

Morning Report

Friday, 30 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,960.3	-1.6%	Last		Overnight Chg			Australia		
US Dow Jones	26,710.9	0.7%	10 yr bond	99.18	-0.01			90 day BBSW	0.06	0.00
Japan Nikkei	23,331.9	-0.4%	3 yr bond	99.84	0.00			2 year bond	0.11	0.00
China Shanghai	3,430.0	0.1%	3 mth bill rate	99.97	-0.01			3 year bond	0.12	0.00
German DAX	11,598.1	0.3%	SPI 200	5,983.0	47			3 year swap	0.09	0.00
UK FTSE100	5,581.8	0.0%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.82	0.03
Commodities (close & change)*			TWI	60.3	-	-	59.7	United States		
CRB Index	144.8	-1.9	AUD/USD	0.7044	0.7076	0.7002	0.7037	3-month T Bill	0.09	-0.01
Gold	1,869.9	-7.3	AUD/JPY	73.50	73.86	73.14	73.63	2 year bond	0.15	0.00
Copper	6,724.0	-16.5	AUD/GBP	0.5425	0.5451	0.5407	0.5442	10 year bond	0.83	0.06
Oil (WTI)	36.4	-1.0	AUD/NZD	1.0611	1.0633	1.0599	1.0610	Other (10 year yields)		
Coal (thermal)	58.9	-0.5	AUD/EUR	0.5995	0.6030	0.5993	0.6028	Germany	-0.64	-0.01
Coal (coking)	116.1	0.8	AUD/CNH	4.7393	4.7528	4.7053	4.7199	Japan	0.03	0.01
Iron Ore	114.2	-0.5	USD Index	93.5	94.1	93.3	93.9	UK	0.22	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: After a rough week, US markets had some relieve overnight. GDP for the September quarter soared an annualised 33.1%, surprising markets positively. Equities were up, yields were down and the dollar appreciated against its peers.

Central banks of the Europe Union and Japan met overnight and painted grimmer outlooks for their respective economies. Germany announced a €10 billion plan to provide support to businesses forced to shut down.

Share Markets: The higher-than-expected US GDP growth and the prospect of solid tech earnings overshadowed concerns on virus infections. The Dow was up 0.7% and the S&P500 rose 1.8%, recovering part of the losses incurred this week.

Europe continues to struggle with managing new COVID-19 infections and markets fell overnight, albeit slightly. The Euro Stoxx declined 0.1% and Spain's IBEX 35 retreated 1.0%. However, the German DAX rose 0.3% after the government announced further economic support.

Interest Rates: US 10-year bond rates climbed 6 basis points after the favourable growth numbers. The rate is back at 0.83% after a week of incremental falls.

Australian 10-year bond yields also increased, rising 3 basis points to 0.82%.

Foreign Exchange: The US dollar strengthened

overnight after the positive GDP figures. The US dollar index increased by 0.4 points to 93.9.

The AUD/USD retreated closer to its 0.7000 support level and now trades around 0.7037.

Commodities: Commodity prices broadly decreased overnight. Oil (WTI) fell below \$US35 in intraday trade for the first time since June but rebounded to \$US36.4. Overall, it declined 2.8% with Brent oil down 3.2%. Oil oversupply in Libya coupled with expected production cuts announced by Shell help explain these movements.

Gold prices fell around 0.5% with optimism over the US economy.

Australia: Export prices contracted 5.1% in the September quarter, resulting in an annual fall of 9.9%. The main contributor for the quarter was natural and manufactured gas, plummeting almost 40%.

Import prices decreased 3.5% in the quarter leading to an annual contraction of 5.7%. Office and ADP machines were the biggest contributor, falling 8.7% in the September quarter.

These figures are linked to weaker global demand for oil and coal, and the appreciation of the Australian dollar.

China: The communist party's central committee unveiled the first glimpses of its economic plans for the next five years. The focus will be on high quality,

sustainable growth. They vow to transform the country into a tech powerhouse with a robust domestic market. This suggests China will take another step towards a more internally-focused growth strategy.

Europe: The recovery in economic confidence came to a halt in October. The index was flat from September at 90.9 amid fears of new lockdown measures.

The European Central Bank (ECB) maintained its policy rates unchanged. However, the ECB hinted it will expand its €1.35 billion bond-buying program as countries impose new lockdowns.

Japan: In line with the ECB, the Bank of Japan decided to maintain its policy rates unchanged. It will continue to support businesses struggling with the pandemic. The Bank sees a more volatile recovery path amid concerns over coronavirus infections and the US election. Consequently, it now sees the Japanese economy shrinking by 5.5% in the fiscal year of 2020.

New Zealand: NZ businesses remained upbeat in October. The ANZ business confidence index rose from negative 28.5 in September to minus 15.7 in October. A better activity outlook was among the main drivers.

United States: US GDP soared at an annualised rate of 33.1% in the September quarter after a historical annualised fall of 31.4% in the June quarter. GDP is still 3.5% below its pandemic peak.

The main contributor was personal consumption (+40.7%), particularly of durable goods (+82.2%). Private investment was also important (+83.0%), mainly lifted by residential investment (59.3%). Government spending and the trade balance made negative contributions.

Today's key data and events:

AU Private Sector Credit Sep exp 0.1% prev 0.0% (11:30am)
 AU Producer Price Index Q3 prev -1.2% (11:30am)
 CH Mfg PMI Oct prev 51.5 (12pm Sat 31 Oct)
 CH Non-mfg PMI Oct prev 55.9 (12pm Sat 31 Oct)
 EZ Unemployment Rate Sep exp 8.2% prev 8.1% (9pm)
 EZ GDP Q3 Advance exp -7.0% prev -14.7% (9pm)
 EZ CPI Oct exp 0.1% prev 0.1% (9pm)
 JN Industrial Production Sep exp -9.8% prev -13.8% (10:50am)
 NZ Consumer Confidence Oct prev -0.2% (8am)
 US Personal Income, Spending and Core PCE Sep (10:30pm)
 US Employment Cost Index Q3 exp 0.5% prev 0.5% (11:30pm)
 US Chicago PMI Oct exp 58.0 prev 62.4 (12.45am)
 US UoM Consumer Sentiment Oct Final exp 81.2 prev 81.2 (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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