

# Morning Report

Wednesday, 12 December 2018



Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5575.9	0.4%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
Dow Jones	24377.4	-0.2%	10 yr bond	97.54				10 year bond	2.46	0.01
Nikkei	21148.0	-0.3%	3 yr bond	98.02				3 year bond	1.94	0.02
Hang Seng	25771.7	0.1%	3 mth bill rate	97.96				90 day BBSW	1.99	0.00
Shanghai	2716.4	0.4%	SPI 200	5605				<b>United States</b>		
DAX	10780.5	1.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	2.87	0.02
FTSE100	6806.9	1.3%	TWI	62.4	-	-	62.4	2 year bond	2.76	0.03
<b>Commodities (close &amp; change)</b>			AUD/USD	0.7189	0.7225	0.7185	0.7203	3-month T Bill	2.34	0.01
CRB Index	181.8	0.2	AUD/JPY	81.49	81.81	81.24	81.66	<b>Other (10 year yields)</b>		
Gold	1243.1	-1.4	AUD/GBP	0.5723	0.5768	0.5696	0.5765	Germany	0.23	-0.01
Copper	6175.5	80.5	AUD/NZD	1.0459	1.0497	1.0452	1.0478	Japan	0.05	0.01
Oil (WTI)	51.7	0.6	AUD/EUR	0.6331	0.6369	0.6322	0.6360	UK	1.19	-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:** Shifts in investor sentiment drove volatility in financial markets overnight. Concerns about the possibility of a US government shutdown and ongoing Brexit concerns weighed earlier in the session. Potentially promising comments on trade negotiations from China were later supportive of sentiment. Stocks gained, US bond yields rose and the US dollar edged higher.

**Share Markets:** The US stockmarket reversed earlier declines to finish higher. The S&P 500 and the Nasdaq gained 0.2%, while the Dow fell 0.2% at the time of writing.

**Interest Rates:** US government bond yields rose as hopes of a thawing in US-China trade tensions dimmed the appeal of safe haven US government debt. The yield on 10-year US government bonds rose from 2.86% to 2.87%. The yield on the 2-year government bond rose from 2.73% to 2.76%.

**Foreign Exchange:** The US dollar slipped earlier, but regained its losses later to finish up 0.2% from yesterday morning. Euro fell and the Yen drifted lower. Sterling dipped to a 20-month low below 1.25 US dollars on concerns about the possibility of a no-confidence vote in Prime Minister May. The Australian dollar defied the trend, strengthening versus the US dollar. Hopes of a positive development in the US-China trade war were supportive for the local currency.

**Commodities:** The WTI oil price rose US\$0.50 to

US\$51.60 per barrel, retracing some of its decline from the previous session.

**Australia:** Capital city dwelling prices fell 1.5% in Q3 according to the ABS measure, which was in line with our expectations. The decline in dwelling prices in Q3 was led by Melbourne and Sydney. The annual pace of capital city dwelling prices fell to -1.9% in Q3, from -0.6% in Q2.

NAB business conditions slipped to 11 in November, from 13 in October, although business conditions remain above their long term average. Business confidence fell to a reading of 3 in November, from 5 in October. This is further below the long-term average.

**China:** The US reported China had indicated it will cut tariffs on US autos from 40 percent to 15 percent.

**Europe:** The ZEW expectations reading for the EU edged up to -21.0 in December, from -22.0 in November. The ZEW expectations index for Germany lifted to -17.5 for December, from -24.1 in November.

**United Kingdom:** The ILO unemployment rate held at 4.1% in the three months to October, an unchanged rate from the three months to September. Employment jumped by a larger than expected 79k in the three months to October. The workforce participation rate lifted.

The annual pace of average weekly earnings growth

jumped to 3.3% in October (three month average), from 3.1% in September.

**United States:** US President Trump raised concerns about the possibility of a US government shutdown. He said he would be “proud to shut down the government for border security” referring to his efforts to secure funding from Congress ahead of the expiration of some government funding on 21st December.

The NFIB small business optimism index was softer than expected, falling to 104.8 in November, from 107.4 in October. Small business optimism remains robust on a historical comparison. Within the components, net compensation plans rose from 23.0 in October to 25.0 in November, its highest since December 1989.

Producer prices rose by 0.1% in November, after gaining 0.6% in October. For the year to November, producer prices rose 2.5%, which was in line with consensus expectations, down from an annual pace of 2.9% in October. The annual pace of core producer prices (excluding food and energy) lifted to 2.7% in November, from 2.6% in October.

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

AU WBC-MI Consumer Confidence Dec prev 104.3 (10:30am)

EZ Industrial Production Oct prev -0.3% (9pm)

JN Machinery Orders Oct prev -18.3% (10.50am)

US CPI Nov exp 0.1% prev 0.3% (12.30am)

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.

**Jo Horton, Senior Economist**

Ph: 02-8253-6696

## Contact Listing

**Chief Economist**

Besa Deda  
dedab@stgeorge.com.au  
(02) 8254 3251

**Senior Economist**

Josephine Horton  
hortonj@stgeorge.com.au  
(02) 8253 6696

**Senior Economist**

Janu Chan  
chanj@stgeorge.com.au  
(02) 8253 0898

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