

Morning Report

Friday, 23 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,173.8	-0.3%			Last	Overnight Chg		Australia		
US Dow Jones	28,382.3	0.6%	10 yr bond	99.15				90 day BBSW	0.06	0.00
Japan Nikkei	23,474.3	-0.7%	3 yr bond	99.83				2 year bond	0.13	0.00
China Shanghai	3,471.7	-0.4%	3 mth bill rate	99.98				3 year bond	0.13	0.00
German DAX	12,543.1	-0.1%	SPI 200	6,181.0			12	3 year swap	0.09	-0.01
UK FTSE100	5,785.7	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.81	0.01
Commodities (close & change)*			TWI	59.7	-	-	59.8	United States		
CRB Index	151.8	0.7	AUD/USD	0.7117	0.7125	0.7085	0.7115	3-month T Bill	0.09	-0.01
Gold	1,904.9	-19.5	AUD/JPY	74.43	74.68	74.19	74.64	2 year bond	0.16	0.01
Copper	6,917.5	-71.8	AUD/GBP	0.5413	0.5443	0.5398	0.5441	10 year bond	0.86	0.03
Oil (WTI)	40.7	0.6	AUD/NZD	1.0695	1.0704	1.0645	1.0658	Other (10 year yields)		
Coal (thermal)	58.9	0.2	AUD/EUR	0.6001	0.6026	0.5983	0.6020	Germany	-0.57	0.02
Coal (coking)	125.0	-3.4	AUD/CNH	4.7277	4.7499	4.7162	4.7460	Japan	0.04	0.00
Iron Ore	116.8	-0.6	USD Index	92.7	93.0	92.6	92.9	UK	0.28	0.04

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 US House Speaker Nancy Pelosi indicated she is close to reaching a stimulus deal with the Treasury Secretary Steve Mnuchin, despite important differences still being worked out. Together with positive economic data, US markets operated in a positive mood overnight.

Later today, US President Donald Trump and Democrat candidate Joe Biden meet for the final presidential debate before the Nov 3 elections.

Share Markets: Better-than-expected economic data, coupled with encouraging signs of a fiscal stimulus deal, drove US equity markets up overnight. The S&P500 climbed 0.6% and the Dow 0.5%.

European markets were mostly down overnight, with the German DAX falling 0.1% and the Euro Stoxx 50 dropping 0.3%. Woes associated with the number of coronavirus cases and ensuing lockdowns concerned equity markets. The exception was the UK FTSE 100 with a +0.2% change overnight, after the British government announced further support for struggling businesses.

Interest Rates: US 10-year bonds climbed 4 bps for the second day in a row to 0.86% and expanded the disparity with the Australian counterpart (0.81%), which rose 1bp. The shorter end of the curve remains steady.

Foreign Exchange: The US dollar gained some

ground overnight against most G-10 pairs. The US dollar index rose from 92.7 to 92.9. The AUD/USD remained relatively stable overnight at 0.7115. AUD/NZD hit a minimum of 1.0645 overnight – a low since early July. It sits at 1.0661 as per 8am today.

Commodities: Oil extended gains after House Speaker Nancy Pelosi said a US stimulus deal is near. Russia announced it does not rule out the possibility of delaying hikes in oil production by the OPEC+ group. This provided further support to oil prices increases and the WTI crude rose 1.4%.

COVID-19: Europe continues to struggle to control coronavirus cases. France added a record 41,622 cases and expanded the area under curfew. Other movement restrictions have been implemented across Europe.

India's government has set aside about US\$7 billion to vaccinate its 1.3 billion people.

Australia: The ABS report on covid-19 impacts on business was released yesterday. The survey highlighted that businesses remained cautious in October, although they were marginally more optimistic than July. The trends in revenue and operating expenses were arguably better than in the July report. Small businesses continued to bear the brunt of the economic impact from COVID-19.

China: No major economic data released.

Europe: Europe's reading for consumer confidence declined to -15.5 in October from -13.9 in September. The result was slightly worse than expected. More consumer data should be released overnight.

New Zealand: No major economic data released.

United States: US Initial Jobless Claims fell by more than expected and surprised markets with the resilience of the US labour market. New filings decreased from a revised 898k to 787k.

Existing Home Sales also positively surprised the market with 6.54m homes sold in September, from 5.98m in August.

Leading Index rose by 0.7% in September, after four months of strong increases.

These results continue to suggest the US economy is on a recovery path.

Today's key data and events:

EU Markit Services PMI Oct (7pm)

NZ CPI Q3 q/q prev -0.5% (8:45am)

UK Retail Sales Sep prev 0.8% (5pm)

UK Markit Manufacturing PMI Oct (7:30pm)

UK Markit/CIPS Services PMI Oct (7:30pm)

US Markit Manufacturing PMI Oct (12:45am)

US Markit Services PMI Oct (12:45am)

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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