

Morning Report

Wednesday, 9 December 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,688	0.2%			Last	Overnight Chg		Australia		
US Dow Jones	30,183	0.4%	10 yr bond	99.01		0.03		90 day BBSW	0.02	0.00
Japan Nikkei	26,467	-0.3%	3 yr bond	99.82		0.00		2 year bond	0.09	0.00
China Shanghai	3,575	-0.2%	3 mth bill rate	99.99		0.00		3 year bond	0.13	0.00
German DAX	13,278	0.1%	SPI 200	6,718.0		30		3 year swap	0.14	0.00
UK FTSE100	6,559	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.02	-0.01
Commodities (close & change)*			TWI	61.5	-	-	61.5	United States		
CRB Index	158.3	-0.7	AUD/USD	0.7424	0.7435	0.7399	0.7404	3-month T Bill	0.07	0.00
Gold	1,870.63	7.9	AUD/JPY	77.24	77.37	77.07	77.13	2 year bond	0.15	0.01
Copper	7,681.50	-16.3	AUD/GBP	0.5548	0.5582	0.5541	0.5546	10 year bond	0.91	-0.01
Oil (WTI)	45.63	-0.1	AUD/NZD	1.0538	1.0563	1.0513	1.0521	Other (10 year yields)		
Coal (thermal)	75.95	-0.3	AUD/EUR	0.6131	0.6133	0.6110	0.6119	Germany	-0.61	-0.03
Coal (coking)	103.29	-0.8	AUD/CNH	4.8404	4.8457	4.8243	4.8277	Japan	0.02	0.00
Iron Ore	144.94	0.9	USD Index	90.9	91.0	90.8	91.0	UK	0.26	-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: US stimulus speculation and vaccine optimism lifted spirits and markets overnight. Brexit negotiations continue.

Share Markets: US markets rose to record levels as investors contemplated the impact of a stimulus package and the rollout of a vaccine over the course of 2021. The Dow rose 0.4%, the S&P500 was up 0.3% and the Nasdaq rose 0.5%.

European markets were subdued. The FTSE100 eked out a 0.1% gain as Brexit uncertainty continued. The Dax also rose by 0.1% and the Euro Stoxx 50 fell 0.1%.

Locally, ASX200 rose for a sixth straight day, rising 0.2% yesterday.

Interest Rates: There was minimal movement in short-term interest rate markets overnight.

Ten-year government bond yields fell 1 basis point in the US to 0.91% and by 3 basis points in Germany and the UK. UK 10-year bonds are yielding 0.26% while in Germany the yield is negative 0.61%.

Foreign Exchange: The US dollar index rose marginally overnight with the AUD briefly dipping below \$US74 before recovering back to 0.7404.

Commodities: Oil edged lower as traders weighed the short-term impact on demand from the high level of global COVID-19 infections versus the medium-term impact of a vaccine and a US stimulus

package.

Gold was marginally firmer but copper, and coal prices edged down. Iron ore was firmer as Chinese demand remains strong.

COVID-19: Vaccinations begin in the UK. US President-elect Biden vows that the US will administer 100 million doses of vaccine in the first 100 days of his presidency.

Australia: Business confidence rose sharply to its highest level since early 2017, driven by surging confidence in Victoria. The NAB survey's measure of business confidence, rose from 3.2 in October to 12.4 in November as restrictions were eased in Victoria. The business conditions index rose from 2 in October to 8.8 in November, its highest level since early 2019. Despite a lift in confidence, Victoria's business conditions weakened marginally, and its index remains below zero, indicating a deterioration.

China: No major data was released yesterday but today sees the release of its consumer price index which could show that prices fell over the year. This would be the first time annual aggregate consumer prices had fallen since 2009.

Eurozone: Similar to the US and Australian experience, the Eurozone's September quarter aggregate GDP rose strongly following a sharp decline in the June quarter. GDP rose 12.5% in Q3

following a decline of 11.7% in Q2.

Business confidence is on the rise in Europe despite the ongoing wave COVID-19 infections. Expectations surrounding the rollout of vaccines are high with the ZEW survey of investor expectations rising from 32.8 in November to 54.4 in December. Expectations had peaked at 73.9 in September prior to the second wave of COVID-19.

United Kingdom: Four and a half years after the Brexit referendum in June 2016 and 10 ½ months after the UK officially left EU, there is still have no deal in place for post Brexit trade arrangements. UK PM Johnson is set to have a personal meeting with European Commission President Von der Leyden in an attempt to move negotiations forward.

United States: The National Federation of Independent Business (NFIB) index of small business optimism dipped in November as COVID-19 cases surged. The index had recovered to pre-pandemic levels in October, reaching 104.0 but slipped in November to 101.4.

Today's key data and events:

AU WBC-MI Consumer Confidence Dec prev 107.7
(10:30am)

CH PPI Nov y/y exp -1.8% prev -2.1% (12:30pm)

CH CPI Nov y/y exp 0.0% prev 0.5% (12:30pm)

US MBA Mortgage Applications Dec 4 prev -0.6% (11pm)

US Wholesale Trade Sales Oct prev 0.1% (2am)

US JOLTS Job Openings Oct exp 6300 prev 6436 (2am)

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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