

Morning Report

Wednesday, 30 September 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,952.1	0.0%	Last		Overnight Chg			Australia		
US Dow Jones	27,452.7	-0.5%	10 yr bond	99.16	-0.02			90 day BBSW	0.09	0.01
Japan Nikkei	23,539.1	0.1%	3 yr bond	99.79	-0.01			2 year bond	0.15	0.00
China Shanghai	3,379.2	0.2%	3 mth bill rate	99.91	-0.01			3 year bond	0.16	0.01
German DAX	12,825.8	-0.4%	SPI 200	5,884.0	-51			3 year swap	0.14	0.01
UK FTSE100	5,897.5	-0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.78	0.01
Commodities (close & change)*			TWI	60.3	-	-	60.6	United States		
CRB Index	146.8	-2.0	AUD/USD	0.7073	0.7138	0.7070	0.7132	3-month T Bill	0.09	-0.01
Gold	1,897.5	16.1	AUD/JPY	74.63	75.43	74.60	75.37	2 year bond	0.12	0.00
Copper	6,581.0	6540.4	AUD/GBP	0.5508	0.5554	0.5504	0.5548	10 year bond	0.65	0.00
Oil (WTI)	39.2	-1.4	AUD/NZD	1.0793	1.0824	1.0783	1.0819	Other (10 year yields)		
Coal (thermal)	64.5	1.3	AUD/EUR	0.6064	0.6097	0.6061	0.6073	Germany	-0.55	-0.02
Coal (coking)	123.5	0.1	AUD/CNH	4.8222	4.8678	4.8197	4.8609	Japan	0.02	-0.01
Iron Ore	116.8	2.3	USD Index	94.3	94.3	93.8	93.9	UK	0.18	-0.02

Data as at 7:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

Main Themes: Data overnight showed US consumer confidence roared higher in August, but a bipartisan deal around further US stimulus remains deadlocked. The uncertain prospects for additional US government relief weighed on US share markets. However, global government bond yields did very little in overnight trade. The Aussie dollar was volatile but kept to its recent trading range.

Share Markets: US share markets were mostly lower, as investors weighed prospects for US government relief and the pandemic outlook. Losses were led by energy and financial stocks. At the close the S&P 500 index was down 10 points (or -0.3%), the Dow Jones was off 131 points (or -0.5%) and the Nasdaq declined 32 points (or -0.3%).

Interest Rates: US government bond yields barely moved in the overnight session. Both the US 2-year and 10-year government bond yields finished the session unchanged.

Foreign Exchange: The AUD remained comfortably within recent trading ranges. It appreciated from an overnight low of 0.7070 to an overnight high of 0.7138, before pulling back to the 0.7100 handle and attempting to return the overnight high again. Much of the AUD's direction overnight was driven by sentiment towards the US dollar.

Commodities: Oil in New York plunged below its 100-day moving average, a key technical level, for

the first time since June.

COVID-19: In Victoria, there were 10 new cases yesterday. In NSW, there were 2, which are returning international travellers in hotel quarantine.

The WA government has softened entry restrictions from people seeing to enter the state from Victoria and NSW. From October 5, people travelling to WA from these States will no longer be required to quarantine in a hotel at their own expense. They will be allowed to self-isolate.

Prime Minister Morrison also said that the Government's health advisory body, the Australian Health Protection Principal Committee (AHPPC), was considering whether to allow home quarantine for people entering Australia from selected "safe" countries such as South Korea, Japan and countries in the Pacific. The Australian government is also already considering a travel bubble with NZ that could remove quarantine requirements.

Australia: The weekly Roy Morgan survey of consumer confidence showed another improvement in the latest week - week ending September 27. The index lifted 1.5 points to 95.0. It is the fourth consecutive week improvement. However, the index remains below the key level 100, indicating consumers overwhelmingly remain pessimistic about the outlook, despite the

pessimism waning in recent weeks.

Europe: Germany's consumer prices in September fell by 0.2%, taking the annual rate to a contraction of 0.2%. The temporary cut to the value-added tax (VAT), ongoing weak demand and the stronger euro contributed to the fall in inflation.

Several confidence indicators were published for the Eurozone overnight – economic, industrial and services. Each of these indicators showed an improvement in September.

United Kingdom: The European Union rebuffed Britain's latest effort to unblock their deadlocked trade talks, with officials in Brussels saying it did not go far enough. The UK government had sought to break the logjam by submitting a new round of proposals on how its state-aid rules will work after Brexit. Negotiations thus far have made little progress.

United States: The Conference Board's consumer confidence index surged to 101.8 in August, from 86.3 in July, as Americans turned more hopeful toward the economic recovery. The increase is the biggest one-month jump in 17 years and follows back-to-back declines through the summer. Despite the improvement, the gauge remains well below its pre-pandemic high. Furthermore, the lack of near-term stimulus could drag on Americans' cashflow and drive a decline in confidence as early as October.

The 20-city house price index published by CoreLogic showed a gain of 0.55% in July, which beat market consensus expectations and was an improvement from the flat outcome in June. This index is now at a record high. The annual rate lifted to 3.95% in the month.

The goods trade deficit widened in August to \$82.9 billion, from \$80.1 billion in July.

House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin again discussed overnight whether a bipartisan stimulus deal can be reached. Talks will resume later today. Pelosi and Mnuchin went over the latest \$2.2 trillion Democratic proposal, as negotiations near a critical juncture this week. If no agreement is reached, the House will vote on the plan without Republican support, allowing members to leave town to resume campaigning.

Today's key data and events:

NZ Building Permits Aug prev -4.5% (7.45am)
 NZ ANZ Business Confidence Sep Final prev -26.0 (10.00am)
 CH Manufacturing PMI Sep exp 51.3, prev 51.0 (11am)
 CH Non-mfg PMI Sep exp 54.7, prev 55.2 (11am)
 AU Private Sect Credit Aug exp -0.1% prev -0.1% (11.30am)
 CH Caixin Mfg PMI Sep exp 53.1, prev 53.1 (11.45am)
 UK GDP Q2 Final prev -20.4% (4.00pm)
 US GDP Q2 Annualised exp -31.7, prev -31.7% (10.30pm)
 US ADP Employ. Change Sep exp 648k, prev 428k (10.15pm)
 US Chicago PMI Sep exp 52.0, prev 51.2 (11.45pm)
 US Pending Home Sales Aug exp 3.2%, prev 5.9% (12am)

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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