

Morning Report

Friday, 18 September 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,883.2	-1.2%			Last	Overnight Chg		Australia		
US Dow Jones	27,902.0	-0.5%	10 yr bond	99.09				90 day BBSW	0.09	0.00
Japan Nikkei	23,319.4	-0.7%	3 yr bond	99.73				2 year bond	0.18	-0.01
China Shanghai	3,427.6	-0.4%	3 mth bill rate	99.90				3 year bond	0.22	-0.01
German DAX	13,208.1	-0.4%	SPI 200	5,880.0				3 year swap	0.15	0.00
UK FTSE100	6,049.9	-0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.85	-0.02
Commodities (close & change)*			TWI	62.1	-	-	61.9	United States		
CRB Index	150.8	1.0	AUD/USD	0.7303	0.7315	0.7254	0.7314	3-month T Bill	0.08	-0.01
Gold	1,946.7	-12.6	AUD/JPY	76.64	76.79	76.11	76.60	2 year bond	0.14	0.00
Copper	6,788.4	18.6	AUD/GBP	0.5633	0.5675	0.5605	0.5637	10 year bond	0.69	-0.01
Oil (WTI)	41.0	0.8	AUD/NZD	1.0852	1.0887	1.0816	1.0834	Other (10 year yields)		
Coal (thermal)	56.5	0.5	AUD/EUR	0.6181	0.6201	0.6159	0.6174	Germany	-0.49	-0.01
Coal (coking)	119.0	1.5	AUD/CNH	4.9263	4.9487	4.9138	4.9406	Japan	0.02	0.00
Iron Ore	117.7	-1.9	USD Index	93.1	93.6	92.9	92.9	UK	0.19	-0.03

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: Central banks on hold. Some loss of momentum in the US recovery and COVID-19 uncertainties linger.

Share Markets: Equity markets were weak across the board last night. The S&P500 dipped 0.8% and the Dow was down 0.5% as investors mulled over unimpressive jobless claims numbers. European markets retreated. The FTSE100 fell 0.5% and the Dax was down 0.4%.

Interest Rates: Monetary policy settings around the globe are holding rates steady. The Bank of England remained on hold overnight while the US FOMC has indicated its preference for low rates for the next few years. US 10-year treasury yields edged down 1 basis point to 0.69% and their UK equivalent fell 3 basis points to 0.19%.

Foreign Exchange: The US dollar index moved below 93 overnight as the EUR rebounded and the JPY firmed. GBP was softer in response to comments from the Bank of England regarding negative interest rates.

Commodities: Oil moved higher as Saudi Arabia sought to apply discipline among OPEC suppliers. Gold was a touch weaker, but copper and coal edged marginally higher.

COVID-19: The director of the US Centre for Disease Control and Prevention has told a Senate committee that even if a vaccine were approved

this year, it would not be ready for wide distribution within America until next summer or fall.

Australia: There was another bumper month of employment in August as more Australians found work, despite the lockdowns in Victoria. This outcome far exceeded market expectations. Employment surged 110k in August, the third largest monthly increase on record, trailing only the increases seen in June and July. Nevertheless, employment remains 421k (or 3.2%) below its February level.

The unemployment rate declined as more Australians found jobs. There was a 0.7 percentage point decline in the unemployment rate to 6.8%.

Despite the surge in jobs, hours worked rose just 0.1%. Hours worked across Australia remain 4.6% below the hours worked in February.

The participation rate edged higher to 64.8% from 64.7% in July. In February, the participation rate stood at 65.9%.

Underemployment remained steady at 11.2% in August but is down on the peak of 13.8% in April. In February, the underemployment rate stood at 8.8%, itself a disappointing number and now made worse by the pandemic induced recession.

Yesterday's labour force numbers were an encouraging set of numbers. Jobs rose, the unemployment rate fell, and hours worked were

up. Progress is being made in Victoria and the possibility of border restrictions easing suggests that the labour market can improve in the last few months of the year.

New Zealand: GDP fell by 12.2% in the June quarter, as the COVID-19 lockdown and border closures stalled economic output. It confirms NZ recorded a recession in the first half of this year, which is the first recession in 11 years. In annual terms, GDP shrunk 12.4% in Q2.

We expect a strong rebound in GDP over the second half of this year, although the ongoing closure of the international borders will limit the extent of the recovery.

United Kingdom: The Bank of England left its benchmark rate and its quantitative easing settings unchanged at 0.10% and GBP 745bn respectively. The BOE is exploring how negative interest rates might operate in the UK if they were deemed necessary.

United States: Housing starts fell 5.1% in August following a bumper 17.9% (revised) increase in July. Fewer apartments were started and there was a decline in activity in the tropical storm-hit south of the country. Starts are well up on their low in April.

The Philadelphia Fed index of business conditions fell to 15 in September from 17.2 in August. The index has recovered strongly since its low of -56.6 May.

Initial jobless claims edged lower but appear to be losing momentum. New claims, at 860k, were down only 24k on the previous week after stronger declines earlier in the year.

Today's key data and events:

UK Retail Sales Aug exp 0.8% prev 3.6% (4pm)

EZ Current Account Jul prev €20.7bn (6pm)

US Current Acct Q2 exp -\$160bn prev -\$104.2bn (11:30pm)

US Leading Index Aug exp 1.3% prev 1.4% (12am)

US UoM Cons Sentiment Sep Prel. exp 15.0 prev 74.1 (12am)

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

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