2 year bond                     | 0.10  | -0.02 |
| China Shanghai                | 3,428.4  | 1.4% | 3 mth bill rate                          | 99.99   |        | 0.00          |         | 3 year bond                     | 0.10  | -0.02 |
| German DAX                    | 12,089.0 | 2.6% | SPI 200                                  | 6,067.0 |        | 15            |         | 3 year swap                     | 0.08  | -0.01 |
| UK FTSE100                    | 5,786.8  | 2.3% | FX Last 24 hrs                           | Open    | High   | Low           | Current | 10 year bond                    | 0.77  | -0.05 |
| Commodities (close & change)* |          |      | TWI                                      | 59.3    | -      | -             | 59.5    | United States                   |       |       |
| CRB Index                     | 147.0    | 1.1  | AUD/USD                                  | 0.7054  | 0.7175 | 0.7028        | 0.7149  | 3-month T Bill                  | 0.09  | 0.00  |
| Gold                          | 1,907.2  | 11.7 | AUD/JPY                                  | 73.93   | 75.02  | 73.61         | 74.77   | 2 year bond                     | 0.17  | 0.01  |
| Copper                        | 6,810.3  | 53.3 | AUD/GBP                                  | 0.5465  | 0.5495 | 0.5441        | 0.5491  | 10 year bond                    | 0.88  | 0.04  |
| Oil (WTI)                     | 37.9     | 1.1  | AUD/NZD                                  | 1.0639  | 1.0697 | 1.0605        | 1.0692  | Other (10 year yields)          |       |       |
| Coal (thermal)                | 60.9     | 0.3  | AUD/EUR                                  | 0.6064  | 0.6116 | 0.6033        | 0.6110  | Germany                         | -0.62 | 0.02  |
| Coal (coking)                 | 124.1    | -4.0 | AUD/CNH                                  | 4.7187  | 4.7916 | 4.7014        | 4.7811  | Japan                           | 0.05  | 0.00  |
| Iron Ore                      | 112.8    | -1.7 | USD Index                                | 94.1    | 94.1   | 93.3          | 93.6    | UK                              | 0.27  | 0.05  |

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 elections kicked off overnight. The focus will be on swing states, mainly Florida, Pennsylvania and Ohio. According to polling aggregator RealClearPolitics, Biden would win in Florida and Pennsylvania, but not in Ohio. If he wins in at least one of those three states, Trump will likely lose the race.

Results from FiveThirtyEight data centre suggest Democrats will form majorities in both Senate and House of Representatives.

Polls will start closing at 11am (AEDT) today and should finish at 5am tomorrow. Over 90 million ballots were sent by mail. Processing them will take time, potentially delaying the official results for days.

US markets seemed quite upbeat overnight, perhaps with the prospect of a Biden win. Gains in equities, lower bond rates and weaker US dollar were among the results.

The RBA board met yesterday and announced further stimulus to the Australian economy. They hope to lower financial costs, contribute to lower exchange rates and support asset prices and balance sheets. The Bank upgraded its key forecasts as the Australian economy is doing better than previously anticipated.

**Share Markets:** The US equity market saw strong gains overnight. The Dow rose 1.9% and the S&P500

was up 1.6%.

European markets went in the same direction, with the Euro Stoxx 50 index rising 2.6%. The FTSE 100 was up 2.3% while the German DAX rose 2.6%. Prospects of a Biden win and talks of more stimulus overcame disappointing COVID-19-related news.

The ASX200 reacted positively to the new stimulus proposed by the RBA. The index rose 1.9% and recovered most of last week's fall.

**Interest Rates:** US bond rates increased overnight. The 10-year bond yield rose 4 basis points to 0.88%.

The actions of the RBA led rates across the yield curve to fall. The 3-year yield declined 2 basis points to meet its new 0.10% target.

The 10-year bond rate declined 5 basis points to 0.77%. The 0.11 percentage point gap between this rate and the US correspondent should affect the AUD/USD going forward.

**Foreign Exchange:** The AUD/USD initially edged lower following the RBA announcement but then later increased. Investors were likely more focused on the US election. The pair appreciated nearly one full cent overnight, a rise of 1.2%.

The USD moved lower overnight against most other currencies. The US dollar index fell 0.5 point to 93.6.

**Commodities:** Oil continues to climb as it seems more likely Russia will persuade OPEC to postpone a production hike in January. The WTI rose by more

than a dollar and trades at US\$37.90, a rise of 3.0%. Gold moved back above US\$1,900 and copper was firmer.

**Australia:** The RBA cut all policy rates from 0.25% to 0.10%, except the exchange settlement accounts rate, which fell to zero. In a follow-up call, RBA Governor Lowe mentioned he does not anticipate further cuts.

The Bank will purchase \$100bn of government bonds of any maturities between 5 and 10 years for the next six months. It will continue to buy as much of 3-year bonds as necessary to keep its yield at 0.10%.

The Bank reiterated it will not raise interest rates for at least three years.

**United States:** Durable goods orders rose 1.9% in September, after a flat result in August.

Factory orders increased 1.1% in September from a 0.6% increase in August.

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

AU AiG Perf of Construction Oct prev 45.2 (8:30am)  
NZ Employment Q3 exp -0.7% prev -0.4% (8:45am)  
NZ Pvt Wages Ex. Overtime Q3 exp 0.2% prev 0.2% (8:45am)  
NZ Unemployment Rate Q3 exp 5.3% prev 4.0% (8:45am)  
AU Retail Sales Sep (11:30am)  
Values Sep exp -1.5% prev -4.0%  
Volumes Q3 exp 6.0% prev -3.4%  
AU Weekly Payrolls w/e Oct 17 (11:30am)  
CH Caixin Services PMI Oct exp 55 prev 54.8 (12:45pm)  
EZ PPI Sep y/y exp -2.4% prev -2.5% (9:00pm)  
US ADP Employ. Chg Oct exp 650k prev 749k (12:15am)  
US Trade Balance Sep exp \$-63.9bn prev \$-67.1bn (12:30am)  
US ISM Non-Mfg Oct exp 57.5 prev 57.8 (2:00am)

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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