

# Morning Report

Thursday, 8 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,036.4	1.2%	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	28,303.5	1.9%	10 yr bond	99.13	-0.03			90 day BBSW	0.08	-0.01
Japan Nikkei	23,422.8	0.0%	3 yr bond	99.82	-0.01			2 year bond	0.15	-0.03
China Shanghai	3,372.6	-0.2%	3 mth bill rate	99.93	-0.01			3 year bond	0.13	-0.03
German DAX	12,928.6	0.2%	SPI 200	6,045.0	25			3 year swap	0.12	0.01
UK FTSE100	5,946.3	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.84	-0.04
<b>Commodities (close &amp; change)*</b>			TWI	61.1	-	-	60.7	<b>United States</b>		
CRB Index	149.6	0.1	AUD/USD	0.7106	0.7152	0.7096	0.7141	3-month T Bill	0.09	0.00
Gold	1,887.1	9.4	AUD/JPY	75.05	75.76	74.95	75.67	2 year bond	0.15	0.00
Copper	6,519.3	-2.5	AUD/GBP	0.5513	0.5556	0.5509	0.5529	10 year bond	0.79	0.05
Oil (WTI)	40.1	-0.6	AUD/NZD	1.0780	1.0864	1.0769	1.0853	<b>Other (10 year yields)</b>		
Coal (thermal)	61.4	-0.6	AUD/EUR	0.6056	0.6076	0.6047	0.6071	Germany	-0.49	0.01
Coal (coking)	139.0	-2.0	AUD/CNH	4.7946	4.8142	4.7876	4.8096	Japan	0.04	0.00
Iron Ore	117.3	-0.2	USD Index	93.8	93.9	93.6	93.6	UK	0.30	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 Theme:** Optimism that a US government stimulus package would be delivered this year or early next.

**Share Markets:** US markets reversed the previous night's losses as hopes for a government stimulus package rose. The Dow rose 1.9% as did the Nasdaq. The S&P500 was up 1.7%. In Europe, the Dax rose 0.2%, the FTSE was down 0.1% and the French CAC40 fell 0.3%.

**Interest Rates:** US 10-year government bond yields rose 4 basis points to 0.79% having fallen 4 basis points the day before. Australian bond yields did the opposite, falling 4 basis points to 0.84% have risen 5 basis points the day before. Australian shorter-term yields fell as expectations of a November rate cut increased. Three y and 2-year bond yields fell 3 basis points with the 3-year yields at 0.13% - despite an RBA target for that yield of 0.25%.

**Foreign Exchange:** The USD fell a touch against the other majors overnight with the USD index declining from 93.8 to 93.6. The AUD edged higher against the USD, GBP and the NZD.

**Commodities:** Oil was a little weaker with West Texas Intermediate crude at \$US40.1 per barrel. Gold was marginally higher while copper was flat. Coal and iron ore were also marginally weaker.

**Australia:** The AiG Performance of Services index

slipped from 42.5 in August to 36.2 in September on the back of weak sales, most likely in Melbourne. The index stood at 47.0 in February, prior to the declaration of the pandemic.

Payroll jobs, in the week ending 19 September, were 4.1% below their level in mid-March. Total wages paid were down 2.9% over the same period. Job numbers continue to be constrained by the Melbourne lockdown, although in the latest fortnight, Victoria saw a 0.7% rise in payroll numbers.

**United Kingdom:** UK house prices rose 2.3% in the year to July. This was down from revised growth of 2.9% in the year to June. UK house price growth had been weak during 2019 but had been picking up in the early months of 2020.

Unit labour costs surged in the UK as output declined. Unit cost were up 27.4%. Government wage support for workers kept labour costs elevated.

**United States:** The minutes of the FOMC expressed concern that government relief provided to date was insufficient. The members expressed the view that more government stimulus would be provided. There was discussion regarding the Fed's asset purchase program, signalling an openness to possibly increasing bond buying in the future. The meeting's rate projections were for them to remain

close to zero until 2023.

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

CH Caixin Services PMI Sep exp 54.3, prev 54 (12:45pm)

JN Current Acc. Aug exp ¥1544bn, prev ¥964bn (10.50am)

NZ ANZ Business Confidence Oct prev -28.5 (11am)

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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