

Morning Report

Monday, 16 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,405	-0.2%	Last		Overnight Chg			Australia		
US Dow Jones	29,480	1.4%	10 yr bond	99.10	-0.03			90 day BBSW	0.02	0.00
Japan Nikkei	25,386	-0.5%	3 yr bond	99.83	0.00			2 year bond	0.11	0.01
China Shanghai	3,469	-0.9%	3 mth bill rate	99.99	0.00			3 year bond	0.12	0.01
German DAX	13,077	0.2%	SPI 200	6,446.0	51			3 year swap	0.11	0.00
UK FTSE100	6,316	-0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.88	-0.03
Commodities (close & change)*			TWI	61.0	-	-	60.6	United States		
CRB Index	151.9	-1.2	AUD/USD	0.7234	0.7273	0.7222	0.7269	3-month T Bill	0.08	-0.01
Gold	1,889.20	12.4	AUD/JPY	76.04	76.31	75.76	76.07	2 year bond	0.18	0.00
Copper	6,966.75	50.0	AUD/GBP	0.5512	0.5519	0.5497	0.5510	10 year bond	0.90	0.01
Oil (WTI)	40.13	-1.0	AUD/NZD	1.0574	1.0631	1.0548	1.0619	Other (10 year yields)		
Coal (thermal)	62.45	-0.3	AUD/EUR	0.6127	0.6148	0.6119	0.6143	Germany	-0.55	-0.01
Coal (coking)	104.93	-1.9	AUD/CNH	4.7869	4.8037	4.7810	4.7973	Japan	0.03	-0.01
Iron Ore	119.18	-0.7	USD Index	93.0	93.0	92.7	92.8	UK	0.34	-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 was upbeat among investors on Friday, despite a rise in COVID-19 infections across Europe and the US.

Yesterday at the Asean summit, the Regional Comprehensive Economic Partnership (RCEP) was signed. The RCEP involves Australia and 14 other countries. It is set to reduce tariffs and help facilitate trade ties among the participating countries.

Share Markets: US share markets recorded strong gains on Friday, despite rising COVID-19 infections. The S&P 500 index added 48 points (or +1.4%) to close at a record high. The Dow Jones rose 400 points (or +1.4%).

Interest Rates: US bond yields finished little changed across the yield curve on Friday. The 2-year yield closed unchanged while the 10-year yield edged up 1 basis point.

Foreign Exchange: The Australian dollar lifted from a one-week low of 0.7222 in Friday's Asian trading to reach an overnight high of 0.7273 in New York. The Aussie dollar is currently trading near this handle. Yesterday's news about the RCEP may push the Australian dollar higher in Asian trade today. However, the Australian dollar might be sidelined ahead of a keynote speech by the Reserve Bank Governor tonight.

Commodities: Gold and copper recorded firm gains

on Friday, but most other commodities were softer.

COVID-19: Over the weekend, South Australia announced three new cases of unknown sources. This is the first time in seven months that there are cases without a known source.

The Queensland State government announced a further easing of restrictions last Friday. From 4pm tomorrow, businesses will be allowed to operate with a larger capacity. Larger indoor and outdoor gatherings will also be possible.

Daily new infections continue to rise by more than 100,000 a day in the US. In Europe, Austria and Slovakia are set to test their entire population for COVID-19, beginning in December. And Germany's Economy Minister said that Germany must live with "considerable restrictions" against the spread of COVID-19 for at least the next four to five months.

Australia: The RCEP was signed yesterday near the conclusion of the Asean Summit. Negotiations over the RCEP first began in 2012. Australia and 14 other countries, including China, are set to form the RCEP. The RCEP will cut tariffs, set common rules of origin, and codify e-commerce. At least six Southeast Asian nations along with three from among China, Japan, South Korea, Australia and New Zealand must ratify the pact for it to come into effect. India is not part of the RCEP but the door is open for India to join in the future.

The agreement may put pressure on US President-elect Joe Biden to re-join the Trans-Pacific Partnership (TPP), which Donald Trump exited in 2017.

In October, 24,700 arrivals and 47,000 departures were registered. The number of arrivals is 47.8% higher than in September but still 98.8% smaller than October 2019. Departures fell 5.6% in October and are 97.2% lower than a year ago. These figures highlight how the tourism industry has been hard hit by the pandemic.

Euro zone: The euro zone economy grew slightly less than previously reported in the third quarter. Economic output rose 12.6% in Q3, a downward revision from the 12.7% jump reported on October 30. This revision meant that year-on-year, euro zone GDP was 4.4% weaker in Q3. The quarterly surge in GDP was the result of economies in the bloc re-opening after lockdowns in the first two quarters. However, a recent wave of new infections has led many economies in Europe to re-enter lockdown. A contraction in GDP in this quarter is therefore a real possibility.

Growth in employment in the eurozone bounced 0.9% in Q3, following a decline of 2.9% in Q2. Fresh lockdown restrictions threaten this employment recovery. On a year ago, employment was down 2.0% in Q3.

The trade surplus widened marginally to €22.5 billion in September, from €21.0 billion in August.

New Zealand: The manufacturing purchasing managers' index (PMI) published by BusinessNZ showed a fall of 2.3 points in the month to 51.7. The outcome is still above 50.0, which suggests growth in manufacturing activity is likely to continue to grow.

United Kingdom: UK government officials hinted that Brexit talks could extend out beyond this week. Negotiations have already passed several informal deadlines.

United States: The preliminary reading of consumer sentiment published by the University of Michigan fell to a three-month low of 77.0 in November, from 81.8 in October. The outcome was worse than consensus expectations. A large 7.9-point drop in the expectations index to 71.3 was primarily responsible for the result. The current conditions index deteriorated only slightly to 85.8. The survey cited key factors behind the deterioration in sentiment as the election, rising COVID-19 infections and income concerns. The latter concerns have been fanned by the lack of large-scale

spending from the government. Negotiations between the Republicans and Democrats over further stimulus remain at a standstill.

Producer prices for final demand rose by 0.3% in October, which is the sixth straight monthly increase. A strong lift in food and gasoline prices drove the monthly increase. However, trends in wholesale inflation remain tame. Excluding food and energy, (core) producer prices rose just 0.1% and the annual growth rate eased modestly to 1.1%.

Today's key data and events:

NZ Performance Service Index Oct prev 50.3 (8:30am)
 UK Rightmove House Prices Nov prev 1.1% (11:01am)
 AU Household Impacts of COVID-19 Survey Oct (11:30am)
 CH New Home Prices Oct prev 0.34% (12:30pm)
 CH Fixed Assets Ex Rural YTD Oct exp 1.6% prev 0.8% (1:00pm)
 CH Surveyed Jobless Rate Oct exp 5.3% prev 5.4% (1:00pm)
 CH Industrial Production Oct y/y exp 6.7% prev 6.9% (1:00pm)
 CH Retail Sales Oct y/y exp 5.0% prev 3.3% (1:00pm)
 AU RBA Governor Lowe Speaking at a CEDA Event (7:40pm)
 US NY Empire Mfg Index Nov exp 13.8 prev 10.5 (12:30am)
 US Federal Reserve Vice Chair Clarida (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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