

Morning Report

Monday, 12 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,102.2	0.0%			Last	Overnight Chg		Australia		
US Dow Jones	28,586.9	0.6%	10 yr bond	99.14		0.00	90 day BBSW	0.08	0.00	
Japan Nikkei	23,619.7	-0.1%	3 yr bond	99.82		0.00	2 year bond	0.15	0.00	
China Shanghai	3,429.3	1.7%	3 mth bill rate	99.94		0.00	3 year bond	0.14	0.00	
German DAX	13,051.2	0.1%	SPI 200	6,091.0		-5	3 year swap	0.13	0.00	
UK FTSE100	6,016.7	0.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.85	-0.02
Commodities (close & change)*			TWI	60.8	-	-	60.8	United States		
CRB Index	151.7	0.5	AUD/USD	0.7166	0.7243	0.7161	0.7220	3-month T Bill	0.09	0.00
Gold	1,930.4	36.6	AUD/JPY	75.97	76.52	75.93	76.46	2 year bond	0.15	0.00
Copper	6,768.5	89.0	AUD/GBP	0.5541	0.5568	0.5537	0.5542	10 year bond	0.77	-0.01
Oil (WTI)	40.6	-0.6	AUD/NZD	1.0888	1.0897	1.0849	1.0848	Other (10 year yields)		
Coal (thermal)	58.4	-1.2	AUD/EUR	0.6095	0.6125	0.6089	0.6113	Germany	-0.53	0.00
Coal (coking)	132.1	-3.0	AUD/CNH	4.8288	4.8614	4.8087	4.8529	Japan	0.04	0.00
Iron Ore	121.1	3.2	USD Index	93.6	93.6	93.0	93.1	UK	0.28	-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: Sentiment in financial markets was boosted by expectations a US stimulus deal would eventually be reached. This boost to sentiment helped equities rally, although US bond yields were little changed and the US dollar fell.

Share Markets: US share markets ended higher on Friday. The Dow Jones added 161 points (or +0.6%) and the S&P 500 index rose 30 points (or +0.9%). The S&P 500 index posted its biggest weekly increase since July, as traders bet US lawmakers were moving closer to a stimulus agreement.

Interest Rates: US government bond yields were little changed at Friday's close with the 2-year yield flat and the 10-year yield edging just 1 basis point lower.

Foreign Exchange: The US dollar index was weaker in overnight trade and the A around AUD/USD pair lifted from around 0.7180 towards 0.7240. The AUD remains within its trading range of the past two weeks of 0.7100-0.7250, but is pressing the top of this range. A break of the top of this range would see the AUD/USD eye 0.7350 in the near term.

Commodities: Oil fell after a strike in Norway ended. Meanwhile, gold rose at the close of Friday night's trading.

COVID-19: Yesterday, there were 12 new cases in Victoria and 5 new infections in NSW (of which 3 are locally acquired). Victoria's schools reopen

today.

Daily cases around the world breached a record 37.7 million with US cases edging higher. India is expected to exceed the number of US cases on its current trajectory. The virus also continued its unrelenting spread in Europe, with France posting another daily infection record and Germany reporting the most COVID-19-related deaths since May.

Australia: The value of home lending commitments rose 12.6% in August. It was the third consecutive month of growth and lifts lending 8.4% above the level seen in August last year. The strongest rise in the month was for owner-occupier lending which was up 13.6% while lending to investors rose 9.3%.

The RBA released its six-monthly Financial Stability Review on Friday. It noted that, after a period of volatility and stress, brought about by the pandemic, financial systems around the world have fared well. Australia's banks were well capitalised, profitable and that the bulk of their loans were well secured.

In the RBA's view, Australian businesses generally had low levels of debt going into the crisis and income support measures, rent relief and loan repayment deferrals have helped maintain cash flow despite the sharp reduction in revenue experienced by many businesses.

On households, the RBA said that despite falling employment in Australia in the first half of the year, overall household income had increased with large fiscal stimulus payments. Households have greatly increased their saving.

China: China's Caixin Services purchasing managers' index (PMI) rose for a fifth consecutive month in August, rising to 54.8 from 54.0 in August. The rise reflects the economic improvement in China following stimulus measures aimed at directly at reviving business activity. Results above 50 signal expansion in activity.

The People's Bank of China (PBOC) will lower its risk reserves ratio for financial institutions when conducting some FX forwards trading to zero. The ratio will be cut from 20% and is effective today. The Chinese central bank said it will continue to maintain flexibility in the yuan exchange rate and stabilise market expectations.

United States: The US stimulus saga is set to roll into another week. US President Trump and House Speaker Nancy Pelosi blamed each other for a lack of progress on a deal, with the president saying Republicans are "having a hard time" with the House speaker and Pelosi labelling the administration's offer "grossly inadequate." White House economic adviser Larry Kudlow said he expects Treasury Secretary Steven Mnuchin and Pelosi to hold more talks this week. Kudlow also added Mnuchin may increase the amount of aid the administration is offering.

There was not much data published on Friday. There was the only second-tier wholesale inventories data for August. The final reading for wholesale inventories rose 0.4%, which was just a slight downward revision from the preliminary estimate of 0.5% growth in the month. It follows a rise of 4.8% in July.

Today's key data and events:

AU Household Impacts of COVID-19 Survey (11:30am)
JN Machinery Orders Aug exp -1.0%. prev 6.3% (10:50am)
NZ Net Migration Aug prev -26 (8:45am)
US Columbus Day Holiday

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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