

Morning Report

Friday, 06 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,139.6	1.3%			Last	Overnight Chg		Australia		
US Dow Jones	28,391.9	2.0%	10 yr bond		99.25	-0.01		90 day BBSW	0.02	-0.01
Japan Nikkei	24,105.3	1.7%	3 yr bond		99.85	0.00		2 year bond	0.10	0.00
China Shanghai	3,479.8	1.3%	3 mth bill rate		99.99	0.00		3 year bond	0.10	0.00
German DAX	12,568.1	2.0%	SPI 200		6,164.0	40		3 year swap	0.08	0.01
UK FTSE100	5,906.2	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.74	-0.05
Commodities (close & change)*			TWI		60.2	-	-	60.4	United States	
CRB Index	149.2	0.3	AUD/USD	0.7170	0.7289	0.7145	0.7275	3-month T Bill	0.09	0.00
Gold	1,949.9	47.0	AUD/JPY	74.94	75.46	74.56	75.32	2 year bond	0.15	0.00
Copper	6,844.3	13.3	AUD/GBP	0.5522	0.5555	0.5513	0.5539	10 year bond	0.77	0.01
Oil (WTI)	38.6	-0.5	AUD/NZD	1.0715	1.0759	1.0688	1.0750	Other (10 year yields)		
Coal (thermal)	62.7	1.2	AUD/EUR	0.6119	0.6161	0.6100	0.6152	Germany	-0.64	0.00
Coal (coking)	119.1	-4.9	AUD/CNH	4.7497	4.8179	4.7461	4.8075	Japan	0.02	-0.02
Iron Ore	113.1	0.1	USD Index	93.5	93.5	92.5	92.6	UK	0.23	0.03

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 result is not yet finalised, although Joe Biden has inched closer to the finish line. Currently, Biden has secured 264 electoral votes while President Trump holds 214. Vote counting is continuing in the key swing states of Arizona, Georgia, Nevada and Pennsylvania. Margins are narrow in these states.

Share Markets: US share market bourses continued to rally with the Dow Jones index rising 2.0% the Nasdaq 2.6%. The S&P500 climbed 2.3%, close to its all-time high.

The Euro Stoxx 50 rose 1.7% and the German DAX was up 2.0%. The UK FTSE100 was 0.4% higher, supported by the announcement of further economic stimulus from the Bank of England (BoE).

The ASX200 rose 1.3% yesterday, reaching its highest level since October 26.

Interest Rates: US bond rates were relatively stable overnight with the 10-year bond yield climbing just 1 basis point to 0.77%. The US 2-year bond yield ended the overnight session unchanged.

The 10-year bond rate in Australia declined 5 basis points to 0.74%. Rates at the shorter end of the yield curve remained steady.

Foreign Exchange: The US dollar weakened to its lowest value in more than two years. The USD index fell 1.0% overnight to a low of 92.5.

The AUD/USD rose 1.5% to a six-week high of

0.7275, mainly due to a weaker US dollar.

Commodities: After a four-day streak of gains, oil prices receded overnight. The WTI quote for oil fell 1.4% to US\$38.60 a barrel.

Gold recovered from yesterday's losses and climbed 2.4% overnight to US\$1,949.9 an ounce.

Australia: The trade surplus widened \$3.0bn to a \$5.6bn surplus in September. Exports climbed 3.9%, mainly driven by resource exports (adding \$1.1bn). Imports fell 5.9% in September, mainly due to falls in imports of textiles, clothing and footwear.

Euro zone: Retail sales fell 2.0% in September, after a rise of 4.2% in August. It was the biggest monthly decline since a record slump was recorded in April.

New Zealand: The ANZ business confidence index remained steady in November at -15.6 points. The winding back of the government's Covid-19 wage subsidies should pose challenges to companies in the months ahead.

United Kingdom: The BoE boosted its bond-buying program target by £150bn to £875bn. It was a larger programme than what the market consensus anticipated. The key policy rate, the Bank rate, remained at 0.10%. The BoE indicated it would continue to review its policy given the downside risks to the economic outlook and the challenges it faces in achieving its inflation goals. The pandemic has forced the BoE to provide further stimulus to its

struggling economy, especially after the new lockdowns in parts of the country.

The UK Chancellor Rishi Sunak announced the continuation of the government's employment support until the end of March 2021.

United States: The Federal Open Market Committee (FOMC) left its policy stance unchanged overnight. The federal funds rate was kept at the 0-0.25% range and the bond-buying program target of US\$120bn per month was maintained. The decision was widely expected. There were also few changes in the accompanying policy statement compared to September's. The FOMC reiterated it is committed to using its full range of tools to support the economy. The statement said that it is prepared to adjust policy "as appropriate if risks emerge" and that "economic activity and employment have continued to recover but remain well below their levels at the beginning of the year".

Initial jobless claims for the week ending October 32 fell to 751,000, a drop of 7,000 from the previous week. The reading is still very high by historical standards. The trend in this data suggests the ability of the US economy to add jobs and keep people off assistance is quickly weakening.

Today's key data and events:

AU AiG Perf of Services Oct prev 36.2 (8:30am)

AU RBA Quarterly Statement on Monetary Policy (11:30am)

EZ Germany Factory Orders Sep prev 4.5% (6:00pm)

US Employment Report Oct (12:30am)

Non-farm Payrolls exp 590k prev 661k

Unemployment Rate Oct exp 7.7% prev 7.9%

Avg Hourly Earnings Oct exp 0.2% prev 0.1%

US Consumer Credit Sep exp \$7.7bn prev -\$7.2bn (7:00am)

CH Trade Oct exp US\$46.1bn prev US\$37.0bn (Sat 7 Nov)

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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