

# Morning Report

Thursday, 19 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,531	0.5%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	29,438	-1.2%	10 yr bond	99.10				90 day BBSW	0.02	0.00
Japan Nikkei	25,728	-1.1%	3 yr bond	99.83				2 year bond	0.10	0.00
China Shanghai	3,508	0.2%	3 mth bill rate	99.98				3 year bond	0.11	-0.01
German DAX	13,202	0.5%	SPI 200	6,506.0				3 year swap	0.12	0.01
UK FTSE100	6,385	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.89	-0.07
<b>Commodities (close &amp; change)*</b>			TWI	61.1	-	-	60.8	<b>United States</b>		
CRB Index	155.7	1.2	AUD/USD	0.7303	0.7331	0.7272	0.7303	3-month T Bill	0.07	-0.01
Gold	1,869.93	-10.5	AUD/JPY	76.09	76.16	75.70	75.86	2 year bond	0.17	0.00
Copper	7,082.00	22.5	AUD/GBP	0.5510	0.5518	0.5489	0.5505	10 year bond	0.87	0.01
Oil (WTI)	41.69	0.3	AUD/NZD	1.0593	1.0599	1.0551	1.0552	<b>Other (10 year yields)</b>		
Coal (thermal)	63.30	0.6	AUD/EUR	0.6156	0.6177	0.6133	0.6162	Germany	-0.55	0.01
Coal (coking)	104.79	0.0	AUD/CNH	4.7813	4.8041	4.7651	4.7911	Japan	0.02	-0.01
Iron Ore	122.94	0.8	USD Index	92.4	92.5	92.2	92.4	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:** There was positive vaccine news, but investors remained cautious on rising infection numbers.

**Share Markets:** US equities fell as rising infection numbers and stricter lockdowns outweighed the positive vaccine news. The Dow Jones fell 1.2% and the S&P500 declined 1.0%.

European equities were more upbeat. The Euro Stoxx 50 index rose 0.4%, the UK FTSE100 increased 0.3% and the German DAX was up 0.5%.

The ASX200 rose 33 points (or +0.5%) to 6,531 points, the highest level since February 27.

**Interest Rates:** US bond rates were little changed overnight. The 10-year bond rate gained 1 basis point to 0.87%.

In Australia, the 10-year government bond yield fell 7 basis points to 0.89% while rates at shorter maturities were broadly steady.

**Foreign Exchange:** The Australian dollar was volatile between a low of 0.7272 and high of 0.7331. It now trades around 0.7303.

The US dollar fell against all major currencies. The USD index declined from 92.4 to 92.3.

**Commodities:** Most commodities were firmer overnight, following the positive news on the vaccine. Gold fell slightly to US\$1,869.93 an ounce.

US oil inventories rose but it was not enough to

contain the positive news on the vaccine and the hope that OPEC+ will reverse planned output increases for January. The West Texas Intermediary (WTI) rose 0.7%.

**COVID-19:** South Australia imposed a major 6-day lockdown yesterday. Pubs, cafes, restaurants and the construction industry will close. Weddings and funerals are banned, schools will shut down and masks will be required in all areas outside of the home.

Recent results showed that the Pfizer and BioNTech's vaccine is 95% effective (94% among the elderly). The companies plan on filing for emergency approval with the US Food and Drug Administration (FDA) by Friday. The vaccine could be available by year-end.

**Australia:** The Westpac/Melbourne Institute leading index rose 0.1% in October to 96.2, the highest reading since March. Stronger US industrial production, a component of the index, and higher aggregate monthly hours worked underly the positive result.

Despite weakness in the June quarter, the wage price index (WPI) slowed again in the September quarter, with growth at just 0.1%. This is the slowest pace in the history of the series which dates back to 1997. On an annual basis, wages growth slowed to 1.4% in the September quarter, the

weakest annual pace since the series started.

Reserve Bank (RBA) Governor Lowe supported the Australian government's decision to 'load up' on debt to finance stimulus measures. In a speech yesterday, the Governor noted that the cost of debt-financed stimulus is "extraordinarily low". He added that the economic recovery will be "very uneven" across sectors and likely to last for "quite a while".

**Euro zone:** The consumer price index (CPI) for October rose 0.2%, taking the annual rate to negative 0.3%. Both rates were unchanged from their September levels. Core inflation remained at 0.2% year-on-year in October. Energy prices fell 8.2% annually, leading to the contraction in the annual CPI reading.

**New Zealand:** Data on producer prices was released yesterday. In the September quarter, producer input prices rose 0.6%, after a 0.9% drop in the June quarter. Producer output prices fell 0.3% after a 0.2% decline in the previous quarter. The combination of declining global demand, higher freight costs and disruptions to business activity caused by the pandemic meant producers received lower prices from customers while facing higher input prices.

**United Kingdom:** The CPI rose 0.7% in October year-on-year. This was above market expectations. In September, consumer prices rose 0.5%. The acceleration came mostly from an unexpected increase in apparel prices (2.5%).

Prime Minister Johnson announced a £12bn-plan to boost green industries and combat climate change. The plan is expected to generate 250,000 jobs and to serve as an opportunity to build strong ties with the US President-elect Joe Biden.

**United States:** New housing starts rose 4.9% in October from a 6.3% increase in September. The total number of new houses reached an annualised 1.5mn, the highest level since February. The result highlights the strong recovery in the residential housing market. Record low mortgage rates and the growing trend to relocate to the suburbs sits behind the strong increase.

#### Today's key data and events:

AU Labour Force Oct (11:30am)

Participation Rate Oct exp 64.8% prev 64.8%

Employment Change Oct exp -27.5k prev -29.5k

Unemployment Rate Oct exp 7.1% prev 6.9%

US Philadelphia Fed Index Nov exp 22.5 prev 32.3 (12:30am)

US Initial Jobless Claims Nov 14 exp 700k prev 709k (12:30am)

US Leading Index Oct exp 0.7% prev 0.7% (2:00am)

US Existing Home Sales Oct exp -1.2% prev 9.4% (2:00am)

US Kansas City Fed index Nov exp 11 prev 13 (3:00am)

US St. Louis Fed President Bullard discusses economic outlook (05:20am)

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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