

# Morning Report

Tuesday, 22 September 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,822.6	-0.7%	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	27,147.7	-1.8%	10 yr bond	99.12		0.02	90 day BBSW	0.09	0.00	
Japan Nikkei	23,360.3	0.2%	3 yr bond	99.72		0.00	2 year bond	0.17	-0.01	
China Shanghai	3,476.3	-0.6%	3 mth bill rate	99.91		0.00	3 year bond	0.23	0.00	
German DAX	12,542.4	-4.4%	SPI 200	5,754.0		-57	3 year swap	0.15	-0.01	
UK FTSE100	5,804.3	-3.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.85	-0.03
Commodities (close & change)*			TWI	61.9	-	-	61.9	<b>United States</b>		
CRB Index	147.8	-3.7	AUD/USD	0.7297	0.7324	0.7199	0.7223	3-month T Bill	0.08	-0.01
Gold	1,912.5	-38.3	AUD/JPY	76.30	76.39	75.27	75.61	2 year bond	0.14	0.00
Copper	6,710.5	-122.8	AUD/GBP	0.5640	0.5671	0.5625	0.5636	10 year bond	0.67	-0.03
Oil (WTI)	39.6	-1.5	AUD/NZD	1.0790	1.0841	1.0785	1.0833	<b>Other (10 year yields)</b>		
Coal (thermal)	58.8	1.4	AUD/EUR	0.6160	0.6175	0.6130	0.6136	Germany	-0.53	-0.05
Coal (coking)	119.1	0.1	AUD/CNH	4.9387	4.9475	4.8958	4.9064	Japan	0.02	0.00
Iron Ore	116.0	-5.0	USD Index	92.9	93.8	92.7	93.5	UK	0.16	-0.03

Data as at 7:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** Investor anxiety about the outlook for equities and the economy lifted overnight, driven by worries about rising infections in Europe and the upcoming election in the US. There is increasing speculation the UK may re-enter lockdown. Against this backdrop, key global share markets were lower overnight, government bond yields lifted and the US dollar appreciated.

**Share Markets:** US equities continued to decline, spurred by fresh concerns of pandemic-related restrictions, a report of suspicious global transactions and the brewing Supreme Court fight. The S&P 500 index fell 38 points (or -1.8%) and neared a threshold considered to be a market correction. The Dow Jones dropped 510 points (or -1.8%) and the Nasdaq fell 15 points (or -0.1%).

The S&P 500 index has fallen 300 points or 8.4% since recording a peak on September 2. It is at its lowest level since July 31.

**Interest Rates:** Amid the rise in nervousness among investors, there was demand for safe-haven government bonds, resulting in a rise in prices and a drop in yields. The US 10-year bond yield fell 3 basis points overnight, although the 2-year bond yield ended unchanged.

**Foreign Exchange:** The US dollar index lifted from around 92.7 overnight to nearly 93.8 and a one-month high before easing modestly from its

overnight high. US dollar strength drove the AUD/USD pair lower, from an overnight high of 0.7324 to an overnight low of 0.7199, which is a key support level.

**Commodities:** Crude oil futures in New York fell 1.5% to US\$39.60 a barrel, after reports suggested Libya will resume some oil exports.

**COVID-19:** Yesterday Victoria recorded 9 cases of infections (revised from 11), which is the lowest daily rise since the middle of June. NSW recorded just 4 new cases with 3 of these cases in hotel quarantine.

Fears about a resurgence of the pandemic in Europe lifted overnight. UK's Prime Minister, Boris Johnson, convened crisis talks amid expectations of another lockdown in London.

**Australia:** There was no major economic data released yesterday.

**Europe:** The President of the European Central Bank (ECB) overnight said that the ECB has room to add stimulus and can adapt its already expansive toolkit if the economy needs more help. Lagarde also added that the recovery from the coronavirus recession is still "uneven and incomplete" and that the ECB is paying close attention to the euro's appreciation and its knock-on effect to inflation.

**New Zealand:** Credit card spending fell 5.8% in

August and collapsed 11.9% in the year to August.

**United Kingdom:** House prices rose by 0.2% in September, according to Rightmove. Annual growth stepped up from 4.6% in August to 5.0% in September.

The BBC reported that the UK may move from COVID alert level 3 to 4, amid a rise in cases. UK's Prime Minister Boris Johnson will give a speech tomorrow after a special Cabinet meeting. London's Mayor, Khan, said restrictions will be revealed after discussions with Johnson later today.

**United States:** The Chicago Fed National Activity index fell to 0.79 in August, from 2.54 in July. The outcome was below consensus expectations, but July's result was also revised upwards. A reading above 0 indicates above-trend growth in the national economy is anticipated.

US President Trump called on the Senate to confirm his Supreme Court pick to replace Ruth Bader Ginsburg before the presidential election six weeks from now. The president will announce his nominee on Friday or Saturday, giving Republicans an even narrower window.

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

AU Payroll Jobs & Wages Sep 5 (11:30am)  
UK CBI Trends Total Orders Sep exp -40 prev -44 (8pm)  
US Existing Home Sales Aug ex 2.4% prev 24.7% (12am)  
US Richmond Fed Mfg Index Sep exp 12 prev 18 (12am)  
US Federal Reserve's Evans Speech (12am)  
US Federal Reserve's Bostic Speech (5am)

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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