

Morning Report

Monday, 30 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,601	-0.5%	Last		Overnight Chg			Australia		
US Dow Jones	29,910	0.1%	10 yr bond	99.11	0.01			90 day BBSW	0.02	0.00
Japan Nikkei	26,645	0.4%	3 yr bond	99.84	0.00			2 year bond	0.09	0.00
China Shanghai	3,572	1.1%	3 mth bill rate	99.98	-0.01			3 year bond	0.11	0.00
German DAX	13,336	0.4%	SPI 200	6,642.0	39			3 year swap	0.13	-0.01
UK FTSE100	6,368	0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.90	-0.01
Commodities (close & change)*			TWI	61.3	-	-	61.4	United States		
CRB Index	161.0	0.6	AUD/USD	0.7365	0.7399	0.7353	0.7385	3-month T Bill	0.07	-0.01
Gold	1,787.79	-28.0	AUD/JPY	76.77	76.96	76.50	76.89	2 year bond	0.15	-0.01
Copper	7,493.25	99.5	AUD/GBP	0.5513	0.5560	0.5506	0.5541	10 year bond	0.84	-0.04
Oil (WTI)	45.53	-0.2	AUD/NZD	1.0507	1.0522	1.0494	1.0515	Other (10 year yields)		
Coal (thermal)	69.30	-0.7	AUD/EUR	0.6183	0.6194	0.6171	0.6176	Germany	-0.59	0.00
Coal (coking)	104.14	2.1	AUD/CNH	4.8374	4.8616	4.8282	4.8562	Japan	0.03	0.01
Iron Ore	127.68	0.8	USD Index	92.0	92.0	91.8	91.8	UK	0.28	0.00

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: Major global share market indexes moved higher in Friday's trading session, but global bond yields edged lower. The US dollar also remained under selling pressure, paving the way for the Australian dollar to reach a three-month high of nearly 74 US cents.

Share Markets: US share markets ended higher on Friday in thin trading conditions after Thanksgiving. The S&P 500 index lifted 9 points (or +0.2%) to a new record high. The Dow Jones rose 38 points (or +0.1%), closing just shy of a record. European share market indexes also ended Friday in the black.

Interest Rates: Despite the lift in equities, US bond yields fell on Friday. The US 2-year bond yield fell 1 basis point while the US 10-year yield declined by 4 basis points.

Foreign Exchange: The US dollar remained subject to selling pressures on Friday. The US dollar index fell to a fresh three-month low of 91.8 and remains near this level currently. The critical resistance level for the US dollar is 91.0. A clean break under this level suggests further material weakness is likely for the US dollar in coming months.

The AUD/USD against this backdrop rose to a three-month high of 0.7399 and near the top of its trading range for this year. The high for 2020 has been 0.7414. The AUD/USD has fallen back to trade around the 0.7390 handle at the time of writing. A

solid break about 0.7415-0.7430 would open the AUD/USD up to 0.7600-0.7700 in coming months. The Reserve Bank board meet tomorrow and the release of GDP data on Wednesday means the AUD/USD could be exposed to a greater period of volatility this week.

Commodities: Oil prices retreated amid rising tensions among OPEC members ahead of a major summit this week. Nevertheless, oil still eked out its fourth consecutive weekly gain.

COVID-19: The top infectious disease expert in the US, Dr Anthony Fauci, warned yesterday that the US may see "surge upon surge" of COVID-19 in the weeks after Thanksgiving. Several Asian countries reported rising daily infections, including South Korea, Indonesia and Hong Kong.

Australia: The deluge of data continues this week. The highlight is the GDP result for Q3. We are anticipating a firm outcome of 3.0% in the quarter, after two consecutive quarterly declines and a severe recession over the first half of this year. An outcome in line with our forecast would still leave economic activity nearly 4% weaker than a year ago. The Reserve Bank also meets tomorrow.

On Friday, China imposed temporary anti-dumping duties of 107.1% to 212.1% on Australian wine. The decision comes after trade probes into the industry were announced earlier this year. China is the

biggest buyer of Australian wine; it imported around \$1.2 billion of wine in the year to September. Earlier this year, China imposed tariffs on Australian barley and suspended meat imports from several NSW and QLD exporters. Chinese authorities also informed importers to expect customs delays across seven categories of Australian goods.

China: Industrial profits soared 28.2% in the year to October, the sharpest rise since December 2011. A rebound in industrial activity and stronger exports underpinned the solid result.

Eurozone: Preliminary confidence readings for economic, industrial and services were published for November. All three indexes showed a deterioration in the month. The largest fall occurred for the services index, which fell 5.2 points to -17.3. Meanwhile, the final reading for consumer confidence remained unchanged at -17.6 in November. With recent fresh pandemic-related restrictions across many parts of Europe, there is potential for further falls in these indexes in coming months.

New Zealand: Consumer confidence declined 1.7% to 106.9 in November, after a sharp 8.7% increase in October. Weaker current and future economic conditions were the main drivers of the soft result in November. Notably, the consumer inflation expectations sub index reached 4.7% in November, a 10-year high.

United Kingdom: There was more optimism over a Brexit accord but still no deal. The UK's Secretary of State, Dominic Raab, said negotiators have been showing pragmatism and "good faith" in recent talks. Raab suggested an accord could be reached this week if the European Union gives more ground on the controversial topic of fishing rights. European Commission (EC) President Ursula von der Leyen also boosted hopes of a deal by Friday after sending one of her top officials to assist Michel Barnier. Barnier is serving as the EC's Head of Task Force for Relations with the UK.

United States: There were no major economic releases on Friday.

Today's key data and events:

NZ ANZ Business Confidence Nov Final prev -15.6 (11am)
 AU MI Inflation Gauge Nov y/y prev 1.1% (11am)
 AU Private Sector Credit Oct exp 0.1% prev 0.1% (11:30am)
 AU Company Profits Q3 exp 6.0% prev 15.0% (11:30am)
 AU Inventories Q3 exp 1.0% prev -3.0% (11:30am)
 CH Manufacturing PMI Nov exp 51.5 prev 51.4 (12pm)
 CH Non-manufacturing PMI Nov exp 56.1 prev 56.2 (12pm)
 US Chicago PMI Nov exp 59.2 prev 61.1 (1:45am)
 US Pending Home Sales Oct exp 1.0% prev -2.2% (2am)
 US Dallas Fed Index Nov exp 14.5 prev 19.8 (2:30am)
 US Federal Reserve's Barkin Speech (4am)

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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