

Morning Report

Tuesday, 27 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,155.6	-0.2%	Last		Overnight Chg			Australia		
US Dow Jones	27,685.4	-2.3%	10 yr bond	99.20	0.01			90 day BBSW	0.06	0.00
Japan Nikkei	23,494.3	-0.1%	3 yr bond	99.84	0.00			2 year bond	0.12	-0.01
China Shanghai	3,407.4	-0.8%	3 mth bill rate	99.98	0.00			3 year bond	0.12	-0.01
German DAX	12,177.2	-3.7%	SPI 200	6,095.0	-55			3 year swap	0.09	0.00
UK FTSE100	5,792.0	-1.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.81	-0.05
Commodities (close & change)*			TWI	60.0	-	-	60.1	United States		
CRB Index	149.4	-1.3	AUD/USD	0.7138	0.7146	0.7103	0.7128	3-month TBill	0.08	-0.01
Gold	1,902.4	0.3	AUD/JPY	74.74	74.95	74.51	74.73	2 year bond	0.15	-0.01
Copper	6,772.8	-89.0	AUD/GBP	0.5467	0.5482	0.5456	0.5474	10 year bond	0.80	-0.04
Oil (WTI)	38.6	-1.3	AUD/NZD	1.0671	1.0679	1.0638	1.0668	Other (10 year yields)		
Coal (thermal)	60.9	-0.1	AUD/EUR	0.6022	0.6048	0.6002	0.6036	Germany	-0.58	-0.01
Coal (coking)	108.9	-0.1	AUD/CNH	4.7574	4.7862	4.7430	4.7735	Japan	0.04	-0.01
Iron Ore	109.8	-0.4	USD Index	92.8	93.1	92.8	93.1	UK	0.28	-0.01

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 House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin failed again to secure a stimulus deal, making the chance of an agreement before elections (Nov 3) slimmer. This - together with fresh records of COVID-19 cases worldwide - made markets risk-averse.

Share Markets: Concerns over the number of new COVID-19 infections and fading hopes that Washington will deliver a stimulus plan before the election led US stocks to tumble overnight. The S&P500 slid 1.9% while the Dow fell 2.3%.

European equities were also down amid woes of record high daily number of infections. The Euro Stoxx 50 declined 2.9%, the German Dax fell 3.7% and the FTSE100 declined 1.2%.

Interest Rates: Australian 10-year bond yield declined 5 basis points to 0.81%. Other rates across the yield curve were stable.

US 10-year bond rates declined 4 basis points closing at 0.80%. Global 10-year yields were also down.

Foreign Exchange: The Australian dollar was stable, operating in the range of 0.7105 and 0.7145.

The US dollar index increased to 93.1 overnight.

Commodities: Oil prices fell to the lowest in three weeks amid concerns over Libya's oversupply. The West Texas Crude Index (WTI) fell 3.5% overnight.

Copper was softer at the prospect of weaker global growth.

COVID-19: It has been reported that new infections in France are closer to 100k daily, twice the official count.

AstraZeneca reported its vaccine has produced robust immune results in elderly participants.

Australia: Preliminary figures for the September international goods trade revealed a trade surplus of \$5.1bn. Exports increased to \$28.9bn (up 3% over August) while imports fell to \$23.8bn (down 1%).

Most of the export increase was driven by higher demand for non-monetary gold (up \$876m) to the UK and France, mainly. For imports, a combination of lower demand for non-monetary gold (down \$235m), petroleum (-\$173m) and tobacco (-\$101m) led to the \$5.114bn trade surplus.

China: No major economic data released.

Europe: German companies are turning pessimistic on the economic recovery in the face of rising coronavirus infections. IFO Business Climate index decreased to 92.7 in October from 93.4 in September.

New Zealand: No major economic data released.

United States: The September Chicago Fed Activity Index fell to 0.27 (from 0.79 in August), suggesting a

slower-than-expected recovery in the region.

New Home Sales declined 3.5% in September to 959k units. Sales had surged from May to August by a cumulative 61% following a three-month pandemic-related plunge of 29%.

The Dallas Fed Manufacturing Activity index for October was up 19.8 from 13.6 in September. This is the third month in positive territory after five negative prints. The region was hit by the double whammy of the pandemic and weakness in the oil industry.

Today's key data and events:

NZ Trade Balance Sep exp -1015m, prev -353m (8.45am)

EZ M3 Money Supply Sep exp 9.6%, prev 9.5% (8pm)

CH Industrial Profits Sep y/y prev 19.1% (12:30pm)

US Durable Goods Orders Sep exp 0.5%, prev 0.5% (11.30pm)

US FHFA House Prices Aug exp 0.7%, prev 1.0% (12am)

US S&P CoreLogic CS House Prices Aug exp 0.4%, prev 0.55% (12am)

US Cons. Confidence Oct exp 101.9, prev 101.8 (1am)

US Richmond Fed index Oct exp 18, prev 21 (1am)

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.

Felipe Pelaio, Economist

Ph: 02-8254-0646

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Senior Economist

Hans Kunnen
hans.kunnen@banksa.com.au
(02) 8254 1316

Economist

Felipe Pelaio
felipe.pelaio@banksa.com.au
(02) 8554 0646

The information contained in this report (.the Information.) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
