

## Morning Report

Tuesday, 24 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,562	0.3%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	29,591	1.1%	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	0.09	-0.01
China Shanghai	3,579	1.1%	3 mth bill rate	99.98				3 year bond	0.11	0.00
German DAX	13,127	-0.1%	SPI 200	6,590.0				3 year swap	0.12	0.00
UK FTSE100	6,334	-0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.85	-0.02
<b>Commodities (close &amp; change)*</b>			TWI	60.8	-	-	60.9	<b>United States</b>		
CRB Index	157.3	1.2	AUD/USD	0.7311	0.7337	0.7265	0.7286	3-month T Bill	0.07	0.00
Gold	1,835.95	-35.0	AUD/JPY	75.85	76.22	75.77	76.20	2 year bond	0.16	0.00
Copper	7,170.50	-101.0	AUD/GBP	0.5498	0.5502	0.5459	0.5469	10 year bond	0.86	0.03
Oil (WTI)	42.86	0.4	AUD/NZD	1.0541	1.0560	1.0515	1.0526	<b>Other (10 year yields)</b>		
Coal (thermal)	67.05	1.7	AUD/EUR	0.6160	0.6176	0.6147	0.6154	Germany	-0.58	0.00
Coal (coking)	101.71	0.0	AUD/CNH	4.7952	4.8140	4.7857	4.7958	Japan	0.01	0.00
Iron Ore	123.59	-2.1	USD Index	92.4	92.8	92.0	92.5	UK	0.32	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:** AstraZeneca's vaccine results failed to impress markets but the prospect of other vaccines being rolled out next month kept sentiment high.

**Share Markets:** US equity markets rose overnight as investors were attracted to companies that will benefit the most from the return to normal economic activity. The Dow climbed 1.1% and the S&P500 rose 0.6%.

In contrast, European equities edged lower amid disappointing economic data. The Euro Stoxx 50 fell 0.1%, the FTSE100 declined 0.3% and the DAX edged 0.1% lower.

Yesterday, the ASX200 gained 22.4 points (or +0.3%), reaching its highest level since February 27. The reopening of the NSW-Victoria border and higher iron ore prices were among the drivers of the positive result.

**Interest Rates:** The US yield curve steepened a touch overnight, with the 10-year bond rate increasing 3 basis points to 0.86%. Rates at the shorter end of the yield curve remained unchanged.

Rates across the Australian yield curve edged lower yesterday. The 2-year government bond rate fell 1 basis point to 0.09%, while the 10-year declined 2 basis points to 0.85%.

**Foreign Exchange:** The US dollar strengthened against most G-10 peers, aided by stronger

economic data. The US dollar index rose from 92.4 to 92.5.

The AUD/USD pair traded mostly within the US\$0.73 range, reaching a high of 0.7337. Later, it tumbled to a low of 0.7265 before rising to 0.7286.

**Commodities:** Oil prices in New York reached their highest levels since early September. Vaccine news and hopes it will boost demand for the commodity underpinned the strong result. The West Texas Intermediate (WTI) index rose to US\$42.86 per barrel.

Gold, iron ore and copper were weaker overnight.

**COVID-19:** AstraZeneca's vaccine has an average efficacy rate of 70%, below Pfizer's and Moderna's 95%. However, the rate can reach 90% depending on how the vaccine is administered. Some market analysts suggest the chances of this vaccine being licensed in the US are slim.

More than 12% of beds in US hospitals were occupied by COVID-19 patients, the highest level since April.

UK prime minister Johnson confirmed that the national lockdown will end next week. The current system will be replaced by strict regional restrictions.

**Australia:** Treasurer Josh Frydenberg announced yesterday an expansion of the instant asset write-

off scheme. Businesses with a turnover up to \$5bn will be eligible, regardless of how much money they make globally.

**Euro zone:** The recent lockdown restrictions are starting to take a toll on the European economy. The Markit Composite Purchasing Managers' Index (PMI) for November declined to 45.1, from 50 in October. A reading below 50 suggests an economic contraction. The drop was led by services as restaurants, bars and other establishments were ordered to shut. The services PMI declined from 46.9 in October to 41.3 in November. Manufacturing also contributed to the overall weakness, with the manufacturing PMI dropping 1.2 points in November to 53.6.

**New Zealand:** Real retail sales rose by 28% in the September quarter to be up 8.3% on Q3, 2019. The September quarter outcome more than offset the fall in spending seen in the June quarter, when sales were restrained by the lockdown of the economy.

**United Kingdom:** PMI results for November were mixed. The services PMI tumbled 5.6 points to 45.8, the sharpest drop since April. However, the manufacturing PMI increased in November to 55.2, from 53.7 in October. This increase was partially attributed to Brexit stock building.

Brexit negotiations progressed and a deal is expected within days. Issues surrounding fishing and aid continue to obstruct a resolution.

**United States:** PMI results were stronger than expected. The manufacturing PMI rose from 53.4 in October to 56.7 in November, while the services PMI rose 0.8 points to 57.7. The positive results reflect further strengthening of demand in the US despite rising COVID-19 infections and lockdowns.

The Chicago Fed national activity index for October also showed signs of stronger demand. The index rose from 0.27 in September to 0.83 in October.

President-elect Joe Biden plans to select former Federal Reserve Chair Janet Yellen to be the next US Treasury Secretary.

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

AU RBA Deputy Governor Debelle delivers Online Speech (1:30pm)

EZ Germany IFO Business Climate Survey Nov (8:00pm)

US FHFA House Prices Sep exp 0.5% prev 1.5% (1:00am)

US S&P CoreLogic House Prices y/y Sep exp 4.8% prev 5.2% (1:00am)

US Consumer Confid. Nov exp 97.9 prev 100.9 (2:00am)

US Richmond Fed Index Nov exp 21 prev 29 (2:00am)

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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