

Morning Report

Friday, 20 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,547	0.2%			Last	Overnight Chg		Australia		
US Dow Jones	29,491	0.2%	10 yr bond	99.12		0.00		90 day BBSW	0.02	0.00
Japan Nikkei	25,634	-0.4%	3 yr bond	99.83		0.00		2 year bond	0.10	0.00
China Shanghai	3,525	0.5%	3 mth bill rate	99.99		0.00		3 year bond	0.11	0.00
German DAX	13,086	-0.9%	SPI 200	6,561.0		23		3 year swap	0.13	0.01
UK FTSE100	6,334	-0.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.89	0.00
Commodities (close & change)*			TWI	60.8	-	-	60.8	United States		
CRB Index	155.0	-0.7	AUD/USD	0.7303	0.7307	0.7255	0.7293	3-month T Bill	0.06	-0.01
Gold	1,865.17	-7.1	AUD/JPY	75.86	75.89	75.41	75.70	2 year bond	0.17	0.00
Copper	7,086.75	4.8	AUD/GBP	0.5505	0.5515	0.5482	0.5497	10 year bond	0.85	-0.02
Oil (WTI)	41.92	0.1	AUD/NZD	1.0552	1.0568	1.0525	1.0531	Other (10 year yields)		
Coal (thermal)	63.30	0.6	AUD/EUR	0.6162	0.6166	0.6132	0.6140	Germany	-0.57	-0.02
Coal (coking)	102.57	-2.2	AUD/CNH	4.7911	4.7958	4.7773	4.7947	Japan	0.02	0.00
Iron Ore	124.30	1.4	USD Index	92.4	92.7	92.3	92.3	UK	0.32	-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: With COVID-19 cases on the rise and legislators gridlocked over economic aid packages, investors remain cautious about the economic outlook.

Share Markets: US markets spent most of the session in the red but picked up in late trade. The Dow rose 0.2%, the S&P500 was up 0.4% and the Nasdaq rose 0.9%. European markets were soft as the pandemic and policy inertia threaten economic activity. The Dax fell 0.9% and the FTSE100 was down 0.8%.

Interest Rates: There was little action in interest rate markets overnight. US 10-year government bond yields fell 2 basis points to 0.85% on some softer economic numbers. In Australia, 3-year bond yields remain close to the RBA's target while 10-year government bond yields sit marginally above those of the US at 0.89%.

Foreign Exchange: The USD was marginally weaker overnight with the USD index slipping from 92.4 to 92.3. Despite this, the AUD moved back into the \$US72 cent range but remains at the upper end of that range.

Commodities: Markets were muted. Gold edged marginally lower while copper and oil were marginally higher.

COVID-19: Almost 80,000 patients are hospitalized with Covid-19 in the US. Thursday set another high

in a week that has pushed up the record every day since November 10. California, Texas and Illinois made up almost a quarter of all hospital stays.

Australia: The labour market resumed its recovery in October with the creation of 178.8k jobs. Despite this encouraging result, the unemployment rate rose from 6.9% to 7.0% as the participation rate jumped 0.9 percentage points to 65.8%. Results were mainly driven by a rebound in job gains in Victoria (81.6k).

Euro zone: European leaders have failed to agree on the terms and conditions for a \$US2.1tn Eurozone relief and recovery package. Poland and Hungary stand opposed to the current proposals. The package is seen as essential in assisting member states ravaged by the pandemic.

United Kingdom: No major data released.

United States: Cleveland Fed President and voting member on the FOMC, Loretta Mester said overnight that fiscal policy support, not additional monetary-policy action, is what the US needs most as surging COVID-19 infections threaten the US economic recovery.

Initial jobless claims increased to 742k in the week ended November 14, driven by a surge in hurricane-hit Louisiana. Claims in the previous week were revised higher to 711k. The number of ongoing claims fell 429k to 6.4 million. Prior to the

pandemic, initial jobless claims were running at around 220k per week.

Sales of previously owned US homes rose in October to the highest level since November 2005. The boom has been fuelled by record-low mortgage rates and buyers' desire for properties in the suburbs. Sales increased 4.3% from the prior month to an annualized 6.8 million.

The Philadelphia Fed index slipped from 32.3 in October to 26.3 in November pointing to a period of softness in an otherwise steady recovery. The Kansas City Fed's index showed a similar result edging down to 11 in November from 13 in October.

Today's key data and events:

AU Retail Trade Preliminary Oct prev -1.1% (11:30am)

AU Business Impacts of COVID-19 Nov (11:30am)

JN CPI Oct y/y exp -0.4% prev 0.0% (10:30am)

UK GfK Consumer Sentiment Nov exp -34 prev -31 (11:01am)

NZ Credit Card Spending Oct prev 1.0% (1:00pm)

UK Public Sector Borrowing Oct exp 31.5bn prev 35.4bn (6:00pm)

UK Retail Sales Oct exp -0.3% prev 1.5% (6:00pm)

EZ Consumer Confidence Nov exp -18.0 prev -15.5 (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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