

Morning Report

Tuesday, 17 November 2020

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|--|----------|-------|--|---------|----------------------|--------|---------|---------------------------------|-------|-------|
| S&P/ASX 200 | 6,484 | 1.2% | Last | | Overnight Chg | | | Australia | | |
| US Dow Jones | 29,950 | 1.6% | 10 yr bond | 99.07 | -0.04 | | | 90 day BBSW | 0.02 | 0.00 |
| Japan Nikkei | 25,907 | 2.1% | 3 yr bond | 99.83 | 0.00 | | | 2 year bond | 0.10 | -0.01 |
| China Shanghai | 3,508 | 1.1% | 3 mth bill rate | 99.99 | 0.00 | | | 3 year bond | 0.11 | -0.01 |
| German DAX | 13,139 | 0.5% | SPI 200 | 6,486.0 | 0 | | | 3 year swap | 0.11 | 0.00 |
| UK FTSE100 | 6,421 | 1.7% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 0.89 | 0.01 |
| Commodities (close & change)* | | | TWI | 60.6 | - | - | 60.9 | United States | | |
| CRB Index | 153.8 | 2.0 | AUD/USD | 0.7269 | 0.7327 | 0.7265 | 0.7319 | 3-month T Bill | 0.07 | -0.02 |
| Gold | 1,887.36 | -1.8 | AUD/JPY | 76.07 | 76.77 | 76.01 | 76.54 | 2 year bond | 0.18 | 0.00 |
| Copper | 7,092.75 | 126.0 | AUD/GBP | 0.5510 | 0.5559 | 0.5508 | 0.5546 | 10 year bond | 0.91 | 0.01 |
| Oil (WTI) | 41.33 | 1.2 | AUD/NZD | 1.0619 | 1.0629 | 1.0588 | 1.0601 | Other (10 year yields) | | |
| Coal (thermal) | 62.60 | 0.4 | AUD/EUR | 0.6143 | 0.6188 | 0.6134 | 0.6177 | Germany | -0.55 | 0.00 |
| Coal (coking) | 104.86 | -0.1 | AUD/CNH | 4.7973 | 4.8165 | 4.7855 | 4.8094 | Japan | 0.02 | 0.00 |
| Iron Ore | 120.29 | 1.1 | USD Index | 92.8 | 92.8 | 92.5 | 92.6 | UK | 0.35 | 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: Promising news regarding the Moderna vaccine lifted markets.

Share Markets: Equity markets were positive last night as optimism over vaccine developments lifted spirits. The Dow came within a whisker of reaching 30,000 and closed up 1.6% reaching an all-time high. The S&P500 was up 0.9% and the Nasdaq rose 0.8%. Markets were also stronger in Europe despite ongoing COVID-19 concerns. The FTSE100 rose 1.7% and the Dax was up 0.5%.

The ASX was closed for most of the day following technical difficulties. The ASX200 was up 1.2% in early trade before trading halted.

Interest Rates: Activity in interest rate markets was muted overnight. 10-year government bond yields rose 1 basis point in the UK, the US and Australia. 10-year yields stand at 0.89% in Australia and 0.91% in the US. In the UK they are down at 0.35%.

In a speech last night, RBA Governor Philip Lowe noted that Australia was caught up in the downward 'gravitational pull' of global interest rates. There were concerns in the RBA that if Australia did not reduce its rate structure, the AUD would have moved unhelpfully higher.

Foreign Exchange: The US dollar was weaker overnight pushing the AUD back into the \$US73 cent range. The US fell against all major currencies.

Commodities: Oil was firmer as were copper and

iron ore while gold was little changed.

COVID-19: New COVID-19 cases in South Australia led several State authorities to impose restrictions on South Australians travelling to their state. International flights to Adelaide have been cancelled for this week.

California is imposing further restrictions on activity to curb the spread of COVID-19 while in New York hospitalisations have passed the numbers seen in the June peak.

In Germany, which is two weeks into a partial lockdown, authorities decided against tighter restrictions but appealed to its citizens to exercise greater restraint when gathering.

Australia: The ABS released its survey on household impacts of COVID-19.

Only 46% of Australians intend to travel for holidays between November and February 2021. During normal times, this rate would be around 77%. Of those who intend to travel, most will spend time on their own State/territory.

The survey also indicated that 12% of all Australians decided to apply for early access to their superannuation.

In a speech last night, RBA Governor Lowe 'called out' risk aversion by businesses and consumers, and slow population growth, as factors that could hold

back economic recovery in Australia.

China: Retail sales were up 4.3% year-on-year in October, following a 3.3% lift in September. The main contributors included Clothing (up 12.2%), Jewellery (16.7%) and Automobiles (12.0%).

Industrial production rose 6.9% in October from a year earlier, remaining at the same pace as in September.

Investment in fixed assets increased 1.8% in October year-on-year, after a 0.8% lift in September. Investment by state-owned enterprises was the main driver, rising 4.9%, while private company investment declined 0.7%.

New house prices rose by 4.2% year-on-year in October, from a 4.5% increase in September. This is the weakest growth in prices since March 2016.

These results indicate that the Chinese economy continues to recover from its pandemic shock.

Euro zone: No major data released.

New Zealand: The service sector showed signs of expansion in October. The performance of services index rose 51.4 from 50.4 in September. Despite the encouraging result, the sub-index for employment continued to indicate businesses are not willing to expand headcount.

United Kingdom: The Rightmove house price index edged down 0.5% in November for a year on year rise of 6.3%. The monthly fall came as owners attempted to sell their properties to benefit from temporary cuts to the stamp duty. The annual pace of growth was the strongest since mid-2016.

United States: Manufacturing in the New York region expanded at its slowest pace in three months as orders and shipments cooled. The Empire Manufacturing index fell to 6.3 in November, from 10.5 a month earlier and points to what Fed Chair Powell described as a recovery that is losing momentum.

Today's key data and events:

AU RBA Board Meeting Minutes (11:30am)
 AU Weekly Payrolls w/e Oct 31 (11:30am)
 US Retail Sales Oct exp 0.5% prev 1.9% (12:30am)
 US Import Price Index Oct exp 0.0% prev 0.3% (12:30am)
 US Industrial Production Oct exp 1.0% prev -0.6% (1:15am)
 US Business Inventories Sep exp 0.6% prev 0.3% (2:00am)
 US NAHB Housing Market Index Nov exp 85 prev 85 (2:00am)

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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