

# Morning Report

Wednesday, 7 November 2018



Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5875.2	1.0%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
Dow Jones	25570.5	0.4%	10 yr bond	97.26				10 year bond	2.73	-0.02
Nikkei	22147.8	1.1%	3 yr bond	97.85				3 year bond	2.07	0.00
Hang Seng	26121.0	0.7%	3 mth bill rate	98.02				90 day BBSW	1.94	0.01
Shanghai	2785.0	-0.2%	SPI 200	5845				<b>United States</b>		
DAX	11484.3	-0.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	3.22	0.02
FTSE100	7040.7	-0.9%	TWI	62.3	-	-	62.6	2 year bond	2.93	0.02
<b>Commodities (close &amp; change)</b>			AUD/USD	0.7210	0.7241	0.7205	0.7223	3-month T Bill	2.30	0.01
CRB Index	191.2	-1.4	AUD/JPY	81.63	81.98	81.61	81.94	<b>Other (10 year yields)</b>		
Gold	1226.4	-5.1	AUD/GBP	0.5529	0.5555	0.5510	0.5516	Germany	0.43	0.01
Copper	6177.0	-25.5	AUD/NZD	1.0813	1.0851	1.0812	1.0829	Japan	0.13	0.00
Oil (WTI)	62.2	-0.9	AUD/EUR	0.6320	0.6347	0.6316	0.6327	UK	1.54	0.04

Data as at 7:50am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Reuters, Bloomberg.

**Main Themes:** Risk appetites lifted slightly overnight, although market moves were contained as investors await the outcome of the US mid-term elections. The US stockmarket gained some ground and bond yields edged higher, while the US dollar was little changed from yesterday morning.

**Share Markets:** The US stockmarket strengthened. At the time of writing the Dow and the Nasdaq have lifted 0.5% and the S&P 500 is up 0.4%.

**Interest Rates:** Stockmarket gains dimmed demand for safe haven government bonds, driving bond yields higher. The yield on the 10-year US government bond rose from 3.20% to 3.22%. The yield on the 2-year US government bond rose from 2.91% to 2.93%.

**Foreign Exchange:** The US dollar is little changed from Tuesday morning. Sterling gained versus the US dollar on hopes of a Brexit deal. British Brexit Secretary Raab said "thumbs up" as he left a weekly cabinet meeting, driving hope that a Brexit deal may not be too far away. The Japanese yen weakened against the US dollar.

The Australian dollar strengthened yesterday on a more upbeat growth and employment outlook from the Reserve Bank of Australia (RBA). AUD/USD rose to a high of 0.7241 overnight, but partially retraced to trade around 0.7223 at the time of writing.

**Commodities:** The oil price declined further overnight as concerns about supply lessened as Iran

said it had been able to sell as much oil as it needs so far. WTI oil fell US\$0.90 to a seven-month low of US\$62.20 per barrel.

**Australia:** As widely expected, the Reserve Bank of Australia (RBA) left the official cash rate on hold at 1.50% at its November meeting yesterday. Of note, the RBA flagged more optimistic revisions to its growth and employment forecasts. The RBA is now expecting the unemployment rate to fall to "around 4.75% in 2020." The RBA also indicated an upgrade to the RBA's GDP growth forecasts. We will gain further details in the RBA's Statement on Monetary Policy to be released on Friday 9 November. Despite the more positive forecasts, the RBA maintained its commentary in its final paragraph – that there was progress in reducing unemployment and having inflation return to its target, but with the caveat that "this progress is likely to be gradual". There also remains downside risks to the growth outlook reflecting a downturn in the housing market and the potential negative impact on consumer spending. We continue to expect that the RBA will leave official interest rates on hold for some time.

**Europe:** The final reading on the Markit Eurozone services PMI rose to 53.7 for October. This is up from an earlier estimate of 53.3 for October, although down from a reading of 54.7 in September. The index has been trending lower from a high of 58.0 in January this year, but remains above 50 signalling expansion in Eurozone services

sector activity.

Producer prices in the Eurozone area rose by 0.5% in September, which was a little above consensus expectations for a 0.4% increase. The annual pace of growth in producer prices continued to lift, rising to 4.5% in September, from 4.3% in August.

**United States:** In the US, the midterm elections were the focus. Republicans currently control the House of Representatives and the Senate. All 435 seats in the House of Representatives and 35 out of the Senate's 100 seats are up for election, in addition to 36 State governorships.

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

AU AiG Perf. of Construction Oct prev 49.3 (8:30am)

NZ Unemployment Rate Q3 prev 4.5% (8:45am)

NZ Employment Q3 exp 0.5% prev 0.5% (8:45am)

NZ Private Wages Ex. Overtime Q3 prev 0.6% (8:45am)

EZ German Industrial Production Sep prev -0.3% (6pm)

EZ Retail Sales Sep exp 0.1% prev -0.2% (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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