

Morning Report

Thursday, 22 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,191.8	0.1%			Last	Overnight Chg		Australia		
US Dow Jones	28,210.8	-0.3%	10 yr bond	99.20		0.00		90 day BBSW	0.06	-0.02
Japan Nikkei	23,639.5	0.3%	3 yr bond	99.83		0.00		2 year bond	0.13	0.00
China Shanghai	3,484.8	-0.1%	3 mth bill rate	99.97		-0.01		3 year bond	0.13	0.00
German DAX	12,557.6	-1.4%	SPI 200	6,112.0		-69		3 year swap	0.10	-0.01
UK FTSE100	5,776.5	-1.9%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.80	0.04
Commodities (close & change)*			TWI	59.6	-	-	59.7	United States		
CRB Index	151.0	-1.3	AUD/USD	0.7048	0.7137	0.7047	0.7117	3-month T Bill	0.09	-0.01
Gold	1,924.6	17.7	AUD/JPY	74.35	74.61	74.21	74.43	2 year bond	0.15	0.00
Copper	6,989.3	97.3	AUD/GBP	0.5443	0.5459	0.5409	0.5413	10 year bond	0.82	0.04
Oil (WTI)	40.0	-1.7	AUD/NZD	1.0711	1.0723	1.0676	1.0695	Other (10 year yields)		
Coal (thermal)	58.7	-0.4	AUD/EUR	0.5961	0.6010	0.5958	0.6001	Germany	-0.59	0.02
Coal (coking)	113.7	1.4	AUD/CNH	4.6970	4.7386	4.6933	4.7277	Japan	0.04	0.01
Iron Ore	117.4	1.5	USD Index	93.1	93.1	92.5	92.7	UK	0.24	0.06

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: US stimulus negotiations are dragging on. COVID concerns are weighing on markets.

Share Markets: With no significant data released, US market were a touch softer. The Dow was down 0.3%, the S&P500 fell 0.2% and Nasdaq declined 0.3%. Markets were far weaker in Europe where the second wave of COVID-19 is rising. The FTSE100 fell 1.9%, the Dax was down 1.4% and the broad Euro Stoxx 50 fell 1.5%.

Interest Rates: US 10-year government bond yields firmed 4 basis points to 0.82% and remain marginally higher than their Australia counterpart which also rose 4 basis points, to 0.80%. Shorter-term yields remained steady.

Foreign Exchange: The US dollar index was weaker, moving to a two-month low while the GBP firmed on sentiment regarding a trade deal with the EU. The AUD also firmed, moving back into the US 71 cent range.

Commodities: Supply disruptions in Chile saw copper prices firm but oil was weaker as Libya's supply increased. Iron ore was also up a touch.

COVID-19: US hospitalizations for COVID-19 hit their highest level in two months. Spain has become the first nation in Western Europe to reach 1 million cases.

Australia: The six-month annualised growth rate in

the Westpac/Melbourne Institute Leading Index, rose from -2.28% in August to -0.48% in September. The index indicates the likely pace of economic activity, relative to trend, three to nine months into the future. The result is consistent with the Australian economy is moving out of recession.

Retail sales fell 1.5% in September according to the preliminary estimate. Sales have risen 5.2% over the year. While this is a solid result, it has been distorted by COVID-19-related expenditures through the year.

China: No major economic data released.

Europe: The UK and the EU will resume talks on a post-Brexit trade deal less than a week after UK prime minister Johnson suspended the discussions. There are growing signs that an accord is in sight.

United Kingdom: The annual inflation rate in the UK rose marginally to 0.7% in the September quarter from 0.5% in the June quarter. Weak inflation is leading to calls for further government stimulus measures.

Official figures indicated that UK house prices rose 2.5% in the year to August.

New Zealand: Credit card spending rose 1% in September after a fall in August (-5.6%).

United States: The Fed's Beige Book suggested that the US economy continued to grow across the

country but, as in Australia, the picture was uneven.

Today's key data and events:

AU Business Impacts of COVID-19 (11:30am)
EU Consumer Confidence Oct exp -15.0, prev -13.9 (1am)
US Leading Index Sep exp 0.6%, prev 1.2% (1am)
US Existing Home Sales Sep exp 5.0%, prev 2.4% (1am)
US Kansas City Fed index Oct exp 11, prev 11 (2am)

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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