

Morning Report

Thursday, 12 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,450	1.7%			Last	Overnight Chg		Australia		
US Dow Jones	29,398	-0.1%	10 yr bond	99.07		0.06		90 day BBSW	0.02	0.00
Japan Nikkei	25,350	1.8%	3 yr bond	99.82		0.00		2 year bond	0.11	0.00
China Shanghai	3,503	-0.5%	3 mth bill rate	99.98		0.00		3 year bond	0.12	0.01
German DAX	13,216	0.4%	SPI 200	6,471.0		32		3 year swap	0.12	0.02
UK FTSE100	6,382	1.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.99	0.07
Commodities (close & change)*			TWI	61.0	-	-	61.1	United States		
CRB Index	153.6	0.1	AUD/USD	0.7283	0.7318	0.7260	0.7282	3-month T Bill	0.09	closed
Gold	1,864.78	-12.5	AUD/JPY	76.67	77.10	76.51	76.76	2 year bond	0.18	closed
Copper	6,868.75	-46.5	AUD/GBP	0.5488	0.5513	0.5483	0.5510	10 year bond	0.98	closed
Oil (WTI)	41.53	0.2	AUD/NZD	1.0616	1.0686	1.0571	1.0575	Other (10 year yields)		
Coal (thermal)	62.45	0.2	AUD/EUR	0.6162	0.6194	0.6156	0.6181	Germany	-0.51	-0.02
Coal (coking)	107.00	-3.9	AUD/CNH	4.8067	4.8296	4.8011	4.8189	Japan	0.04	0.00
Iron Ore	121.11	2.0	USD Index	92.8	93.2	92.6	93.0	UK	0.41	0.01

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 dollar strength and dampened optimism regarding vaccines were key themes overnight with little in terms of data. US bond markets were closed.

Share Markets: US markets were mixed with the Dow marginally lower but tech stocks lifting the S&P500 and the Nasdaq. The Dow fell 0.1%, the S&P500 was up 0.8% and the Nasdaq rose 2.0%. Markets in Europe were positive with the FTSE100 rising 1.4% and the Dax up 0.4%.

Interest Rates: US bond markets were closed overnight but futures did trade. Australian 10-year bond yields rose, lifting 7 basis points to 0.99%. There was little movement at the shorter end of the yield curve in Australia with 3-year bond yields close to the RBA's target.

Foreign Exchange: The US dollar was stronger against major currencies with the US dollar index rising from 92.8 to 93.1. The NZ dollar was firmer following further economic stimulus from its Reserve Bank. The NZ dollar is now at its highest level against the US dollar since March 2019. The Australian dollar traded in the \$US73 cent range but has since slipped back on US dollar strength.

Commodities: Oil was firmer, gold was down as was copper.

COVID-19: The United Kingdom became the first country in Europe to exceed 50,000 deaths

although new cases are edging lower. The level of infections in New York is approaching the level at which authorities are considering closing schools. Infections in the state of Texas have now exceeded the 1 million mark.

Australia: Consumer sentiment rose 2.5% in November to 107.7 after sharp increases in September (18.0%) and October (11.9%). The index is now well above pre-pandemic levels.

Among the States, South Australia (SA) saw the largest increase. Consumer sentiment soared 14.7% in SA, the highest increase in nearly 5 years. Victoria (9.0%) and Queensland (6.5%) were also more optimistic. However, sentiment fell by 5.5% in NSW and 2.2% in Western Australia.

Euro zone: European Central Bank President Lagarde signalled that she will continue to push for monetary stimulus in the face of ongoing COVID-19 difficulties in Europe.

New Zealand: The Reserve Bank of New Zealand (RBNZ) added further economic stimulus yesterday by introducing a Funding for Lending Programme (FLP), maintaining the bond-buying programme, and discussing the possibility of lowering the official cash rate below zero next year. This was broadly in line with market expectations.

House sales in New Zealand rose 25% in the twelve months to October. While this is down on the

37.1% rise in the twelve months to September, the level of activity has been such that the RBNZ is in discussions regarding restraints on home lending.

United States: Mortgage applications slipped 0.5% in the first week of November following solid rise in the second half of October. Mortgage applications have stabilised following weakness earlier in the year.

Today's key data and events:

NZ Net Migration Sep prev 1133 (8:45am)
AU WBC-MI Consumer Inflation Expectations Nov prev 3.4% (11am)
UK GDP Q3 exp 15.8% prev -19.8% (6pm)
UK Industrial Production Sep exp 1.0% prev 0.3% (6pm)
UK Trade Balance Sep exp £850mn prev £1364mn (6pm)
EZ ECB Economic Bulletin (8pm)
EZ Industrial Production Sep exp 0.6% prev 0.7% (9pm)
US CPI Oct exp 0.1% prev 0.2% (12:30am)
US Initial Jobless Claims Nov 7 exp 732k prev 751k (12:30am)
US Federal Reserve's Evans Speech (5am)

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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