

Morning Report

Tuesday, 14 October 2019



Equities (Close & % Change)	Sydney Futures Exchange (Close & Change)					Interest rates (Close & Change)				
S&P / ASX200	6642.6	0.5%	Last		Overnight Chg	Australia				
Dow Jones	26787.4	-0.1%	10 yr bond	98.98	0.05	10 year bond	1.05	-0.03		
Nikkei	21597.8	1.0%	3 yr bond	99.33	0.04	3 year bond	0.70	-0.04		
Hang Seng	26521.9	0.8%	3 month bill	99.16	0.02	90 day BBSW	0.84	0.00		
Shanghai	3007.9	1.2%	SPI 200	6591	-32	United States				
DAX	12486.6	-0.2%	FX Last 24 Hours	Open	High	Low	7:30 AM	10 year bond	1.75	0.00
FTSE 100	7213.5	-0.5%	TWI	59.2	-	-	59.1	2 year bond	1.61	0.00
Commodities (Close & Change)			AUD/USD	0.6789	0.6801	0.6748	0.6775	3-month T Bill	1.68	0.00
CRB Index	175.0	-1.0	AUD/JPY	73.54	73.74	73.00	73.43	Other (10 year yields)		
Gold	1492.6	3.2	AUD/GBP	0.5375	0.5398	0.5340	0.5389	Germany	-0.46	-0.02
Copper	5796.0	15.0	AUD/NZD	1.0712	1.0762	1.0708	1.0758	Japan	-0.18	0.00
Oil (WTI)	53.6	-1.2	AUD/EUR	0.6152	0.6164	0.6112	0.6144	UK	0.64	-0.07

Data as at 7:30am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Thomson Reuters Eikon.

Main Themes: US-China trade negotiations and Brexit once again dominated headlines. Last week's optimism has given way to a more cautious approach. Stocks were slightly lower, oil fell and the US dollar rose as markets turned somewhat more wary. Trading was relatively subdued given the US and Japan were on national holidays.

Share Markets: Stock markets were range bound but drifted slightly slower as global optimism faded somewhat. The Dow Jones and S&P500 both fell 0.1% on light trading. European bourses were also lower, with the Stoxx 50 down 0.4% and the FTSE 100 0.5% lower.

Interest Rates: US debt markets were closed for a national holiday. Elsewhere movements were subdued but yields generally fell. The Australian yield curve was little changed with the 10-year yield curve currently 3 basis points lower at 1.05%.

Foreign Exchange: The US dollar index snapped a 3-day losing streak as Brexit and US-China trade optimism tempered. In a relatively subdued session, the dollar rose against most of its peers. The euro fell around 0.17% against the dollar to US\$1.1042 and the US dollar rose 0.1% against the yen to 108.40.

The pound was down around 0.9% to US\$1.2554 but remains above where it was last week before the positive meeting between the UK and Irish prime ministers.

The Australian dollar was also lower ahead of

today's release of the RBA minutes for the October meeting when rates were cut to 0.75%. It is currently around 0.3% lower at 67.75 US cents.

Commodities: Oil prices gave back most of Friday's gains as trade hopes tempered. Following a 2.2% surge on Friday, WTI crude oil fell 2.3% to US\$53.6 per barrel. Gold prices rose to US\$1,492.6 per ounce as investors turned to safe haven assets.

Australia: No major data to report.

New Zealand: The service sector remains resilient, despite the challenges faced by the manufacturing industry. The BusinessNZ performance of services index fell only slightly in September at 54.4 from 54.6 in August. A drop in the activity index was offset by a move higher in new orders. The index remains above 50, indicating that the services sector continues to expand. Last week the BusinessNZ manufacturing index for September fell further into contractionary territory, indicating that global uncertainty is beginning to take its toll.

China: The US-China trade war combined with slowing global growth left Chinese exports and imports lower in September. Due to an outsized fall in imports, the trade surplus lifted to around US\$26 billion. Exports fell 3.2% on the year in dollar terms, slightly lower than expectations while imports recorded an 8.5% drop as domestic demand waned.

Exports by country showed that the tariffs of between 15-25% on US\$360 billion worth of Chinese goods shipped to the US are taking their

toll. Exports destined for the US dropped nearly 22% over the year while imports were down 16%. The large decline in bilateral trade amid a slowdown in both economies highlights the economic importance of a deal being reached.

Global: The US is imposing sanctions on Turkey following its incursion into Northern Syria, according to comments from US president Donald Trump. Trump said he would stop negotiations on a potential US\$100 billion trade deal immediately and issue an executive order to impose financial sanctions and increase steel tariffs back up to 50%.

United Kingdom: Time is ticking down for a potential Brexit deal. Yesterday EU officials struck a pessimistic tone on the chances of an agreement being reached this week.

No details have been released, but the EU is reportedly looking for more concessions on the Irish border backstop. UK prime minister Boris Johnson's plan is reportedly to have Northern Ireland formally part of the UK customs union but informally in the EU bloc's customs union. The EU has raised concerns about how goods could be tracked travelling through Northern Ireland and into the EU and vice versa.

United States: President Trump hinted that a written agreement could be signed on the "Phase 1" trade deal with China he announced on Friday. The partial agreement has delayed the imposition of additional tariff hikes on some Chinese goods while China has agreed to purchase more US agricultural products. Statements from China have been more cautious, with Beijing reportedly asking for further talks before signing an agreement.

The New York Fed Empire manufacturing index showed better-than-expected manufacturing sector confidence. The index, which was released a day early, rose from 2 to 4 in October. Despite the gain, which included an improvement in general business conditions and hours worked, the index remains well below its historical average of around 8.

Today's key data and events:

NZ REINZ House Sales Sep y/y prev -6.1% (7am)
 NZ Net Migration Aug prev 5,100 (8.45am)
 AU RBA Minutes Oct (11.30am)
 CH CPI Sep y/y exp 2.9% prev 2.8% (12.30pm)
 CH PPI Sep y/y exp -1.2% prev -0.8% (12.30pm)
 JN Tertiary Industry Index Aug exp 0.6% prev 0.1% (3.30pm)
 JN Capacity Utilisation Aug prev 1.1% (3.30pm)
 JN Industrial Production Aug prev -1.2% (3.30pm)
 US Fed's Bullard Speaks (7.25pm)
 UK Jobless Claims Sep prev 28.2k (7.30pm)
 UK Avg Weekly Earnings 3Mths Aug exp 4.0% prev 4.0% (7.30pm)
 UK ILO Unemp. Rate 3Mths Aug exp 3.8% prev 3.8% (7.30pm)
 EZ ZEW Expectations Oct prev -22.4 (8pm)
 US Fed's Bostic (12am), George (3.45am), Daly (6.30am) Speak

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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