

Morning Report

Friday, 9 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,102.0	1.1%	Last		Overnight Chg			Australia		
US Dow Jones	28,425.5	0.4%	10 yr bond	99.13	0.00			90 day BBSW	0.08	0.00
Japan Nikkei	23,647.1	1.0%	3 yr bond	99.82	0.00			2 year bond	0.15	0.01
China Shanghai	3,372.6	-0.2%	3 mth bill rate	99.94	0.00			3 year bond	0.14	0.01
German DAX	13,042.2	0.9%	SPI 200	6,097.0	12			3 year swap	0.13	0.00
UK FTSE100	5,978.0	0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.87	0.03
Commodities (close & change)*			TWI	60.7	-	-	60.8	United States		
CRB Index	151.2	1.7	AUD/USD	0.7141	0.7170	0.7123	0.7166	3-month T Bill	0.09	-0.01
Gold	1,893.6	15.9	AUD/JPY	75.67	75.98	75.53	75.97	2 year bond	0.15	0.00
Copper	6,669.8	150.5	AUD/GBP	0.5529	0.5552	0.5516	0.5541	10 year bond	0.78	-0.01
Oil (WTI)	41.3	1.4	AUD/NZD	1.0853	1.0895	1.0846	1.0888	Other (10 year yields)		
Coal (thermal)	62.1	-1.3	AUD/EUR	0.6071	0.6100	0.6057	0.6095	Germany	-0.52	-0.03
Coal (coking)	135.1	-3.9	AUD/CNH	4.8096	4.8321	4.8018	4.8288	Japan	0.04	0.00
Iron Ore	117.9	0.6	USD Index	93.6	93.8	93.5	93.6	UK	0.29	-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: Conflicting signals on a US stimulus deal and hurricane Delta disrupts US oil production.

Share Markets: US markets pushed higher as investors contemplated the possibility and shape of a US stimulus package. The Dow rose 0.4%, the S&P500 was up 0.7% and the Nasdaq rose 0.5%. European markets were also positive with the FTSE100 up 0.5% and the Dax up 0.9%.

Interest Rates: US 10-year bond yields edged 1 basis point lower to 0.78% and there was minimal movement at the shorter end of the yield curve. There was also limited action in Australia. Ten-year bond yields rose 3 basis points to 0.875 while 3-year bond yields rose just 1 basis point to 0.14%. The market appears to be setting itself for reductions in the RBA cash rate and its target for 3-year bond yields.

Foreign Exchange: Both ECB and BoE members restated that they were prepared to use more policy tools. This capped EUR and GBP and kept other major currencies in tight ranges. The US dollar index remained steady at 93.6 while the AUD edged a touch higher.

Commodities: Oil prices rose as hurricane Delta forced the closure of 80% of the oil facilities in the Gulf of Mexico. Gold, iron ore and copper were firmer, but coal prices edged lower.

COVID-19: The French daily COVID-19 case count

remained uncomfortably high at 18.1k, but below yesterday's figure of over 19k. UK posted a lift in cases to 17,540 (a trebling in 2 weeks and up from yesterday's 14k). Both countries are looking to increase restrictions.

Australia: No major economic data released. Markets continue to digest the impact of Tuesday's Budget measures.

China: No major data released.

New Zealand: Business confidence in NZ has risen back to the levels seen prior to the outbreak of COVID-19. The ANZBO measure of business confidence rose to -14.5 in October from -28.5 in September.

United Kingdom: No major data released but growth in COVID-19 case numbers threatens the nation's economic recovery. House prices in the UK continue to firm.

United States: Initial jobless claims fell 9k on the previous week coming in at 840k for the week ending 3 October. The number of continuing claims for benefits fell to 11 million in the week ended 26 September.

President Trump has pulled out of a scheduled 'virtual debate' while Treasury Secretary Mnuchin and House Speaker Pelosi continue to debate the potential shape of a government stimulus package.

Today's key data and events:

AU RBA Financial Stability Review (11:30am)

AU Housing Finance Aug (11:30am)

Total exp -1.5% prev 8.9%

Owner-occupier exp -1.0% prev 10.7%

Investor Aug exp -3.0% prev 3.5%

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

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.

Hans Kunnen, Senior Economist

Ph: 02-8254-1316

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Senior Economist

Hans Kunnen
hans.kunnen@banksa.com.au
(02) 8254 1316

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