

# Morning Report

Monday, 21 September 2020

| Equities (close & % change)              |          |       | Sydney Futures Exchange (close & change) |         |             |                      |             | Interest rates (close & change) |       |       |
|--|----------|-------|--|---------|-------------|----------------------|-------------|---------------------------------|-------|-------|
| S&P/ASX 200                              | 5,864.5  | -0.3% |  |         | <b>Last</b> | <b>Overnight Chg</b> |             | <b>Australia</b>                |       |       |
| US Dow Jones                             | 27,657.4 | -0.9% | 10 yr bond                               | 99.07   |             | 0.01                 | 90 day BBSW | 0.09                            | 0.00  |       |
| Japan Nikkei                             | 23,360.3 | 0.2%  | 3 yr bond                                | 99.72   |             | 0.01                 | 2 year bond | 0.18                            | 0.00  |       |
| China Shanghai                           | 3,498.5  | 2.1%  | 3 mth bill rate                          | 99.91   |             | 0.00                 | 3 year bond | 0.23                            | 0.01  |       |
| German DAX                               | 13,116.3 | -0.7% | SPI 200                                  | 5,836.0 |             | -36                  | 3 year swap | 0.16                            | 0.00  |       |
| UK FTSE100                               | 6,007.1  | -0.7% | FX Last 24 hrs                           | Open    | High        | Low                  | Current     | 10 year bond                    | 0.89  | 0.04  |
| <b>Commodities (close &amp; change)*</b> |          |       | TWI                                      | 61.9    | -           | -                    | 61.9        | <b>United States</b>            |       |       |
| CRB Index                                | 151.5    | 0.8   | AUD/USD                                  | 0.7314  | 0.7334      | 0.7283               | 0.7297      | 3-month T Bill                  | 0.08  | -0.01 |
| Gold                                     | 1,950.9  | 6.4   | AUD/JPY                                  | 76.60   | 76.86       | 75.99                | 76.30       | 2 year bond                     | 0.14  | 0.00  |
| Copper                                   | 6,833.3  | 36.0  | AUD/GBP                                  | 0.5637  | 0.5661      | 0.5616               | 0.5640      | 10 year bond                    | 0.69  | 0.01  |
| Oil (WTI)                                | 41.1     | 0.1   | AUD/NZD                                  | 1.0834  | 1.0837      | 1.0767               | 1.0790      | <b>Other (10 year yields)</b>   |       |       |
| Coal (thermal)                           | 57.4     | 0.9   | AUD/EUR                                  | 0.6174  | 0.6151      | 0.6184               | 0.6160      | Germany                         | -0.49 | 0.01  |
| Coal (coking)                            | 119.1    | 0.1   | AUD/CNH                                  | 4.9406  | 4.9575      | 4.9295               | 4.9387      | Japan                           | 0.02  | 0.00  |
| Iron Ore                                 | 121.0    | 3.3   | USD Index                                | 92.9    | 93.0        | 92.8                 | 92.9        | UK                              | 0.18  | 0.00  |

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 key theme in financial markets on Friday night was the wave of selling that continued to hit US share market bourses.

**Share Markets:** US share markets continued to remain under selling pressures. The Dow Jones lost 245 points (or -0.9%) and the S&P 500 index fell 38 points (or -1.1%) to a 6-week low. The Nasdaq index dropped 117 points (or -1.1%).

**Interest Rates:** The US 2-year yield finished unchanged in Friday's session whilst the US 10-year bond yield edged up 1 basis point to 0.69%.

The Australian 3-year government bond yield (futures) traded around 0.29% and the 10-year yield ranged between 0.91% and 0.95%.

**Foreign Exchange:** The Australian dollar rose from an overnight low of 0.7283 to an overnight high of 0.7334 on Friday night, but then erased these gains to finish back close to where it started the session. The AUD/USD remains within its recent trading sessions and appears set in the very near term to remain so.

**Commodities:** Libya's National Oil Corp. said it will allow the restart of oil from fields and ports that are free from armed groups.

**COVID-19:** Yesterday Victoria recorded 14 new cases and NSW 2 new cases.

The surge in cases in UK could see the UK facing a

new lockdown.

**Australia:** No major data released on Friday.

**Europe:** The European Central Bank (ECB) has launched a review of its pandemic bond-buying program to consider how long it should continue and whether its exceptional flexibility should be extended to older programs. The review is expected to be discussed by policymakers next month. The Pandemic Emergency Purchase Program was created in March — initially at €750 billion and since expanded to €1.35 trillion — to calm markets and support the economy amid lockdowns.

**United Kingdom:** Retail sales rose in August for the fourth straight month, helped by demand for home improvement goods. The volume of retail sales rose 0.8% in August compared with the previous month. Annual growth stepped up to 2.8% in August, from 1.4% in July. However, the consumer-led recovery may lose some momentum due to rising COVID-19 infections and fears of unemployment.

**United States:** The University of Michigan's consumer sentiment index jumped more than expected in a preliminary September reading, as Americans' views of the US economic recovery improvement. The gauge rose to 78.9 in September, from 74.1 in August. It is the highest reading in 6 months. Still, the index sits around 22 points from its pre pandemic high and is also well under the 100

level that divides the optimists from the pessimists.

The survey showed President Trump and his Democratic Party Challenger, Joe Biden, almost neck and neck when assessing consumers' responses between July and September on which candidate they thought would win the election.

A separate report from the Conference Board on Friday showed its measure of future US economic growth, the leading index, increased 1.2% in August after advancing 2.0% in July. The Conference Board said the modest gain in the index suggests this economic recovery may be losing steam heading into the final stretch of 2020.

The current account deficit widened sharply in Q2 to an almost 12-year high of \$170.5 billion from a revised \$111.5 billion in Q1. The pandemic weighed heavily on the export of goods and services, offsetting a shrinking import bill. Exports were the lowest since Q1 of 2010.

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

NZ Credit Card Spending Aug prev 1.8% (1.00pm)

UK Rightmove House Prices Sep prev -0.2% (9.01am)

US Chicago Fed Nat Act Index Aug exp 1.18, prev 1.18  
(10.30pm)

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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