

Equities, USD rally on GOP victory

US private-sector hiring accelerated in October with the ADP national employment report revealing a net increase in [payrolls](#) of 230k. The reading was higher than the 225k pace of August, revised up from 213k reported previously, and expectations for a gain of 220k with the increase the largest seen since June this year.

US service sector activity continued to expand at a fast clip in October with the ISM's non-manufacturing PMI [gauge](#) coming in at 57.1. While still a strong result, the reading was below both the 58.6 level of September and expectations for a decline to 58.0. While 8 of 10 survey components softened during the month, albeit the majority from lofty levels, it was interesting to see the employment gauge surge to 59.6, the highest level seen since August 2005. Largely reflecting the results in the ISM survey, the separate Markit [gauge](#) also dipped slightly, falling to 57.1 from 57.3 in September.

As was the case with the manufacturing read earlier in the week, Eurozone service sector activity expanded at a slower-than-expected pace during October with Markit's PMI gauge falling to 52.3. The reading, below the 52.4 flash estimate released in late October, was the lowest level seen since March. Reflecting the influence of Germany, the Eurozone's largest economy, on the performance of the regional gauge, a downward-revision to their reading was enough to offset small improvements in the other Big 3 Eurozone economies, France, Italy and Spain. To view the release from Markit click [here](#).

Eurozone retail sales fell by the most since April 2012 in September with a monthly decline of 1.3% [reported](#). The reading, following a downwardly-revised 0.9% increase in August, was below expectations for a drop of 0.8% and left the year-on-year rate at +0.6%, down from +1.9% seen previously. Most of the weakness was concentrated in non-food, -2.2%, with food, drink and tobacco sales slipping by a more-modest 0.1%.

The Day Ahead (AEDT)

The Australian stock market looks set to follow Wall Street into the black this morning with SPI futures pointing to a gain of 14pts on the open. While the Republican victory in the US Senate may have been the catalyst for the US rally overnight, it will be interesting to see whether the local market can sustain its gains in light of the tumbling AUD. With circa 50% of holdings based offshore unhedged foreign investors are currently taking a hit on their AUD-denominated assets. Crude oil aside, something that has squeezed higher on the back of lower-than-expected inventories data and reports of a pipeline explosion in Saudi Arabia, given continued weakness across the commodities complex and the hit offshore investors are currently taking, it will be an impressive performance if the index does manage to finish higher given the obstacles confronting it.

The AUDUSD has fallen like a stone overnight with the pair hitting a low of .8565, a level last seen in early July 2010. While it looks like it may have found short-term above this level, today's unemployment data at 11.30am looks like it'll be the catalyst to either spark a significant short squeeze or send the Aussie tumbling even lower. Support is located at .8565, .8550 and at .8500 with resistance kicking in at .8600, .8628 and again at .8650.

Australian labour force data for October will be released this morning at 11.30am. Markets are looking for a net increase in employment of 22.5k, up from -23.7k in September, with unemployment and participation expected to hold steady at 6.2% and 64.5% respectively. Is it still a lottery or have the new seasonality adjustments worked? Hopefully we'll be able to put the last few months behind us come later on this morning.

Regional data releases today include services PMI and leading index from Japan along with the latest QV house price survey from New Zealand. On the policy front the Bank of Japan release the minutes of their October monetary policy meeting.

Data releases this evening include initial jobless claims, Challenger layoffs along with Q3 productivity and labour costs from the States, factory orders and construction PMI from Germany, industrial production and the latest NIESR GDP estimate from the UK along with Eurozone retail PMI. On the central bank front we'll also receive policy decisions from the BoE and ECB. While no change is expected keep a close eye on developments at the ECB press conference given news of discord amongst the ECB governing council earlier in the week.

| Currencies | Level | +/- | % |
|------------------------|------------|---------|--------|
| AUDUSD | 0.8592 | -0.0143 | -1.64% |
| AUDEUR | 0.6883 | -0.0080 | -1.15% |
| AUDGBP | 0.5380 | -0.0081 | -1.48% |
| AUDJPY | 98.58 | -0.6820 | -0.69% |
| AUDNZD | 1.1106 | -0.0132 | -1.17% |
| EURUSD | 1.2484 | -0.0061 | -0.49% |
| GBPUSD | 1.5972 | -0.0024 | -0.15% |
| NZDUSD | 0.7735 | -0.0037 | -0.48% |
| USDJPY | 114.72 | 1.08 | 0.95% |
| USDCHE | 0.9642 | 0.0040 | 0.42% |
| USDCNY | 6.1145 | -0.0017 | -0.03% |
| USD INDEX | 87.43 | 0.3640 | 0.42% |
| Equities | | | |
| DJIA | 17484.53 | 100.69 | 0.58% |
| S&P500 | 2023.53 | 11.43 | 0.57% |
| Nasdaq | 4620.723 | -2.914 | -0.06% |
| STOXX 50 | 3091.54 | 57.3 | 1.89% |
| FTSE | 6539.14 | 85.17 | 1.32% |
| DAX | 9315.48 | 149.01 | 1.63% |
| CAC | 4208.42 | 78.23 | 1.89% |
| ASX200 | 5517.876 | -2.048 | -0.04% |
| Nikkei | 16937.32 | 74.85 | 0.44% |
| Shanghai | 2419.254 | -11.423 | -0.47% |
| Hang Seng | 23695.62 | -150.04 | -0.63% |
| Kospi | 1931.43 | -3.76 | -0.19% |
| Sensex | 27915.88 | 55.5 | 0.20% |
| Commodities | | | |
| Gold | \$1,145.34 | -23.11 | -1.98% |
| Silver | \$15.38 | -0.64 | -3.98% |
| Crude Oil | \$78.94 | 1.91 | 2.48% |
| Iron Ore | \$76.46 | -1.55 | -1.99% |
| Copper | \$300.55 | -1.35 | -0.45% |
| Met. Coal | \$108.00 | -1 | -0.92% |
| AU Debt Futures | | | |
| 3m BBSW | 2.720% | 0.01% | |
| 3 Year | 2.550% | -0.02% | |
| 10 Year | 3.295% | -0.02% | |
| Govt 10-Yr Bond Yields | | | |
| Australia | 3.285% | -0.04% | |
| NZ | 4.009% | 0.04% | |
| Japan | 0.466% | 0.03% | |
| Germany | 0.825% | 0.02% | |
| UK | 2.259% | 0.03% | |
| US | 2.345% | 0.01% | |

Source: Bloomberg

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