

Morning Report

Tuesday, 10 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,299	1.8%			Last	Overnight Chg		Australia		
US Dow Jones	29,158	2.9%	10 yr bond		99.11	-0.12		90 day BBSW	0.02	0.00
Japan Nikkei	24,840	2.1%	3 yr bond		99.84	-0.01		2 year bond	0.10	0.00
China Shanghai	3,536	1.9%	3 mth bill rate		99.99	0.00		3 year bond	0.10	-0.01
German DAX	13,096	4.9%	SPI 200		6,434.0	130		3 year swap	0.07	0.00
UK FTSE100	6,186	4.7%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.77	0.02
Commodities (close & change)*			TWI		60.9	-	-	60.8	United States	
CRB Index	151.3	3.6	AUD/USD	0.7274	0.7340	0.7267	0.7278	3-month T Bill	0.09	0.00
Gold	1,867.95	-83.4	AUD/JPY	75.02	77.04	75.09	76.69	2 year bond	0.17	0.02
Copper	6,904.50	-31.8	AUD/GBP	0.5525	0.5575	0.5517	0.5532	10 year bond	0.93	0.11
Oil (WTI)	39.94	2.8	AUD/NZD	1.0717	1.0731	1.0667	1.0671	Other (10 year yields)		
Coal (thermal)	62.15	-0.2	AUD/EUR	0.6114	0.6170	0.6116	0.6162	Germany	-0.51	0.11
Coal (coking)	121.79	2.8	AUD/CNH	4.7951	4.8395	4.7686	4.8156	Japan	0.02	0.00
Iron Ore	117.99	3.8	USD Index	92.2	92.9620	92.1300	92.8	UK	0.37	0.10

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: News of a possible effective vaccine sent share markets higher overnight and underpinned the appetite for risk. US bond yields and the US dollar rose also.

Share Markets: In the US, the Dow Jones rose 2.9% overnight and the S&P500 increased 1.2%. The Nasdaq index fell slightly amid fears video conferencing platforms will underperform in a COVID-19-free world. Equities were supported by encouraging news over a vaccine for COVID-19.

In Europe, gains were even stronger. The German DAX increased 4.9% and the UK FTSE100 rose 4.7%. The Euro Stoxx 50 index soared 6.4%.

The ASX200 added 109 points (or 1.8%) yesterday as investors welcomed the end of uncertainty surrounding the US election. The index is at its highest level since March 5.

Interest Rates: US government bond yields lifted overnight, and the US yield curve steepened further from yesterday. The 2-year bond rate rose 2 basis points while the 10-year rate rose 11 basis points.

The Australian 10-year bond rate lifted 2 basis points to 0.77%.

Foreign Exchange: The US dollar strengthened against a basket of major currencies overnight.

The Australian dollar strengthened against the US dollar. Initially, it rose from 0.7267 to a near two-month high of 0.7340, but later declined to 0.7278.

Commodities: OPEC+ members openly discussed the possibility of postponing the increase in oil production, scheduled for January. The OPEC+ meeting and the news of an effective vaccine caused oil prices to surge. The West Texas Intermediate (WTI) quote for oil rose 7.5% overnight to US\$39.94 a barrel.

Gold fell to US\$1,867.95 an ounce. Other commodities were mixed.

COVID-19: A vaccine developed by Pfizer and BioNTech claims to protect over 90% of people from COVID-19. According to specialists, this is an extraordinary result as initial vaccine effectiveness usually ranges between 60% to 70%.

The vaccine was taken by tens of thousands of volunteers and results are still considered preliminary. However, this encouraging news may pave the way for companies to seek fast-tracking approvals if results are later confirmed.

Australia: There was no major economic data published yesterday in Australia.

Euro zone: The Sentix investor confidence index declined in November, although not as much as consensus expected. The index fell from a negative reading of 8.3 in October to negative 10.0 in November, which is the lowest level in three months. A negative figure indicates pessimism over future economic prospects. The result is

unsurprising given the recent surge in COVID-19 in Europe.

Today's key data and events:

AU ANZ Roy Morgan Consumer Confidence Index w/e Nov 8
prev 99.9 (9:30am)

JN Current Account Sep exp ¥1793.7bn prev ¥1647.5bn
(10:50am)

AU NAB Business Survey Oct (11:30am)

Business Conditions Oct prev 0

Business Confidence Oct prev -4

CH PPI Oct y/y exp -1.9% prev -2.1% (12:30pm)

CH CPI Oct y/y exp 0.8% prev 1.7% (12:30pm)

UK ILO Unemploy. Rate Sep 3 Mths exp 4.8% prev 4.5%
(6:00pm)

EZ ZEW Expectations Nov prev 52.3 (9:00pm)

US NFIB Small Business Optimism Oct exp 104.1 prev 104.0
(10:00pm)

US JOLTS Job Openings Sep exp 6500 prev 6493 (2:00am)

US Federal Reserve's Rosengren & Kaplan Speeches
(2:00am)

US Federal Reserve's Kaplan Speech (4:00am)

US Federal Reserve's Quarles Senate Testimony (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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