

Morning Report

Wednesday, 16 September 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,894.8	-0.1%			Last	Overnight Chg		Australia		
US Dow Jones	27,995.6	0.0%	10 yr bond	99.08				90 day BBSW	0.09	0.00
Japan Nikkei	23,454.9	-0.4%	3 yr bond	99.74				2 year bond	0.19	-0.01
China Shanghai	3,454.1	0.5%	3 mth bill rate	99.91				3 year bond	0.24	-0.01
German DAX	13,217.7	0.2%	SPI 200	5,941.0				3 year swap	0.14	-0.01
UK FTSE100	6,105.5	1.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.87	0.00
Commodities (close & change)*			TWI	62.2	-	-	62.3	United States		
CRB Index	147.8	1.3	AUD/USD	0.7293	0.7306	0.7256	0.7304	3-month T Bill	0.10	-0.01
Gold	1,954.2	-3.7	AUD/JPY	77.09	77.59	77.02	77.01	2 year bond	0.14	0.00
Copper	6,803.5	56.3	AUD/GBP	0.5676	0.5716	0.5666	0.5666	10 year bond	0.68	0.01
Oil (WTI)	38.4	1.1	AUD/NZD	1.0878	1.0931	1.0905	1.0876	Other (10 year yields)		
Coal (thermal)	54.1	0.3	AUD/EUR	0.6145	0.6160	0.6136	0.6164	Germany	-0.48	0.00
Coal (coking)	115.1	1.6	AUD/CNH	4.9649	4.9948	4.9623	4.9516	Japan	0.02	0.00
Iron Ore	123.9	-1.7	USD Index	93.1	93.4	93.1	93.1	UK	0.22	0.02

Data as at 7.45am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: US/China trade issues continued with the WTO saying that US tariffs imposed in 2018 violated international rules. Technology stocks traded higher while AstraZenica will resume its vaccine trial in South Africa.

Share Markets: US stocks closed higher as gains in technology shares helped offset weakness among financials. The S&P500 rose 0.5%, the Nasdaq was up 1.2% but the Dow finished flat. European markets were positive overnight with the FTSE100 up 1.3%, the Dax up 0.2% and the Euro Stoxx 50 rose 0.5%.

Interest Rates: Movements in yields were limited overnight with the largest move coming in a 2 basis point increase in UK 10-year government bonds to 0.22%. In the UK, employment outcomes were not as bad as expected. US 10-year bond yields rose 1 basis point to 0.68%.

Foreign Exchange: The US dollar index was unchanged overnight but saw the AUD move back into the US\$0.73 range after having slipped to an overnight low of US\$0.7256. The AUD slipped against the NZD to NZ\$1.0876

Commodities: Oil was boosted by good readings on US industrial production and US manufacturing business conditions. China also saw strong industrial output data. Copper was firmer but gold edged marginally lower.

Australia: The RBA minutes of its September meeting reiterated its goal of supporting jobs, incomes and businesses during the recovery process. The RBA said that it remains open to further policy adjustments but provided no hints.

The ABS reported that its index of house prices fell 1.8% in the June quarter.

China: Industrial production in China rose 5.6% in the year to August. This was stronger than expected and reflects government policy to boost production post-COVID-19. The pace in July was 4.8%.

Retail spending in China rose just 0.5% over the year to August with government policy more focussed on industry than on household income.

The jobless rate in China fell to 5.6% in August compared to 5.7% in July. Unemployment peaked at 6.2% in February having been at 5.1% in November last year.

The annual pace of growth in property investment picked up from 3.4% in July to 4.6% in August. Meanwhile, fixed asset investment (ex-rural) remains soft with a year on year pace of -0.3%. This was an improvement on the -1.6% pace in July.

Europe: Labour cost across Europe rose 4.2% in the year to June. They were up 3.4% in the year to March. The ZEW survey of economic growth expectations in Europe rose to a reading of 73.9 in September, up from 64.0 in August and well up on

the low of 49.5 in March.

New Zealand: Consumer confidence in NZ fell in September to its lowest level since the GFC according to the Westpac McDermott Miller quarterly survey. The index fell from 97.2 in June to 95.1 in September with its average level being 110.8. Increasing numbers of households reported that their financial position had deteriorated in the wake of COVID-19.

United Kingdom: The unemployment rate in August rose to 4.1% from 3.9% in July. Job losses at 12,000 in August were well below the 220,000 jobs lost in July and not as weak as the market had been expecting.

United States: Industrial production rose a further 0.4% in August following a 3.0% rise in July. At the same time, manufacturing production was up 1.0% and the New York Fed's Empire State Manufacturing survey of business conditions saw its reading rise from 3.7 in August to 10.0 in September. It had been down at -78.2 in April.

Today's key data and events:

AU WBC Leading Index Aug prev -4.37% (10.30am)
EZ Trade Balance Jul exp €19.3bn, prev €17.1bn (7.00pm)
NZ Current Acc. Q2 exp \$0.690bn, prev \$1.557bn (8.45am)
UK CPI Aug exp -0.6%, prev 0.4% (4.00pm)
US Retail Sales Aug exp 1.1%, prev 1.2% (10.30pm)
US Business Inventories Jul exp 0.1%, prev -1.1% (12.00am)
US NAHB Housing Mkt Index Sep exp 78, prev 78 (12.00am)
US FOMC Policy Decision exp 0.25% prev 0.25% (4.00am)
US Total Net TIC flows Jul prev -67.9 (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.

Hans Kunnen, Senior Economist

Ph: 02-8254-1316

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Senior Economist

Hans Kunnen
hans.kunnen@banksa.com.au
(02) 8254 1316

The information contained in this report (.the Information.) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
