

Wednesday, 11 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,341	0.7%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	29,421	0.9%	10 yr bond	99.05		-0.03	90 day BBSW	0.02	0.00	
Japan Nikkei	24,906	0.3%	3 yr bond	99.82		-0.01	2 year bond	0.10	0.00	
China Shanghai	3,522	-0.4%	3 mth bill rate	99.98		0.00	3 year bond	0.12	0.00	
German DAX	13,163	0.5%	SPI 200	6,390.0		49	3 year swap	0.11	0.02	
UK FTSE100	6,297	1.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.95	0.03
<b>Commodities (close &amp; change)*</b>			TWI	60.8	-	-	61.0	<b>United States</b>		
CRB Index	153.6	2.3	AUD/USD	0.7278	0.7294	0.7253	0.7283	3-month T Bill	0.09	0.00
Gold	1,876.46	13.4	AUD/JPY	76.69	76.83	76.25	76.67	2 year bond	0.18	0.01
Copper	6,915.25	10.8	AUD/GBP	0.5532	0.5534	0.5474	0.5488	10 year bond	0.96	0.04
Oil (WTI)	41.65	1.4	AUD/NZD	1.0671	1.0679	1.0642	1.0667	<b>Other (10 year yields)</b>		
Coal (thermal)	62.25	0.3	AUD/EUR	0.6162	0.6177	0.6141	0.6165	Germany	-0.49	0.02
Coal (coking)	120.00	-1.8	AUD/CNH	4.8156	4.8215	4.7976	4.8067	Japan	0.05	0.02
Iron Ore	119.12	1.1	USD Index	92.8	93.0	92.6	92.8	UK	0.40	0.03

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:** Yesterday's vaccine news was promising, but the ensuing commentary has highlighted manufacturing and distribution challenges. The virus resurgence in the US and Europe has also overwhelmed some of the optimism surrounding the vaccine news.

**Share Markets:** US equity markets were mixed overnight, as investors assessed whether the recent rally has outpaced the economic outlook. The Dow Jones rose 0.9% while the S&P500 declined 0.2%. The Nasdaq sank 1.4% in the wake of Amazon's antitrust charge by European Union (EU) regulators. European equities had a better performance. The Euro Stoxx 50 rose 1.0% and the UK FTSE100 climbed 1.8%.

The ASX200 rose 42 points (or 0.7%) yesterday following the encouraging vaccine news.

**Interest Rates:** The US yield curve continued to steepen overnight. The 10-year bond rate increased by 4 basis points to 0.96% and the 2-year yield rose by 1 basis point.

In Australia, the 10-year bond rate climbed 15 basis points to sit at 0.92% at the close. Rates on shorter-dated maturities were relatively stable.

**Foreign Exchange:** The US dollar index was volatile within a narrow trading range overnight. Meanwhile, the Australian dollar ranged between a low of 0.7253 and a high of 0.7294.

**Commodities:** Major commodities were mostly firmer overnight. Gold prices rose US\$11.20 to US\$1,877.42 an ounce, recovering from its biggest slump yesterday since August 11.

**COVID-19:** The US added a record 142,907 cases overnight with hospitalisations set to record a new high this week.

**Australia:** The South Australian State government delivered its 2020-21 Budget yesterday. The deficit is due to widen to a fresh record in 2020-21, driven by further stimulus to support the economy.

The centrepiece of the Budget is the North-South Corridor, estimated to cost \$8.9 billion and to be completed by 2030. In addition to the previously announced small business grants, businesses with total wages below \$4 million will have 15 months of payroll tax waived. Those traders with wages above \$4 million who also received JobKeeper will receive a six-month waiver from January to June next year. Any employer who takes on new apprentices or trainees between November this year and June next year will also be given a 12-month payroll exemption on their wages. The government also aims to fund a further 750 traineeships and apprenticeships in government agencies through a trade and skills fund.

The ANZ-Roy Morgan consumer confidence reading for the first week of November was released

yesterday. Relative to the previous week, the index rose from 99.9 to 103.1. This is the highest reading since early March. The index also revealed a sharp increase in the number of households who believe it is a good time to purchase a major household item.

There were also encouraging results from the NAB business confidence and conditions survey for October. Business conditions increased to 1.5 points in October, the first positive reading since February. Business confidence rose 8.5 points in October to 4.7, which is above its long-term average. It is also the first positive reading since February.

**China:** CPI and PPI figures were released yesterday. Consumer prices increased 0.5% in the year to October. This is the slowest increase in the CPI since late 2009. Lower pork prices were the major contributor to the weak result.

Factory deflation persisted, with the PPI falling 2.1% in October year-on-year. This figure could contribute to weaker CPI readings in the next few months.

The weak set of inflation figures could lead to further easing measures from the People's Bank of China.

**Euro zone:** The EU and its members reached a deal on the bloc's long-term spending plans. They moved a step closer to finalising a landmark €1.8tn budget and stimulus accord. According to European Commission projections, the recovery plan should add 2% to the EU's economic output in the coming years.

Germany's ZEW gauge of expectations dropped for a second straight month in November. The index fell to 39.0 after a reading of 56.1 in October. This fall indicates investors are losing confidence in the German economic outlook. Germany has recently imposed new restrictions to combat the surge in new COVID-19 infections.

**Japan:** The September current account surplus narrowed to ¥1345.5bn compared to the ¥1659.3bn surplus in August.

**United Kingdom:** The ILO unemployment rate for the September quarter rose to 4.8%. In the June quarter, this rate was 4.1%. The UK government has recently extended its furlough programme which is expected to help prevent large increases in the unemployment rate.

**United States:** The NFIB small business optimism index for October remained unchanged from its September reading of 104.0. However, the index

revealed some concerning signs. A smaller number of firms anticipate hiring new staff and fewer firms expect the economy to perform better in the future.

Job openings increased slightly in September, according to the latest JOLTS report. The number of available positions rose 6.4mn in the month from 6.3mn in August. This increase adds to signs of gradual healing in the labour market.

Dallas Federal Reserve chief Robert Kaplan expressed concern over the US economy in the next two quarters. His concern comes after the pandemic resurgence in the US. Still, he is confident the US economy will have a strong year next year.

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

AU WBC-MI Consumer Confidence Nov prev 105.0 (10:30am)

NZ RBNZ Policy Decision exp 0.25% prev 0.25% (12:00pm)

US MBA Mortgage Applications Nov 6 prev 3.8% (11:00pm)

US Veteran's Day Holiday (bond market closed)

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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