

Morning Report

Thursday, 10 December 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,728	0.6%			Last	Overnight Chg		Australia		
US Dow Jones	30,065	-0.4%	10 yr bond	98.99		0.01		90 day BBSW	0.02	0.00
Japan Nikkei	26,818	1.3%	3 yr bond	99.82		0.00		2 year bond	0.09	0.00
China Shanghai	3,534	-1.1%	3 mth bill rate	99.99		0.00		3 year bond	0.14	0.01
German DAX	13,340	0.5%	SPI 200	6,690.0		-37		3 year swap	0.15	0.01
UK FTSE100	6,564	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.03	0.00
Commodities (close & change)*			TWI	61.5	-	-	61.5	United States		
CRB Index	158.9	0.6	AUD/USD	0.7404	0.7485	0.7405	0.7439	3-month T Bill	0.07	0.00
Gold	1,838.95	-31.6	AUD/JPY	77.13	77.95	77.11	77.53	2 year bond	0.15	0.00
Copper	7,707.50	26.0	AUD/GBP	0.5546	0.5574	0.5541	0.5553	10 year bond	0.94	0.02
Oil (WTI)	45.64	0.0	AUD/NZD	1.0521	1.0593	1.0515	1.0594	Other (10 year yields)		
Coal (thermal)	78.00	1.3	AUD/EUR	0.6119	0.6181	0.6117	0.6158	Germany	-0.61	0.00
Coal (coking)	100.00	-3.3	AUD/CNH	4.8277	4.8753	4.8275	4.8584	Japan	0.02	0.00
Iron Ore	146.64	1.7	USD Index	91.0	91.2	90.7	91.0	UK	0.26	0.00

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 talks hit another stalemate, souring market sentiment. Brexit negotiations continue amid rising coronavirus infections, but progress was made on Europe's stimulus plan.

Share Markets: Major US equity markets declined overnight on the back of the stalemate over the stimulus plan negotiations. The Dow Jones fell 0.4% while the S&P 500 declined 0.9%. The Nasdaq tumbled 1.9%.

European equities were mixed amid the progress of Europe's stimulus deal, Brexit talks and rising infections. The Euro Stoxx 50 rose a timid 0.1%, as did the FTSE 100. The DAX rose 0.5% but the CAC 40 lost 0.3%.

The ASX 200 gained 41 points (or 0.6%) yesterday, completing seven days of consecutive gains. The mining and healthcare sectors have contributed to the positive performance.

Interest Rates: US government bond rates were little changed overnight. The 10-year bond yield rose 2 basis points to 0.94%, while the 2-year rate remained unchanged at 0.15%.

The Australian yield curve also changed minimally, with the 3-year bond rate rising 1 basis point to 0.14% and the 10-year yield remaining unchanged at 1.03%.

Foreign Exchange: The AUD/USD pair remained

within the US\$74 cent range in overnight trade. It reached a high of 0.7485 before settling to 0.7438.

The US dollar index remained unchanged in overnight trade at 91.0.

Commodities: Oil remained stable after it was revealed US stocks remained high. West Texas Intermediate currently trades at US\$45.64 a barrel.

Gold declined 1.7% overnight to US\$1,838.95 an ounce. Iron ore and copper were stronger.

COVID-19: The US centre for disease control and prevention forecasts the US will surpass 300,000 deaths by Christmas. France and Germany continued to report rising infections despite lockdowns being in place.

Canada has become the second country to approve the Pfizer/BioNTech vaccine.

Australia: Consumer sentiment, as measured by the Westpac-Melbourne index, rose to a ten year high in December. The index lifted 4.1% in December to 112, up from 107.1 in November and up from a low of 76 in April. The question, as always, is – will the lift in consumer sentiment translate into an increase in spending? A decline in Australia's savings ratio from close to 20%, back down towards 10%, or lower, would provide a very strong tailwind for GDP growth in 2021.

The Australian Government released its first

Population Statement yesterday. Among its findings were that Australia's population is estimated to be around 4% smaller (1.1 million fewer people) by 30 June 2031 than it would have been in the absence of COVID-19. The population will also be older due to reduced net overseas migration and fewer births.

Despite COVID-19, Australia's population is still growing and is expected to reach 28 million during 2028–29, three years later than estimated in the absence of COVID-19.

China: Consumer prices fell 0.5% in the 12 months to November. It was the first time since 2009 that the annual rate of consumer price inflation had turned negative. Producer prices were also negative in the year to November, falling 1.5% compared to a 2.1% decline in the 12 months to October.

Eurozone: Hungary and Poland reached a compromise with Germany to unblock the EU's US\$2.2 trillion budget and pandemic stimulus plan. The deal could be finalised by Friday.

New Zealand: Manufacturing volumes surged 17.3% in the September quarter following a 12.0% decline in the June quarter.

United Kingdom: On Brexit, Prime Minister Johnson will hold talks over dinner (UK time) with European Commission Chief Von der Leyen. Disagreements about fishing rules and fair competition rules for businesses should dominate the negotiations.

United States: US Job openings rose in October to a three-month high of 6.65 million, according to the Labour Department's Job Openings and Labour Turnover Survey (JOLTS). The result beat market expectations of a decline, and suggests a gradual improvement in the labour market.

Wholesale trade rose 1.8% in October, completing a six-month streak of monthly gains.

The mortgage market index fell 1.2% in the week ending on December 4. The decrease in the number of mortgage applications came mostly because of a 5.0% fall in house purchases in the week of reference.

The Republican and Democratic lawmakers working on a relief plan delivered more details of their \$908 billion package overnight. However, disagreements over aid to state & local authorities and appropriate protections to employers continue to prevent a deal. The stalemate sent US equity markets south overnight.

Today's key data and events:

UK Industrial production Oct exp 0.3% prev 0.5% (6pm)

EZ ECB Decision exp 0.0% prev 0.0% (11:45pm)

US CPI Nov exp 0.1% prev 0.0% (12:30am)

US Initial Jobless claims Dec 5 exp 725k prev 712k (12.30am)

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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