

# Morning Report

Monday, 23 November 2020

| Equities (close & % change)              |          |       | Sydney Futures Exchange (close & change) |         |             |                      |         | Interest rates (close & change) |       |       |
|--|----------|-------|--|---------|-------------|----------------------|---------|---------------------------------|-------|-------|
| S&P/ASX 200                              | 6,539    | -0.1% |  |         | <b>Last</b> | <b>Overnight Chg</b> |         | <b>Australia</b>                |       |       |
| US Dow Jones                             | 29,263   | -0.7% | 10 yr bond                               | 99.13   |             |                      |         | 90 day BBSW                     | 0.02  | 0.00  |
| Japan Nikkei                             | 25,527   | -0.4% | 3 yr bond                                | 99.84   |             |                      |         | 2 year bond                     | 0.10  | 0.00  |
| China Shanghai                           | 3,540    | 0.4%  | 3 mth bill rate                          | 99.98   |             |                      |         | 3 year bond                     | 0.11  | 0.00  |
| German DAX                               | 13,137   | 0.4%  | SPI 200                                  | 6,568.0 |             |                      |         | 3 year swap                     | 0.12  | -0.01 |
| UK FTSE100                               | 6,351    | 0.3%  | FX Last 24 hrs                           | Open    | High        | Low                  | Current | 10 year bond                    | 0.86  | -0.03 |
| <b>Commodities (close &amp; change)*</b> |          |       | TWI                                      | 60.8    | -           | -                    | 60.8    | <b>United States</b>            |       |       |
| CRB Index                                | 156.2    | 1.1   | AUD/USD                                  | 0.7293  | 0.7324      | 0.7266               | 0.7311  | 3-month T Bill                  | 0.06  | 0.00  |
| Gold                                     | 1,870.99 | 4.5   | AUD/JPY                                  | 75.70   | 75.98       | 75.41                | 75.85   | 2 year bond                     | 0.16  | 0.00  |
| Copper                                   | 7,271.50 | 184.8 | AUD/GBP                                  | 0.5497  | 0.5512      | 0.5484               | 0.5498  | 10 year bond                    | 0.82  | -0.01 |
| Oil (WTI)                                | 42.42    | 0.5   | AUD/NZD                                  | 1.0531  | 1.0558      | 1.0512               | 1.0541  | <b>Other (10 year yields)</b>   |       |       |
| Coal (thermal)                           | 65.35    | 1.0   | AUD/EUR                                  | 0.6140  | 0.6171      | 0.6122               | 0.6160  | Germany                         | -0.58 | -0.01 |
| Coal (coking)                            | 101.71   | -0.9  | AUD/CNH                                  | 4.7947  | 4.8019      | 4.7785               | 4.7952  | Japan                           | 0.01  | -0.01 |
| Iron Ore                                 | 125.72   | 1.4   | USD Index                                | 92.3    | 92.4        | 92.2                 | 92.4    | UK                              | 0.30  | -0.02 |

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:** Good news on vaccines was muted by new disagreements on US economic aid funding and Brexit hiccups.

**Share Markets:** The Dow was lower on Friday, falling 0.7%. The S&P500 also fell 0.7% and the Nasdaq was down 0.4%. European markets fared better with the FTSE100 rising 0.3% and the Dax up 0.4%.

**Interest Rates:** Interest rate markets saw minimal movement on Friday. The short end of the yield curve in the US and Australia was unchanged with Australian 2-year government bond yields at 0.10% and their US counterpart at 0.16%. Ten-year government bond yields fell 3 basis points in Australia to 0.86% and fell 1 basis point in the US to 0.82%.

**Foreign Exchange:** The AUD moved back into the US 73 cent range on Friday night despite the US dollar index rising marginally from 92.3 to 92.4. The AUD gained ground on the USD after falling to a low of \$US0.7266 earlier in the Friday session.

**Commodities:** Oil continued to trade higher and copper saw its best prices since July. Gold was marginally firmer. Positive vaccine news promises stronger global economic growth in 2021.

**COVID-19:** There were 177,000 new infections in the US on Friday. There are now over 12 million COVID-19 infections in the US. France and Italy are

contemplating easings of restrictions while in the US a COVID-19 treatment has been given emergency use authorisation by the US Food and Drug Administration.

**Australia:** Preliminary estimates for retail sales in October were up 1.6% on September and up 7.3% on October 2019. Cafes, restaurants and takeaway food service led the rise.

The latest survey on the impact of COVID-19 on businesses indicated that in November, 24% of businesses saw an increase in revenue compared to 16% in October and 13% in September.

The outlook for capital expenditure in the survey was muted with only 11% of companies, that usually have capital expenditure this time of year, indicating they would do so this year.

**Euro zone:** Consumer confidence slipped in the Eurozone from negative 15.5 in October to negative 17.6 in November. This was a second straight fall and comes as COVID-19 continues to disrupt the region.

**Japan:** Deflation continues in Japan with the annual rate of inflation declining to negative 0.4%. If the volatile food component is taken out, the annual rate moves lower, to negative 0.7%. Ten-year government bond yields in Japan sit at 0.01%.

**United Kingdom:** The UK's index of consumer sentiment declined from negative 31 in October to

negative 33 in November. COVID-19 concerns and Brexit uncertainty continue to weigh on minds of consumers. However, retail sales (ex-auto fuel) rose 1.3% in October to be up 7.8% on a year earlier.

**United States:** US Treasury secretary Mnuchin and Fed Chair Powell have 'clashed' over the use of unused emergency funds. The Fed wants to have the funds available for use in 2021 while the Treasury would like the unused funds returned. The Fed has since made an announcement that emergency funding for markets will remain available in 2021 despite Treasury suggesting they will not be required as markets have stabilised.

There were no major US data releases on Friday.

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

NZ Retail Sales Volumes Q3 prev -14.6% (8:45am)  
EZ Markit Services PMI Nov (8:00pm)  
UK Markit Manufacturing PMI Nov (8:30pm)  
UK Markit/CIPS Services PMI Nov (8:30pm)  
US Chicago Fed Nat Act Index Oct prev 0.27 (12:30am)  
US Markit Manufacturing PMI Nov (1:45am)  
US Markit Services PMI Nov (1:45am)

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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