

Morning Report

Wednesday, 9 September 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,007.8	1.1%	Last		Overnight Chg			Australia		
US Dow Jones	27,500.9	-2.2%	10 yr bond	99.06	0.05			90 day BBSW	0.09	0.00
Japan Nikkei	23,274.1	0.8%	3 yr bond	99.70	0.00			2 year bond	0.25	0.00
China Shanghai	3,475.8	0.7%	3 mth bill rate	99.90	-0.01			3 year bond	0.27	0.00
German DAX	12,968.3	-1.0%	SPI 200	5,890.0	-96			3 year swap	0.17	0.00
UK FTSE100	5,930.3	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.97	0.00
Commodities (close & change)*			TWI	62.1	-	-	62.2	United States		
CRB Index	146.0	-3.7	AUD/USD	0.7277	0.7309	0.7206	0.7206	3-month T Bill	0.11	0.01
Gold	1,930.6	-3.1	AUD/JPY	77.35	77.65	76.36	76.36	2 year bond	0.14	0.00
Copper	6,805.8	81.3	AUD/GBP	0.5529	0.5567	0.5527	0.5552	10 year bond	0.68	-0.04
Oil (WTI)	36.9	-2.8	AUD/NZD	1.0872	1.0920	1.0871	1.0895	Other (10 year yields)		
Coal (thermal)	50.8	0.9	AUD/EUR	0.6159	0.6181	0.6119	0.6119	Germany	-0.50	-0.03
Coal (coking)	114.8	0.0	AUD/CNH	4.9718	4.9929	4.9384	4.9388	Japan	0.04	-0.01
Iron Ore	123.4	-0.3	USD Index	93.1	93.5	93.0	93.5	UK	0.19	-0.06

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: Soft economic news and profit taking in equity markets saw risk aversion take hold overnight.

Share Markets: US and European markets were bathed in red ink overnight. Technology stocks pushed US markets down while economic weakness weighed on European sentiment. The Dow fell 2.2% while the German Dax was down 1.0%

Interest Rates: There was little movement in US interest rates. US 10-year bond yields slipped four basis points to 0.68%. In line with economic weakness in Japan and Europe (see GDP data below) 10-year bond yields fell 3 basis points in Germany and one basis point in Japan.

Foreign Exchange: The US dollar index rose overnight pushing the AUD lower. The AUD fell from a high of \$0.7309 US cents to US\$0.7206 this morning.

Commodities: West Texas Crude oil fell over 5% overnight on increased supply out of OPEC and on stalling recovery in Asia. Gold was marginally weaker and iron ore marginally stronger.

Australia: Weekly payrolls rose 0.3% in the fortnight to 22 August. They are now down 4.2% since mid-March when the lockdowns began. At their low, payrolls were down 8.5% in mid-April. Victoria, at 7.9% below the mid-March level remains the hardest hit State while WA at just 1.0% below has

seen the best recovery in jobs.

There was a mixed result from the latest monthly NAB Business survey. After three consecutive months of improvement, business conditions deteriorated in August, to -6 from 8 in July. The resurgence of cases in Victoria and the lockdown measures from early August have unsurprisingly had a detrimental impact on businesses. However, containment of new COVID-19 cases and a recovery in other States has likely prevented a bigger fall. Business confidence improved from -14 in July to -8 in August, still well below the long run average.

China: No major data released.

Japan: Final GDP for the June quarter fell at a revised, seasonally adjusted, annual rate of 28.1%. The actual decline in the June quarter was 7.9%. Over the year to June, Japan's GDP fell 9.9%.

Europe: GDP in Europe fell 21.1% in the June quarter to be down 15.0% over the year. Employment slipped 2.8% in the quarter having fallen 0.2% in the March quarter.

United Kingdom: There were no major economic statistics but Covid-19 cases surged to their highest daily level since May. At the same time, Britain's exit plans from the EU are causing concerns in the UK and Europe.

United States: Consumer credit rose in July for a

second month as the economy opened up and spending lifted. Total consumer credit rose at an annualised rate of 3.6% in July.

Today's key data and events:

AU WBC-MI Consumer Sentiment Sep prev 79.5 (10.30am)

AU Housing Finance Jul (11.:30am)

– Value of Total exp 4.0% prev 6.2%

– Value of Owner-Occ prev 5.5%

– Value of Investor prev 8.1%

CH PPI Aug y/y prev -2.4% (11.30am)

CH CPI Aug y/y prev 2.7% (11.30am)

NZ ANZ Business Confidence Sep (11.00am)

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

Janu Chan
chanj@banksa.com.au
(02) 8253 0898

Senior Economist

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

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