

# Morning Report

Thursday, 29 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,057.7	0.1%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	26,520.0	-3.4%	10 yr bond	99.22		0.00		90 day BBSW	0.06	0.00
Japan Nikkei	23,418.5	-0.3%	3 yr bond	99.84		0.00		2 year bond	0.11	0.00
China Shanghai	3,426.4	0.5%	3 mth bill rate	99.98		0.00		3 year bond	0.12	0.01
German DAX	11,560.5	-4.2%	SPI 200	5,942.0		-103		3 year swap	0.09	0.01
UK FTSE100	5,582.8	-2.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.78	-0.02
<b>Commodities (close &amp; change)*</b>			TWI	60.2	-	-	60.3	<b>United States</b>		
CRB Index	146.7	-4.0	AUD/USD	0.7128	0.7157	0.7038	0.7044	3-month T Bill	0.09	0.00
Gold	1,876.2	-31.8	AUD/JPY	74.44	74.63	73.39	73.50	2 year bond	0.15	0.00
Copper	6,740.5	-49.5	AUD/GBP	0.5462	0.5489	0.5423	0.5425	10 year bond	0.77	0.00
Oil (WTI)	37.3	-2.3	AUD/NZD	1.0629	1.0660	1.0603	1.0611	<b>Other (10 year yields)</b>		
Coal (thermal)	60.8	-0.3	AUD/EUR	0.6041	0.6075	0.5993	0.5995	Germany	-0.63	-0.01
Coal (coking)	115.3	3.4	AUD/CNH	4.7848	4.8011	4.7356	4.7393	Japan	0.03	-0.01
Iron Ore	111.7	1.2	USD Index	93.0	93.6	93.0	93.5	UK	0.21	-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:** Equity markets experienced a big sell-off overnight with growing fears of new lockdowns. Investor anxiety was reflected in a spike in the VIX volatility index to its highest since June.

**Share Markets:** US and European share markets plunged amid virus woes in both regions and new lockdown restrictions imposed in parts of Europe.

The Dow Jones tumbled 3.4%, the S&P500 3.5% and the Nasdaq 3.7%. US election uncertainty and the fiscal stalemate also contributed to the record falls.

The German DAX plunged 4.2% overnight, while the France CAC40 index fell 3.4% and Euro Stoxx50 3.5%.

Yesterday, the ASX200 opened down but ended the day with a tepid 0.1% increase, reversing a four-day streak of losses.

**Interest Rates:** Rates were stable in the US overnight. Australia's 10-year bond yield declined 2 basis points to 0.78%. Other rates across the yield curve were largely unchanged.

**Foreign Exchange:** The US dollar appreciated against the G-10 peers except the Japanese yen. The DXY index gained 0.5 points (or 0.5%).

The AUD/USD traded in the range of 0.7038-0.7157 overnight with the lower end of this range very close to key support of 0.7000.

**Commodities:** Oil slumped as US crude oil inventories swelled to 4.32 million barrels last

week, the highest level since July. The WTI declined 6.2% overnight.

Gold declined 1.7% and operates below the \$1,900 level.

**COVID-19:** Europe continues to struggle with the high number of new COVID infections. Germany, France and Switzerland have imposed new restrictions to contain the spread of the virus. The UK is expected to follow suit as the number of deaths in the second wave are expected to be higher than the first. Italy, Spain, Portugal and Poland have recorded new daily highs.

**Australia:** Headline CPI rose 1.6% in the September quarter, after the historical decline of 1.9% in the June quarter. Annual underlying inflation increased 1.2%, below the target band pursued by the RBA of 2-3% per annum. This provides further support to our call of further monetary easing on the next RBA meeting (November 3).

Childcare costs bounced back to pre-COVID levels (except in Victoria) and soared 1,382% in the September quarter. Other key contributors were auto fuel and tobacco, increasing 9.4% and 3.2% respectively.

**United States:** The goods trade deficit narrowed to US\$79.4 billion in September, from \$83.1 billion in August. The narrower deficit was helped by the first pullback of imports in four months.

Wholesale inventories for September declined 0.1% while retail inventories increased 1.6% in the same month. The latter due to pre-festive season stocking.

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

AU Trade Price Indices Q3 (11:30am)

Import Prices exp -2.0% prev -1.9%

Export Prices exp -3.5% prev -2.4%

EZ Economic Confidence Oct exp 89.6 prev 91.1 (9pm)

EZ Consumer Confidence Oct Final prev -15.5 (9pm)

EZ ECB Policy Meeting exp 0.0% prev 0.0% (11:45pm)

JN Bank of Japan Policy Meeting exp -0.1% prev -0.1% (TBC)

NZ ANZ Business Confidence Oct Final prev -14.5 (11am)

US GDP Q3 Annualised Adv exp 32.0% prev -31.4% (11:30pm)

US Pending Home Sales Sep exp 3.0% prev 8.8% (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.

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