

# Morning Report

Friday, 24 November 2017



Bank of Melbourne

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5986.4	0.4%			Last	Overnight Chg		Australia		
Dow Jones	23526.2	closed	10 yr bond	97.49	0.03		10 year bond	2.49	-0.06	
Nikkei	22523.2	0.5%	3 yr bond	98.08	0.02		3 year bond	1.91	-0.02	
Hang Seng	30003.5	0.6%	3 mth bill rate	98.27	0.00		90 day BBSW	1.73	0.01	
Shanghai	3592.9	0.6%	SPI 200	6005	5		United States			
DAX	13015.0	-1.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.32	closed
FTSE100	7419.0	0.1%	TWI	63.7	-	-	63.7	2 year bond	1.73	closed
Commodities (close & change)			AUD/USD	0.7618	0.7639	0.7604	0.7618	3-month TBill	1.26	closed
CRB Index	191.6	closed	AUD/JPY	84.73	84.94	84.52	84.73	Other (10 year yields)		
Gold	1292.0	11.5	AUD/GBP	0.5720	0.5741	0.5708	0.5720	Germany	0.35	0.00
Copper	6933.5	45.0	AUD/NZD	1.1077	1.1084	1.1052	1.1077	Japan	0.03	-0.01
Oil (WTI)	58.0	closed	AUD/EUR	0.6445	0.6448	0.6427	0.6445	UK	1.28	0.00

Data as at 8:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Reuters, Bloomberg.

**Main Themes:** Thanksgiving holiday in the US meant thinner trading conditions in overnight trade. Chinese share markets will be eyed closely today, after a slump yesterday.

**Share Markets:** Chinese equities were a focus for investors yesterday. The Chinese share market experienced its biggest slump in nearly two years. The Chinese CSI 300 share market index closed 3.0% lower yesterday. US share markets were closed for Thanksgiving holiday overnight. In Europe, the UK FTSE 100 index was down a touch, the German DAX was off 0.1% and the French CAC 40 was up 0.5%. Meanwhile, the Euro Stoxx 50 index rose 0.3%.

**Interest Rates:** US 10-year treasury yields implied by futures markets (the physical was closed) remained at 2.32%. Fed fund futures yields continued to price the chance of a December rate hike at 100%.

**Foreign Exchange:** The US dollar index was slightly lower overnight. EUR/USD rose from 1.1820 to 1.1856, in the wake of upbeat economic data and news Germany's Social Democrat party was open to talks with Chancellor Merkel. USD/JPY ranged sideways between 111.10 and 111.30. AUD/USD rose from 0.7604 to 0.7639. NZD/USD rose from 0.6880 to 0.6905. AUD/NZD ranged sideways between 1.1052 and 1.1084.

**Commodities:** The basket of base metal prices, the LME index, was firmer overnight. Gold was also

higher.

**Australia:** There was no major economic data released yesterday.

**Europe:** Minutes from the last European Central Bank (ECB) meeting on 25-26 October showed there was broad agreement that an ample degree of monetary stimulus was still needed to reach the ECB's target of "below, but close to, 2%".

The ECB will cut its €60 billion monthly asset purchase programme, known as quantitative easing (QE), to €30 billion at the start of 2018, with the aim of running it for at least nine months to September 2018. Keeping QE open ended had broad support from the committee, but a few members wanted a clear end date.

The Markit manufacturing purchasing managers' index (PMI) for the Eurozone rose from 58.5 in October to 60.0 in November. The services PMI also lifted over the same time period, from 55.0 to 56.2. Markit reported that the economy is showing signs of picking up momentum in the fourth quarter with multi-year highs seen for all main indicators of output.

**New Zealand:** Retail sales volumes rose just 0.2% in the September quarter. It was a touch above the 0.1% estimate by consensus, but was the smallest quarterly increase in just over two years.

**United Kingdom:** The second estimate of UK GDP for the third quarter stayed at 0.4% growth. Annual

growth stayed steady at 1.5% also. Services and manufacturing were the main drivers of growth, as well as the auto sector. However, uncertainty over the UK's economic outlook remains.

**United States:** It was Thanksgiving holiday overnight. So there were no data releases.

**Today's key data and events**

NZ Trade Balance Oct exp -NZ\$760mn prev -NZ\$1.1bn  
(8:45am)

JN Nikkei Mfg PMI Nov prev 52.8 (11:30am)

EZ German IFO Business Climate Nov exp 116.7 prev 116.7 (8pm)

US Markit Mfg PMI Nov exp 55.0 prev 54.6 (1:45am)

US Markit Services PMI Nov exp 55.3 prev 55.3  
(1:45am)

Times are AEST. All data forecasts are m/m or q/q and seasonally adjusted unless otherwise specified. Forecasts for Australian data are house forecasts and for other countries are consensus forecasts.

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