

# Morning Report

Monday, 28 September 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,964.9	1.5%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	27,174.0	1.3%	10 yr bond		99.17	0.02		90 day BBSW	0.08	0.00
Japan Nikkei	23,204.6	0.5%	3 yr bond		99.79	0.01		2 year bond	0.15	0.00
China Shanghai	3,374.1	-0.1%	3 mth bill rate		99.93	0.00		3 year bond	0.16	0.00
German DAX	12,469.2	-1.1%	SPI 200		5,951.0	21		3 year swap	0.12	-0.01
UK FTSE100	5,842.7	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.80	-0.01
<b>Commodities (close &amp; change)*</b>			TWI		60.3	-	-	60.4	<b>United States</b>	
CRB Index	148.4	0.0	AUD/USD	0.7047	0.7087	0.7006	0.7033	3-month T Bill	0.09	-0.01
Gold	1,861.7	-6.4	AUD/JPY	74.29	74.63	74.02	74.27	2 year bond	0.13	0.00
Copper	6,546.6	-70.1	AUD/GBP	0.5527	0.5547	0.5499	0.5511	10 year bond	0.65	-0.01
Oil (WTI)	40.3	-0.1	AUD/NZD	1.0769	1.0778	1.0718	1.0744	<b>Other (10 year yields)</b>		
Coal (thermal)	60.4	-0.9	AUD/EUR	0.6037	0.6069	0.6032	0.6049	Germany	-0.53	-0.03
Coal (coking)	123.4	0.0	AUD/CNH	4.8095	4.8348	4.7905	4.8034	Japan	0.01	0.00
Iron Ore	113.2	0.0	USD Index	94.3	94.7	94.2	94.6	UK	0.19	-0.03

Data as at 7.30am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** Bargain hunting, US election jitters and US stimulus gridlock were all at play on Friday night. In Europe, COVID concerns weighed heavily.

**Share Markets:** After two soft days, bargain hunters emerged in US markets. The Dow rose 1.3%, the S&P500 was up 1.6% and the Nasdaq was up 2.3%. Europe was mixed with the FTSE100 up 0.3% but mainland markets were down. The Dax fell 1.1% and the French CAC40 was down 0.7%.

**Interest Rates:** The largest moves on Friday were in Europe where German 10-year government bond yields fell 3 basis points to -0.53%. Their UK equivalent also saw yields fall 3 basis points, down to 0.19%. In the face of the pandemic, economic growth in Europe is struggling.

**Foreign Exchange:** AUD flirted with the lower bounds of the \$US70 cent range as the USD moved a touch higher. The US dollar index rose from 94.3 to 94.6 on Friday.

**Commodities:** A quiet session for commodities. Copper and gold were a touch weaker as was oil. Coal and iron ore were steady as was the CRB index of commodity prices.

**COVID-19:** The UK has added London to its list of potential 'hot spots' lifting the probability that the capital could face new lockdown measures.

**Australia:** Australia's Federal budget deficit in 2019-20 came in at \$85.3bn. Total receipts were \$33.1bn

lower than estimated in the December mid-year review. Cash payments were \$57.7bn higher than estimated as economic support measures such as JobKeeper, JobSeeker and the Cash Boost were introduced in response to the COVID-19 pandemic.

**China:** China's current account surplus rose sharply in Q2 to \$US110.2bn. Under the weight of COVID-19, China reported a Q1 deficit of \$33.7bn. In the four prior quarters, its current account surplus had been running between \$US40-50bn.

Industrial profits rose 19.0% in the year to August and came on top of a 19.6% rise in the year to July. After a poor start to the year, in the face of COVID-19 pressures, output has increased while costs and fees have fallen. Profits remain 4.4% down on a year earlier.

**Europe:** No major economic data released.

**New Zealand:** No major economic data released.

**United Kingdom:** Consumer confidence remains weak in the UK. The latest GfK index of consumer sentiment came in at -25 for September, marginally better than the -27 reported in August. Back in May, the index was sitting at -36.

**United States:** Orders for durable goods rose 0.4% in August. This was below expectations and well below the 11.7% growth seen in July. Reduced orders for military equipment and motor vehicles kept orders below expectations. Durable goods

orders were down 6.3% on a year earlier.

Reports emerged that the US has taken another step in its trade dealings with China by restricting US exports to a prominent Chinese chipmaker.

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

UK Nationwide House Prices Sep prev 2.0%

US Dallas Fed Index Sep exp 8.5, prev 8.0 (12.30am)

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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