

Morning Report

Tuesday, 20 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,229.4	0.9%	Last		Overnight Chg			Australia		
US Dow Jones	28,195.4	-1.4%	10 yr bond	99.25	0.00			90 day BBSW	0.08	0.00
Japan Nikkei	23,671.1	1.1%	3 yr bond	99.83	0.00			2 year bond	0.14	0.00
China Shanghai	3,471.9	-0.7%	3 mth bill rate	99.94	0.00			3 year bond	0.13	0.01
German DAX	12,854.7	-0.4%	SPI 200	6,175.0	-45			3 year swap	0.12	0.01
UK FTSE100	5,884.7	-0.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.75	0.03
Commodities (close & change)*			TWI	60.0	-	-	60.0	United States		
CRB Index	151.6	0.1	AUD/USD	0.7080	0.7115	0.7059	0.7069	3-month T Bill	0.09	-0.01
Gold	1,901.6	-7.2	AUD/JPY	74.62	74.95	74.41	74.53	2 year bond	0.15	0.00
Copper	6,724.5	-14.8	AUD/GBP	0.5486	0.5495	0.5448	0.5459	10 year bond	0.77	0.03
Oil (WTI)	40.7	-0.2	AUD/NZD	1.0716	1.0731	1.0682	1.0697	Other (10 year yields)		
Coal (thermal)	57.3	1.0	AUD/EUR	0.6038	0.6066	0.5998	0.6005	Germany	-0.63	-0.01
Coal (coking)	114.0	-3.0	AUD/CNH	4.7402	4.7552	4.7160	4.7216	Japan	0.03	0.00
Iron Ore	115.4	0.5	USD Index	93.7	93.8	93.2	93.4	UK	0.17	-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: The deadline, set by US House Speaker Pelosi, for a pre-election stimulus package deal, is less than 24 hours away. This has unsettled markets. Meanwhile, COVID-19 lockdowns in Europe are expanding.

Share Markets: Markets were weaker overnight as the US haggled over a potential fiscal stimulus package. The Dow was down 1.4%, the S&P500 was down 1.6% and the Nasdaq fell 1.7%. European markets were also softer as COVID concerns continue. The FTSE100 was down 0.6%, the Dax fell 0.4% and the French CAC40 was down 0.1%.

Interest Rates: US 10-year bond yields edged higher among the US fiscal policy uncertainties, rising 3 basis points to 0.77%. Australian 10-year government bonds stand at 0.75%. There was minimal movement at the shorter end of the yield curve with central bank policies ruling the roost. Australian 3-year government bond yields remain at 0.13% despite the RBA's target for that maturity at 0.25%. This suggests the market is expecting a further easing of RBA policy.

Foreign Exchange: The USD index was down 0.3% overnight but the AUD failed to gain ground. The AUD lost ground against the NZD, the Euro and the Yuan.

Commodities: Oil was a touch weaker as the OPEC+ monitoring committee reviewed prices but gave no

signals as to their intentions. Gold was stronger earlier in the overnight session but faded to be down marginally. The broad CRB commodities index was little changed.

COVID-19: Global COVID-19 cases now exceed 40 million with the pandemic showing few signs of slowing. Ireland has moved back into lockdown while Paris and Vienna are enforcing stricter curbs on activity. Wales has also announced a two-week 'fire-break' lockdown.

Australia: No major economic data released.

China: China's recovery continues. GDP for the September quarter was up 4.9% on the same quarter last year (3.2%). Industrial production rose 6.9% over the same period while retail sales were up 3.3%. These results reflect Chinese government fiscal policy which provided most of its support to businesses relative to households.

Europe: The UK and the European Union remain at loggerheads over a Brexit deal. The UK is holding out for more concessions before it is prepared to resume talks.

New Zealand: The services sector in New Zealand saw a lift in confidence in September after August's restrictions in Auckland were eased. The NZ Performance of Services index rose from 47.2 in August to 50.3 in September. The low for the year was 25.7 in April and the high occurred in July, just

prior to the Auckland lockdown.

United States: US homebuilder confidence rose in October to a new record high. The National Association of Home Builders index rose to 85 in October, up from 83 in September. The market is being driven higher by low interest rates.

Today's key data and events:

AU RBA Assistant Governor Kent Speech (10am)

AU RBA Board Meeting Minutes (11.30am)

AU Payroll Jobs and Wages w/e 3 Oct (11:30am)

CN New Home Prices Sep exp 0.50%, prev 0.56% (12:30pm)

US Housing Starts Sep exp 2.8%, prev -5.1% (11:30pm)

US Building Permits Sep exp 2.0%, prev -0.9% (11:30pm)

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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