

# Morning Report

Wednesday, 18 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,498	0.2%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	29,783	-0.6%	10 yr bond	99.09		0.04		90 day BBSW	0.02	0.00
Japan Nikkei	26,015	0.4%	3 yr bond	99.82		0.00		2 year bond	0.10	0.00
China Shanghai	3,500	-0.2%	3 mth bill rate	99.99		0.00		3 year bond	0.12	0.01
German DAX	13,133	0.0%	SPI 200	6,505.0		4		3 year swap	0.12	0.00
UK FTSE100	6,365	-0.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.96	0.06
<b>Commodities (close &amp; change)*</b>			TWI	60.9	-	-	61.1	<b>United States</b>		
CRB Index	154.5	0.7	AUD/USD	0.7319	0.7340	0.7289	0.7303	3-month T Bill	0.08	-0.01
Gold	1,881.80	-7.2	AUD/JPY	76.54	76.57	75.90	76.09	2 year bond	0.17	-0.01
Copper	7,059.50	-42.3	AUD/GBP	0.5546	0.5550	0.5501	0.5510	10 year bond	0.87	-0.04
Oil (WTI)	41.43	0.1	AUD/NZD	1.0601	1.0628	1.0591	1.0593	<b>Other (10 year yields)</b>		
Coal (thermal)	62.70	0.0	AUD/EUR	0.6177	0.6181	0.6142	0.6156	Germany	-0.56	-0.02
Coal (coking)	104.79	-0.1	AUD/CNH	4.8094	4.8132	4.7782	4.7813	Japan	0.03	0.00
Iron Ore	122.18	1.9	USD Index	92.6	92.6	92.3	92.4	UK	0.32	-0.03

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:** Virus woes continue to haunt markets.

**Share Markets:** US equity markets retreated from historical highs as investor sentiment was tempered by rising infections and lockdowns. The Dow fell 0.6% while the S&P500 declined 0.5%.

European equities were mixed overnight. The Euro Stoxx 50 index rose 0.1% while the UK FTSE100 fell 0.9%.

The ASX200 gained 14 points (or +0.2%) yesterday, reaching 6,498 points, the highest level since February 27.

**Interest Rates:** The US 10-year bond yield fell 4 basis points to 0.87%. Rates at the shorter end of the yield curve remained relatively stable overnight.

In Australia, the 10-year bond rate rose 6 basis points to 0.96% while rates at shorter maturities changed little.

**Foreign Exchange:** The Australian dollar reached the two-month high of 0.7340 overnight before slipping to 0.7303.

The US dollar fell against most major world currencies. The USD index fell from 92.6 to 92.4.

**Commodities:** An OPEC+ committee meeting ended without a clear signal as to whether members will reverse planned output increases for January. Oil prices edged lower with the West Texas

Intermediate index down 0.3%.

Gold and copper were softer overnight.

**COVID-19:** South Australia recorded 4 new cases yesterday as authorities rush to contain the spread of the virus. There are currently 20 confirmed cases, all linked to the North Adelaide cluster. After fresh restrictions were imposed on Monday, the State ordered about 4,000 people to self-quarantine following potential contamination.

France has become the first European nation to surpass 2 million cases. This takes France to fourth place in the world in terms of infections, behind the US, Brazil and India.

On the vaccine front, AstraZeneca's CFO noted trial data is "days to weeks" away.

**Australia:** The minutes of the November RBA board meeting made clear their current themes. These are the elevation of the labour market over inflation; sensitivity to a rising exchange rate; and the benefits of rising asset prices.

The NSW Budget was released yesterday. It has a projected deficit of \$16bn in 2020-21 following a deficit of \$6.9bn in 2019-20. As with other State budgets, it contains large commitments towards infrastructure, education, and health spending.

Payroll jobs rose 0.5% in the fortnight ending 31 October to be down 3.1% on 14 March, when

Australia recorded its 100<sup>th</sup> case of COVID-19. Total wages paid rose 0.1% to be 4.3% below their pre-pandemic level.

**Euro zone:** ECB President Lagarde noted that imminent vaccine news is not a “game changer” for the ECB’s current forecasts. The message was echoed by Bank of England (BoE) Deputy Governor Ramsden, citing that some BoE’s forecasts already take news of a vaccine into account.

**United Kingdom:** Brexit negotiations took a turn and will likely not result in an imminent deal. Prime Minister Johnson noted that “it is far from certain that an agreement will prove possible”.

**United States:** Retail sales for October rose 0.3%, well below September’s 1.6% rise. This is the slowest pace in six months, suggesting consumers are cautious amid a surging pandemic and lack of new federal stimulus.

Industrial production for October advanced a solid 1.1%, after a 0.4% decline in the previous month. Inventories remained low, suggesting higher future production will be necessary to replenish stocks. Manufacturing output climbed 1.0% in October, the sixth consecutive monthly increase. Capacity utilisation rose to 72.8% from 72.0% in September but remained below historical averages.

The National Association of Home Builders (NAHB) confidence index rose to a record 90 points in November, from 85 in October. NAHB Chairman Fowke notes that “historically low mortgage rates, favourable demographics and an ongoing suburban shift for home buyer preferences” were responsible for the record reading.

During a speech overnight, Federal Reserve Chair Powell said the US economy is likely to remain on a solid recovery path. He warned the pandemic poses significant downside risks in the near term.

The US Securities and Exchange Commission (SEC) has threatened to delist Chinese companies that do not abide by the country’s auditing rules. This would affect giant Chinese businesses, such as Alibaba and Baidu. China refuses to allow US regulators to check China’s audits on the grounds of confidentiality.

#### Today’s key data and events:

NZ PPI Q3 prev -0.3% (8:45am)  
 AU WBC Leading Index Oct prev 0.22% (10:30am)  
 AU RBA's Governor Lowe Panel Participation (10:40am)  
 AU Wage Price Index Q3 q/q exp 0.2% prev 0.2% (11:30am)  
 UK CPI Oct exp -0.1% prev 0.4% (6:00pm)  
 EZ CPI Oct Final y/y exp -0.3% prev -0.3% (9:00pm)  
 US Housing Starts Oct exp 3.2% prev 1.9% (12:30am)  
 US Building Permits Oct exp 1.5% prev 5.2% (12:30am)

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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