

Morning Report

Tuesday, 8 December 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,675	0.6%	Last		Overnight Chg			Australia		
US Dow Jones	30,069	-0.5%	10 yr bond	98.98	0.02			90 day BBSW	0.02	0.00
Japan Nikkei	26,547	-0.8%	3 yr bond	99.81	0.00			2 year bond	0.10	0.00
China Shanghai	3,581	-0.8%	3 mth bill rate	99.98	-0.01			3 year bond	0.13	0.01
German DAX	13,271	-0.2%	SPI 200	6,654.0	-17			3 year swap	0.14	0.00
UK FTSE100	6,555	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.04	0.04
Commodities (close & change)*			TWI	61.4	-	-	61.5	United States		
CRB Index	159.0	-0.9	AUD/USD	0.7432	0.7453	0.7373	0.7424	3-month TBill	0.07	0.00
Gold	1,864.28	25.4	AUD/JPY	77.37	77.51	76.90	77.24	2 year bond	0.14	-0.01
Copper	7,697.75	-56.0	AUD/GBP	0.5552	0.5598	0.5529	0.5548	10 year bond	0.93	-0.03
Oil (WTI)	45.67	-0.6	AUD/NZD	1.0539	1.0561	1.0517	1.0538	Other (10 year yields)		
Coal (thermal)	77.35	1.6	AUD/EUR	0.6124	0.6142	0.6097	0.6131	Germany	-0.58	-0.03
Coal (coking)	104.14	-3.9	AUD/CNH	4.8401	4.8551	4.8175	4.8404	Japan	0.02	0.00
Iron Ore	144.07	3.8	USD Index	90.7	91.2	90.6	90.9	UK	0.28	-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: Global financial markets were focused on developments in the US stimulus package and Brexit negotiations, but neither progressed.

Share Markets: Major US share markets edged lower overnight, except the Nasdaq, which reached a new all-time high. The Dow Jones fell 0.5% and the S&P 500 declined 0.2%. The Nasdaq edged 0.5% higher.

European equities were mixed, with the FTSE 100 finishing the day with a 0.1% gain and the DAX declining 0.2%.

The ASX 200 gained 41 points (or 0.6%) yesterday, completing a five-day streak of gains. The index has been supported by the strong performance of mining companies as iron ore prices continue to rise.

Interest Rates: US government bond yields edged lower overnight. The 2-year bond rate fell 1 basis point to 0.14%, while the 10-year yield fell 3 basis points to 0.93%.

The Australian yield curve steepened a touch, with the 3-year bond yield rising 1 basis point and the 10-year bond rate rising 4 basis point to 1.04%.

Foreign Exchange: The AUD/USD traded around its opening level of 0.7432 before weakening to its daily low of 0.7373. Later, the pair strengthened to

0.7424.

The US dollar edged higher among most of the G-10 basket of currencies in the overnight trade. The US dollar index rose 0.2 to 90.9.

Commodities: Gold returned to trade above US\$1,840.00, reaching US\$1,864.28 per ounce, the highest level in two weeks.

Iron ore was firmer, but oil was weaker.

COVID-19: The number of global infections surpassed 67 million overnight, as record infections swept across the US. Specialists warn that the number of infections in mid-January might accelerate in the US because of Christmas gatherings.

Australia: The services sector showed signs of expansion in November. The Australian Industrial Group (AiG) performance of services index rose 1.5 points to 52.9 in November. Businesses in the sector reported better prospects for sales and employment, contributing to the positive result.

The ANZ Job Advertisements index rose 13.9% in November with over 145,000 ads. This is the seventh consecutive monthly increase. However, in annual terms, job ads are still down 3.3%.

NSW and Victoria had their credit ratings downgraded by S&P Global yesterday. The move comes after both States revealed massive budget deficits and soaring debt levels in their 2020-21

State Budgets. The NSW rating is now AA+ (a one-notch downgrade from AAA) while Victoria stands at AA (a two-notch downgrade). Last month, Reserve Bank Governor Lowe indicated the Bank would not stop purchasing State government bonds if downgrades occurred.

China: The trade balance widened to a record \$75.4bn in November, from \$58.4bn in October. This is the largest surplus since the series began in 1990. Global trade showed signs of recovery in November, contributing to the record surplus. The surge in new infections in the US and Europe may further increase demand for China's exports of personal protective gear and work-from-home devices.

Exports soared 21.1% in dollar terms from November 2019, surprising market expectations. Imports were weaker than expected, growing at 4.5% on an annual basis.

Eurozone: No major data releases.

United Kingdom: Prime Minister Johnson and European Union Chief Von der Leyen agreed to meet in the coming days for further Brexit talks. In a joint statement, the leaders indicated differences are still blocking a deal. A summary of those differences should be published in the coming days.

United States: There were no new developments on a stimulus package, as Republicans and Democrats continue to struggle to reach a deal.

Today's key data and events:

AU NAB Business Survey Nov (11:30am)

Business Conditions prev 1

Business Confidence prev 5

EZ EU ZEW Expectations Dec prev 32.8 (9pm)

EZ GDP Q3 Final exp 12.6% prev 12.6% (9pm)

US NFIB Small Business Optimism Nov exp 102.5 prev 104.0 (10pm)

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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