

Morning Report

Thursday, 05 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,062.1	-0.1%			Last	Overnight Chg		Australia		
US Dow Jones	27,890.1	1.5%	10 yr bond	99.24		0.03		90 day BBSW	0.03	-0.03
Japan Nikkei	23,695.2	1.7%	3 yr bond	99.85		0.00		2 year bond	0.10	0.01
China Shanghai	3,435.1	0.2%	3 mth bill rate	99.99		0.00		3 year bond	0.11	0.01
German DAX	12,324.2	1.9%	SPI 200	6,073.0		19		3 year swap	0.08	0.00
UK FTSE100	5,883.3	1.7%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.79	0.02
Commodities (close & change)*			TWI	59.5	-	-	60.2	United States		
CRB Index	148.9	1.9	AUD/USD	0.7149	0.7222	0.7049	0.7170	3-month T Bill	0.09	-0.01
Gold	1,898.2	-11.0	AUD/JPY	74.77	75.48	74.08	74.94	2 year bond	0.14	-0.02
Copper	6,831.0	20.8	AUD/GBP	0.5491	0.5535	0.5445	0.5522	10 year bond	0.77	-0.13
Oil (WTI)	39.0	1.4	AUD/NZD	1.0692	1.0739	1.0651	1.0715	Other (10 year yields)		
Coal (thermal)	61.5	0.1	AUD/EUR	0.6110	0.6140	0.6059	0.6119	Germany	-0.64	-0.02
Coal (coking)	124.0	-0.1	AUD/CNH	4.7811	4.8027	4.7489	4.7497	Japan	0.04	-0.01
Iron Ore	113.0	0.2	USD Index	93.6	94.3	93.3	93.5	UK	0.21	-0.07

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: The US election took centre stage overnight. Biden managed to win in the key state of Wisconsin. He now has 248 electoral votes against Trump's 214.

The race has been tight in most states and the result continues to be uncertain. Should Biden win in Nevada and Michigan, where he currently has a narrow majority, he wins the election.

President Trump is taking the election results to the supreme court as he considers he has been disadvantaged.

There is a high chance the House of Representatives will form a Democrat majority, unlike the Senate. Currently, Democrats hold 202 seats in the House against Republican's 186. To form a majority, a party needs 218 seats.

In the Senate, a majority is formed with 50 senators. Republicans hold 48 seats while Democrats hold 47. Although a tight race, Republicans are more likely to take the Senate.

The election led equities to rise sharply and bond rates to tumble.

Central Banks in the US and UK meet today. The Bank of England (BoE) is the only one likely to change its policies.

Share Markets: US equities had a strong night. The Dow rose 1.5%, the S&P500 2.3% and the Nasdaq 3.9%.

European equities were also strong. The Euro Stoxx 50 index increased 2.0% while the German DAX rose 1.9%. The FTSE 100 advanced 1.7% boosted by the expectation of further stimulus from the BoE.

The ASX200 retreated 0.1% in a bumpy session yesterday.

Interest Rates: The US 10-year bond rate tumbled 13 basis points overnight, reaching 0.77%. It was the biggest fall in over seven months. The 2-year rate fell 2 basis points to 0.14%.

In Australia, the 10-year rate rose 2 basis points, to 0.79%. Rates of other maturities remained stable.

Foreign Exchange: The AUD/USD rose 0.3% to 0.7170. The US dollar index was steady overnight at 93.5 points.

Commodities: Oil continued to gain ground. The WTI rose 3.5% overnight reaching US\$39. Shrinking US crude stockpiles sent the commodity to its third gain this week.

Copper edged higher and gold returned to trade below the US\$1,900 mark.

Australia: Retail sales declined 1.1% in September, after a 4.0% fall in August. This contraction suggests sales are still fragile in face of the pandemic. However, retail volumes rose 6.5% in the September quarter, after a sharp 3.5% fall in the June quarter.

Payroll jobs declined 4.4% in the week ending

October 17 relative to the week ending March 14. Wages paid contracted 5.1% in the same period. Victoria experienced the sharpest decline in payroll jobs (8.0%) and wages (6.2%).

The construction sector showed signs of expansion in October, something not seen in nearly two years. The AiG performance of construction index rose 7.5 points to 52.7. A figure larger than 50 indicates expansion in the sector.

China: The Caixin services purchaser manager's index (PMI) for October rose 2 points to 56.8.

New Zealand: The unemployment rate for the September quarter increased to 5.3% from 4.0% in the June quarter. The number of people unemployed rose by 37,000 – the biggest quarterly increase since records began in 1986. Employment fell 0.8% in the September quarter, after a 0.3% fall in the June quarter.

A decimated tourism sector, a weak economy and a three-week lockdown in Auckland contributed to the weakness. Further increases in the unemployment rate are expected as government wage subsidies came to an end in September.

United Kingdom: The BoE is expected to announce an extension in its bond-buying program. It should announce a £100 bn expansion to support growth amid new lockdowns in the country.

United States: The ADP data institute released private employment changes for October. 365,000 jobs were added, following an increase of 753,000 in September.

The trade balance narrowed in September. A deficit of \$63.9 bn was recorded, after a \$67.0 bn deficit in August.

Today's key data and events:

AU Trade Balance Sep \$3.7bn prev \$2.6bn (11:30am)
EZ Retail Sales Sep exp -1.5% prev 4.4% (9:00pm)
NZ ANZ Business Confidence Nov (11:00am)
UK BoE Policy Decision prev 0.10% (11:00pm)
US FOMC Policy Decision exp 0.25% prev 0.25% (6:00am)

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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