

Morning Report

Tuesday, 6 November 2018



Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5818.1	-0.5%	Last		Overnight Chg			Australia		
Dow Jones	25461.7	0.8%	10 yr bond	97.27	0.02			10 year bond	2.74	0.05
Nikkei	21899.0	-1.5%	3 yr bond	97.87	0.02			3 year bond	2.08	0.02
Hang Seng	25934.4	-2.1%	3 mth bill rate	98.04	0.01			90 day BBSW	1.93	0.00
Shanghai	2791.3	-0.4%	SPI 200	5809	-1			United States		
DAX	11495.0	-0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.20	-0.01
FTSE100	7103.8	0.1%	TWI	62.8	-	-	62.3	2 year bond	2.91	0.00
Commodities (close & change)			AUD/USD	0.7188	0.7224	0.7182	0.7210	3-month T Bill	2.27	-0.01
CRB Index	192.6	0.3	AUD/JPY	91.34	81.72	81.25	81.63	Other (10 year yields)		
Gold	1233.0	-0.5	AUD/GBP	0.5511	0.5547	0.5503	0.5529	Germany	0.43	0.00
Copper	6202.5	-96.5	AUD/NZD	1.0833	1.0858	1.0803	1.0813	Japan	0.13	0.00
Oil (WTI)	63.1	0.0	AUD/EUR	0.6303	0.6331	0.6300	0.6320	UK	1.50	0.01

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: Financial markets were mildly cautious just before the US mid-term elections. The US imposed sanctions on Iran, but there was only a limited impact on oil prices. US shares were mixed, US bond yields were slightly lower, and the US dollar weakened.

Share Markets: At the time of writing, the Dow and S&P500 indices were marginally higher, boosted by energy stocks and as US sanctions against Iran took effect. Tech stocks however, were weaker, probably suggesting some caution ahead of the US mid-term elections.

Interest Rates: US treasuries trended sideways. US 10-year yields edged down 1 basis point to 3.20%, but held onto most of its gains after strong jobs and inflation data on Friday.

Foreign Exchange: The US dollar edged lower on US mid-term election uncertainty. Meanwhile, the euro gained. Sterling rose on optimism of a customs deal in Brexit negotiations. The weaker US dollar resulted in the Australian dollar edging slightly higher, from just below 72 cents to trade at 72.1 US cents this morning.

Commodities: The US re-imposed sanctions on Iran. However, the impact on oil prices was limited given markets had already anticipated the move, and exemptions given to eight countries to import from Iran without penalty.

Australia: ANZ job ads edged up 0.2% in October,

after falling 0.7% in September. The annual pace of jobs growth eased to 3.6% in October, from 4.7% in September. The annual pace of growth was its lowest since April 2015.

The AiG performance of services index fell to 51.1 in October, from 52.5 in September. Despite the decline, the services index remains above 50 signalling ongoing expansion in services sector activity. The detail, however, was mixed. Both sales and new orders, which give guidance on future activity, fell from above the 50 mark signalling expansion, to below that level, indicating contraction in services sector activity. The employment sub-component, however, rose from 49.8 in September, to 57.3 in October.

The MI inflation gauge rose 0.1% in October. The annual pace of inflation fell to 1.9%, from 2.1% in September. This echoes the fall in the September quarter CPI to below the RBA's 2 to 3 percent annual inflation target band.

China: The Caixin services PMI slumped to 50.8 in October, from 53.1 in September, missing consensus expectations for a more moderate decline. The index remains above 50 signalling expansion, albeit at a slower pace in October.

United Kingdom: The Markit/CIPS Services PMI edged down from 53.9 in September to 52.2 in October, the lowest in seven months. The impending Brexit deadline is the likely key factor weighing on confidence.

United States: US PMI indicators on services were mixed, but generally continue to point to solid activity. The ISM index fell from 61.6 in September to 60.3 in October. The Markit measure was revised slightly upwards to 54.8 from 54.7 in the final estimate for October, still up from 53.5 in September.

Today's key data and events:

AU RBA Cash Rate Decision exp 1.50% prev 1.50% (2:30pm)

EZ German Factory Orders Sep exp -0.5% prev 2.0% (6pm)

EZ Markit Services PMI Oct final exp 53.3 prev 53.3 (8pm)

EZ PPI Sep y/y exp 4.3% prev 4.2% (9pm)

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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