

Morning Report

Monday, 14 September 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,859.4	-0.8%	Last		Overnight Chg			Australia		
US Dow Jones	27,665.6	0.5%	10 yr bond	99.09		0.02	90 day BBSW	0.09	0.00	
Japan Nikkei	23,406.5	0.7%	3 yr bond	99.71		0.00	2 year bond	0.22	0.00	
China Shanghai	3,417.0	0.8%	3 mth bill rate	99.89		0.00	3 year bond	0.25	0.00	
German DAX	13,202.8	0.0%	SPI 200	5,852.0		4	3 year swap	0.17	0.00	
UK FTSE100	6,032.1	0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.91	-0.02
Commodities (close & change)*			TWI	61.8	-	-	62.2	United States		
CRB Index	146.4	0.2	AUD/USD	0.7281	0.7306	0.7256	0.7284	3-month T Bill	0.11	0.00
Gold	1,940.6	-5.5	AUD/JPY	77.32	77.59	77.02	77.32	2 year bond	0.13	-0.01
Copper	6,769.3	83.3	AUD/GBP	0.5603	0.5716	0.5666	0.5692	10 year bond	0.67	-0.01
Oil (WTI)	37.3	0.0	AUD/NZD	1.0897	1.0931	1.0905	1.0926	Other (10 year yields)		
Coal (thermal)	54.2	0.9	AUD/EUR	0.6168	0.6160	0.6136	0.6148	Germany	-0.48	-0.05
Coal (coking)	113.5	-0.4	AUD/CNH	4.9738	4.9948	4.9623	4.9768	Japan	0.03	0.00
Iron Ore	123.3	2.4	USD Index	93.2	93.4	93.1	93.3	UK	0.18	-0.05

Data as at 5.30am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: The tech sell-off in the US equity market continued Friday and economic data showed inflation in the US continued to recover.

Share Markets: The Dow Jones rose 131 points (or 0.5%) and the S&P 500 index lifted 2 points (or 0.1%). But the sell-off in technology shares continued. The Nasdaq 100 shed 67 points (or 0.6%) and was off 4.6% for the week, which is the worst weekly percentage decline since March 20.

The ASX 200 index fell 49 points (or -0.8%) on Friday and had a lower weekly finish. It was down 66 points (or -1.1%) for the week.

Interest Rates: US government bond yields edged lower across the bond curve. The US 2-year and 10-year bond yield each moved 1 basis point lower on Friday.

Foreign Exchange: The US dollar index modestly appreciated in Friday night's trading session. The Australian dollar, therefore, weakened against the US dollar, but remained within recent trading ranges. The AUD/USD pair fell from a Friday overnight high of 0.7306 to a low of 0.7256. It recovered some modest ground from this low.

Commodities: More oil supply could be available after Eastern Libyan commander Khalifa Haftar said it will allow the country's oil ports to reopen after an eight-month blockade.

COVID-19: Yesterday Australian reported 50 new

cases. There were 41 new cases in Victoria and 9 in NSW.

Some restrictions in Victoria have eased slightly as of midnight. These include the curfew for metropolitan Melbourne moving from 5am-8pm to 5am-9pm. Restrictions for outside exercise have become 2 hours a day instead of just 1 hour.

Elsewhere, India added 97,570 cases, another daily global record, while deaths surpassed 1,000 for an 11th day.

AstraZeneca and Oxford have restarted a UK trial of an experimental Covid-19 vaccine after the study was halted over concerns about a participant who fell ill. The UK health regulator recommended that the trials resume after an independent review of the safety data triggered a pause on September 6. It declined to disclose any details about the participant's sickness. Astra and Oxford did not comment on the status of tests outside the UK.

Australia: Victoria's government yesterday announced a new \$3 billion support package for the state's struggling businesses. The package includes a third round of the Business Support Fund, which will provide grants of up to \$20,000 for businesses with a payroll of up to \$10 million. It also includes grants of up to \$30,000 for licensed pubs, clubs, hotels, bars, restaurants & reception centres, based on their venue capacity and location.

Other key features of the package include payroll tax deferrals for the full 2020-21 financial year, a bringing forward of the 50% stamp duty discount for commercial and industrial property for regional Victoria, a deferral of the planned increase in the landfill levy for 6 months, a waiving of 25% of the congestion levy this year, liquor licence fee waivers, and a waiving of vacant residential land tax for vacancies in 2020.

New Zealand: The BusinessNZ manufacturing purchasing managers' index (PMI) fell to 50.7 in August, from 58.8 in July. The fall reflected the renewed restrictions imposed in NZ for the month, especially the harsher ones in the major centre of Auckland. Key indices of new orders (54.0) and production (51.1) still were positive, but employment (49.0) remained in contraction for the sixth straight month.

United States: The headline consumer price index (CPI) rose by 0.4% in August, exceeding consensus forecasts for a rise of 0.3%. It is the third monthly increase, as inflation continues to recover on the back of the economic rebound. It is also the first inflation result since the Federal Reserve announced that it would shift to an "average" inflation target, allowing for periods of higher inflation to support the economy's recovery. Headline inflation on an annual basis lifted from 1.0% in July to 1.3% in August.

The core CPI, which strips out volatile food and energy prices, also registered a rise of 0.4% in August and an annual gain of 1.7%. It is the firmest annual pace since March of this year.

Whilst the recovery in inflation provided some evidence of the progress in recovery of the broader economy, these price gains might not last. Some of these price gains are being driven by inventory shortages. Moreover, the US economy is still suffering from weak aggregate demand and there is considerable slack in the labour market.

Today's key data and events:

NZ Perf. of Services Index Aug prev 54.3 (8:30am)

NZ Net Migration Jul prev 760 (8:45am)

CH New Home Prices Aug prev 0.47% (11:30am)

EZ Industrial Production Jul exp 4.2% prev 9.1% (7pm)

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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