

Monday, 26 October 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,167.0	-0.1%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	28,335.6	-0.1%	10 yr bond	99.17		0.03		90 day BBSW	0.06	0.00
Japan Nikkei	23,516.6	0.2%	3 yr bond	99.83		0.00		2 year bond	0.13	0.00
China Shanghai	3,435.6	-1.0%	3 mth bill rate	99.97		-0.01		3 year bond	0.13	0.00
German DAX	12,645.8	0.8%	SPI 200	6,179.0		18		3 year swap	0.10	0.01
UK FTSE100	5,860.3	1.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.86	0.04
<b>Commodities (close &amp; change)*</b>			TWI	59.8	-	-	60.0	<b>United States</b>		
CRB Index	150.7	-1.1	AUD/USD	0.7115	0.7158	0.7101	0.7138	3-month TBill	0.09	0.00
Gold	1,902.1	-2.1	AUD/JPY	74.64	74.93	74.37	74.74	2 year bond	0.16	0.00
Copper	6,861.8	-55.8	AUD/GBP	0.5441	0.5478	0.5434	0.5467	10 year bond	0.84	-0.01
Oil (WTI)	39.9	-0.8	AUD/NZD	1.0658	1.0690	1.0654	1.0671	<b>Other (10 year yields)</b>		
Coal (thermal)	58.0	0.6	AUD/EUR	0.6020	0.6041	0.6000	0.6022	Germany	-0.57	-0.01
Coal (coking)	125.5	0.5	AUD/CNH	4.7460	4.7634	4.7358	4.7574	Japan	0.04	0.01
Iron Ore	113.1	-3.7	USD Index	92.9	93.1	92.7	92.8	UK	0.28	0.00

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

**Main Themes:** The US stimulus stalemate and global COVID-19 uncertainties haunted markets.

**Share Markets:** US stocks were mostly firmer on Friday with the S&P500 up 0.3% and the Nasdaq up 0.4%. The Dow fell 0.1%, held back by tech giant Intel which was down over 5% on the day. European markets were firmer. The FTSE100 rose 1.3%, the Dax was up 0.8% and the Euro Stoxx 50 rose 0.9%.

**Interest Rates:** The short end of the yield curve showed little movement on Friday. 10-year government bond yields rose 4 basis points in Australia to 0.84% but in the US, they edged down 1 basis point to 0.84%.

**Foreign Exchange:** the US dollar index was marginally weaker, and most currencies traded in a narrow range. The AUD edged higher against the USD as did the NZD.

China appears to be reconsidering its strategy for the internationalization of the yuan after recently completing a comprehensive review, according to a senior Chinese central bank official.

**Commodities:** Copper weakened on the US stimulus package stalemate, falling 0.8%. Iron ore and oil were also weaker with oil falling below US\$40 per barrel. Gold held steady.

**COVID-19:** The much-anticipated relaxation of restrictions in Melbourne has been delayed due to a spike in new COVID-19 cases over the weekend.

Greece cases have hit a new record as the nation prepares for new restrictions. Spain has introduced a national curfew while the US recorded record new cases for a second day running.

Two trials involving COVID-19 vaccine candidates (AstraZenica and Johnson & Johnson) will resume following their temporary suspension by US health authorities due to health concerns.

**Australia:** No major data released.

**China:** No major data released over the weekend.

**Europe:** The Eurozone saw mixed outcomes on Friday. Its manufacturing PMI rose to 54.4 in preliminary October numbers, up from 53.7 in September. At the same time the services PMI fell to 46.2 from 48.0 in September.

Consumer confidence in the Eurozone remains weak. The index for October dipped down to -15.5 from -13.9 in September. Pre-COVID-19, the index stood at -8.1. It fell to -22 in April, rose to -13.9 in September but has fallen again as COVID-19 cases have risen in recent weeks.

**New Zealand:** New Zealand's CPI rose 0.7% in the September quarter following a decline of 0.5% in the June quarter. The annual rate now sits at 1.4%.

**United States:** US existing home sales rose to a 14 year high in September as record low interest rates and the desire for more space continued to support

demand.

The Markit services PMI rose to a solid 56.0 in preliminary October figures while the manufacturing PMI edged higher to 53.3. Both indices point to further growth in the economy despite the setbacks with COVID-19 cases.

The Kansas City Fed manufacturing survey supported the notion of stronger US manufacturing activity as it ticked higher to 13. The index reached a low of negative 30 in April and in the months prior to the pandemic was marginally below zero.

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

EZ IFO Business Climate Survey Oct exp 93.0, prev 93.4 (8pm)

US Chicago Fed Nat Act Index Sep, prev 0.79 (11:30pm)

US New Home Sales Sep exp 1024k, prev 1011k (1am)

US Dallas Fed Index Oct exp 13.5, prev 13.6 (1:30am)

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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