

Thursday, 26 November 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,683	0.6%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	29,849	-0.7%	10 yr bond	99.08		0.01	90 day BBSW	0.02	0.00	
Japan Nikkei	26,297	0.5%	3 yr bond	99.83		0.00	2 year bond	0.10	0.00	
China Shanghai	3,524	-1.2%	3 mth bill rate	99.99		0.00	3 year bond	0.11	0.00	
German DAX	13,290	0.0%	SPI 200	6,680.0		3	3 year swap	0.13	0.00	
UK FTSE100	6,391	-0.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.93	0.04
<b>Commodities (close &amp; change)*</b>			TWI	61.1	-	-	61.3	<b>United States</b>		
CRB Index	160.3	0.5	AUD/USD	0.7356	0.7373	0.7325	0.7363	3-month TBill	0.08	0.00
Gold	1,806.43	-1.2	AUD/JPY	76.90	77.05	76.46	76.89	2 year bond	0.16	0.00
Copper	7,291.00	4.8	AUD/GBP	0.5507	0.5519	0.5488	0.5502	10 year bond	0.88	0.00
Oil (WTI)	45.58	0.7	AUD/NZD	1.0550	1.0563	1.0490	1.0505	<b>Other (10 year yields)</b>		
Coal (thermal)	69.35	0.4	AUD/EUR	0.6190	0.6195	0.6156	0.6179	Germany	-0.57	-0.01
Coal (coking)	101.00	0.0	AUD/CNH	4.8394	4.8440	4.8185	4.8330	Japan	0.02	0.00
Iron Ore	125.20	0.5	USD Index	92.2	92.3	91.9	92.0	UK	0.32	-0.01

Data as at 6:50am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg.

**Main Themes:** A deluge of US economic data released overnight suggested the US economic recovery might be faltering amid soaring infections.

**Share Markets:** US share markets faltered on the weak economic data. The recent rotation out of technology shares into cyclical stocks also reversed course. The S&P 500 has retreated from a record and the Dow has fallen back below 30,000, while the Nasdaq has edged higher. The S&P 500 index is currently down 0.3%, the Dow is currently 0.7% weaker and the Nasdaq is up 0.4%.

**Interest Rates:** Yields across the US bond curve are currently little changed from the previous day's close. Early in trade, bond yields were pressured slightly lower, but this has been reversed.

**Foreign Exchange:** The Australian dollar traded in a volatile narrow band of around USD0.7325 to USD0.7375 overnight. With the US Thanksgiving holiday approaching, trading volumes are likely to be thin.

**Commodities:** Most commodities were firmer overnight. Gold was an exception; it fell modestly.

**COVID-19:** The Queensland border will reopen to Victorians from December 1. The NSW government will further ease restrictions on gatherings on December 1.

**Australia:** The value of construction work done fell 2.6% in the September quarter. There was a

noticeable difference in the outcomes between the public and private sectors. Construction work done in the public sector rose 3.2% in the quarter but fell 4.4% in the private sector. Since the September quarter of 2019, the value of construction work done has fallen 4.2%. Construction activity in the public sector has helped stem the size of the fall.

**United Kingdom:** Chancellor Rishi Sunak warned that the UK economy would experience its biggest collapse this year since the Great Frost of 1709. GDP is expected to fall 11.3% in 2020 and unemployment to peak at 7.5% in the second quarter of 2021.

**United States:** A large batch of data was released overnight ahead of Thanksgiving. The data collectively suggests the US economic recovery might be stumbling amid soaring infections and new restrictions.

Initial jobless claims unexpectedly rose 30k to 778k last week. It is the first back-to-back weekly rise since July.

Personal incomes fell 0.7% in October from the previous month, reflecting a decrease in the stop-gap wage assistance scheme called the Lost Wages Supplemental Payments. However, personal spending rose for the sixth straight month, rising 0.5% in October. The reimposition of restrictions amid growing coronavirus infections threaten to

stall the recovery in personal spending.

The core personal consumption expenditure (PCE) deflator, which is a widely watched measure by the US Federal Reserve, showed price pressures remain very weak. The PCE deflator was flat in October and the annual growth rate eased to 1.4%, from 1.6% in September.

The final reading for consumer sentiment produced by the University of Michigan showed Americans became more pessimistic in November. The final reading fell to 76.9 in November, from the preliminary reading of 77.0, weighed down by a decline in the expectations' component. The final reading for November was also lower than October's result of 81.8.

The US Census Bureau confirmed the US economy rebounded at an annualised pace of 33.1% in Q3 (or rose 7.4% compared with the previous quarter).

The merchandise trade deficit widened to \$80.3 billion in October, from \$79.4 billion in September, roughly in line with expectations.

Durable goods orders rose 1.3% in October, which is the sixth straight monthly gain. The data shows the manufacturing sector is continuing to recover, albeit at a slower pace more recently. New orders for non-defence capital goods excluding aircraft is a good proxy for business investment. This measure rose 0.7% in October after a lift of 1.9% in September.

New home sales slipped 0.3% to an annual rate of 999k in October. Low mortgage rates and a suburban shift fuelled by remote working has been supporting the housing market. The fall in October is the first monthly drop in six months.

Finally, the minutes of the Federal Open Market Committee (FOMC) meeting on November 4-5 showed policymakers judged immediate adjustments to the asset purchase programme as unnecessary. However, policymakers noted that circumstances could shift to warrant adjustments.

Other key takeaways from the minutes were that policymakers expected the strength in household spending to continue, especially for durable goods and residential investment. Several participants also expressed concern that, in the absence of additional fiscal support, lower- and moderate-income households might need to reduce their spending sharply.

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

NZ Trade Oct 12mth YTD exp \$2.2bn prev \$1.7bn (8:45am)

AU Private New Capital Expenditure (Capex) Q3 exp -6.0% prev -5.9% (11:30am)

EZ M3 Money Supply Oct prev 10.4% (8:00pm)

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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