

# Morning Report

Monday, 27 November 2017



Bank of Melbourne

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5982.6	-0.1%			Last	Overnight Chg		Australia		
Dow Jones	23558.0	0.1%	10 yr bond	97.47			-0.02	10 year bond	2.50	0.00
Nikkei	22550.9	0.1%	3 yr bond	98.07			0.00	3 year bond	1.92	0.00
Hang Seng	29866.3	0.5%	3 mth bill rate	98.26			0.00	90 day BBSW	1.73	0.00
Shanghai	3512.5	0.1%	SPI 200	5993			-1	United States		
DAX	13059.8	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.34	0.02
FTSE100	7409.6	-0.1%	TWI	63.7	-	-	63.9	2 year bond	1.74	0.02
Commodities (close & change)			AUD/USD	0.7618	0.7632	0.7607	0.7620	3-month TBill	1.24	-0.02
CRB Index	192.2	0.6	AUD/JPY	84.73	85.05	84.74	84.89	Other (10 year yields)		
Gold	1288.8	-2.5	AUD/GBP	0.5720	0.5738	0.5704	0.5712	Germany	0.36	0.01
Copper	6986.0	40.5	AUD/NZD	1.1077	1.1090	1.1056	1.1076	Japan	0.03	0.00
Oil (WTI)	58.9	0.9	AUD/EUR	0.6445	0.6441	0.6379	0.6382	UK	1.25	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:** A lift in risk appetites boosted the US stockmarket and US government bond yields. The Euro outperformed versus the broadly weaker US dollar, supported by upbeat German business confidence data.

**Share Markets:** The US stockmarket strengthened amid robust investor sentiment and higher commodity prices. The Dow rose 0.1%, the S&P 500 increased 0.2% and the Nasdaq gained 0.3% for the session.

**Interest Rates:** US government bond yields increased as upbeat investor sentiment dimmed demand for safe haven government debt. The yield on the 10-year US government bond rose from 2.32% to 2.34%. The yield on the 2-year US government bond rose from 1.72% to 1.74%.

Australian government bond yields (implied by futures) edged higher on Friday night, following the move in the US.

**Foreign Exchange:** The US dollar index (weighted against a basket of currencies) fell 0.4% from Friday morning. Strong business confidence data in Germany boosted the Euro, which gained versus the US dollar. EUR/USD jumped from a low of 1.1837 on Friday, to trade around 1.1937 at the time of writing. Sterling gained ground versus the US dollar. The Japanese Yen underperformed, as stronger risk appetites dampened demand for the safe-haven currency.

The Australian dollar drifted slightly lower against the US dollar, despite a strengthening in risk appetites. AUD/USD is trading around 0.7620 at the time of writing. The New Zealand dollar similarly failed to gain against the softer US dollar. AUD/NZD has finished slightly higher compared to Friday morning, at around 1.1077 currently.

**Commodities:** The oil price gained on concerns about supply amid the continued shutdown of a pipeline from Canada to the US. The WTI oil price rose by US\$0.90 to US\$58.90 per barrel.

**Australia:** There was no economic data released locally on Friday.

**Europe:** The German IFO business climate index was stronger than expected, climbing to 117.5 in November, from 116.8 in October. This was a new record high, reflecting strength in the current conditions component.

**Japan:** The Nikkei manufacturing PMI rose from 52.8 in October to 53.8 in November, a three-year high. It signals further strength in the Japanese economy.

**New Zealand:** New Zealand's trade deficit narrowed from a revised \$1.2bn in August to \$871mn in October.

**United States:** The Markit US manufacturing PMI slipped to 53.8 in November, from 54.6 in October, giving back some of the gains from the previous month. The index remains well above 50 signalling

ongoing expansion in US manufacturing activity.

**Today's key data and events**

CH Industrial Profits Oct y/y prev 27.7% (12.30pm)  
US New Home Sales Oct exp -6.5% prev 18.9% (1am)  
US Dallas Fed Mfg Activity Nov exp 24.0 prev 27.6  
(2:30am)

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.

**Jo Horton, Senior Economist**  
**Ph: (02) 8253 6696**

## Contact Listing

### Chief Economist

Besa Deda  
[dedab@bankofmelbourne.com.au](mailto:dedab@bankofmelbourne.com.au)  
(02) 8254 3251

### Senior Economist

Josephine Horton  
[hortonj@bankofmelbourne.com.au](mailto:hortonj@bankofmelbourne.com.au)  
(02) 8253 6696

### Senior Economist

Janu Chan  
[chanj@bankofmelbourne.com.au](mailto:chanj@bankofmelbourne.com.au)  
(02) 8253 0898

### The Detail

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne's agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.