



TRADING THE US ELECTION, RBA SURRENDER & CHINA EXPORT CHAOS

Agenda

- RBA runs up the white flag
- China decoupling from Australia
- US election
- Investment Outlook



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RBA runs up the white flag:

- Rates to 0.1%, both 3 and overnight
- “Official” QE of \$100b
- Says “unlikely” to go negative
- Our view is they will need to do more
- RBA spoke about desire for lower AUD. AUD rose overnight.



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Payroll data out today:

Graph 5 - Payroll jobs by employment size, indexed to the week ending 14 March 2020 (a)(b)



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China Decoupling:

TABLE 36: AUSTRALIA'S MERCHANDISE TRADE WITH CHINA (a)(b)
(A\$'000)

Rank Commodity	2016-17	2017-18	2018-19	% growth	
				2017-18 to 2018-19	5 year trend
Top merchandise exports					
Total merchandise exports	95,559,946	106,532,509	134,696,309	26.4	9.5
1 281 Iron ores & concentrates	51,536,670	50,118,585	63,119,904	25.9	3.8
2 343 Natural gas	5,438,000	9,118,000	16,636,000	82.5	92.3
3 321 Coal	11,160,274	13,114,545	14,117,230	7.6	13.5
4 971 Gold	2,319,486	2,938,191	5,071,856	72.6	307.3
5 268 Wool & other animal hair (incl tops)	2,439,761	2,975,343	2,855,473	-4.0	11.6
6 283 Copper ores & concentrates	1,479,045	2,663,980	2,201,150	-17.4	6.0
7 011 Beef, f.c.f.	746,648	1,004,604	1,750,338	74.2	14.3
8 287 Other ores & concentrates	688,202	1,243,082	1,654,947	33.1	-6.6
9 098 Edible products & preparations, nes	1,337,093	1,715,574	1,617,503	-5.7	68.5
10 682 Copper	1,221,445	1,108,913	1,458,816	31.6	-10.8
11 278 Crude minerals, nes	559,502	1,414,972	1,425,759	0.8	75.6
12 285 Aluminium ores & conc (incl alumina)	1,018,962	1,165,761	1,372,184	17.7	17.3
13 112 Alcoholic beverages	600,942	1,008,157	1,186,851	17.7	45.5
14 542 Medicaments (incl veterinary)	804,028	855,722	1,041,972	21.8	32.5
15 246 Wood in chips or particles	692,223	785,558	975,869	24.2	..
16 333 Crude petroleum	678,008	606,251	952,443	57.1	..
17 012 Meat (excl beef), f.c.f.	341,767	624,047	943,022	51.1	11.5
18 043 Barley	1,416,926	1,536,445	915,397	-40.4	-0.4
19 263 Cotton	463,822	705,492	900,545	27.6	-9.5
20 057 Fruit & nuts	318,187	422,258	827,779	96.0	65.0
988 Confidential items of trade	3,130,226	3,302,779	5,155,764

China targeting commodities in red



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China Decoupling:

- Initial bans and embargos seemed to be designed to send Australia a message to fall in line
- Latest bans look more like China decoupling from Australia

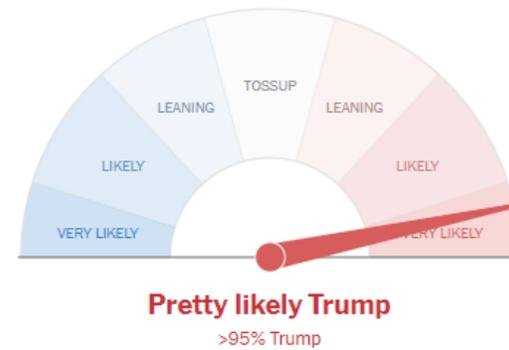
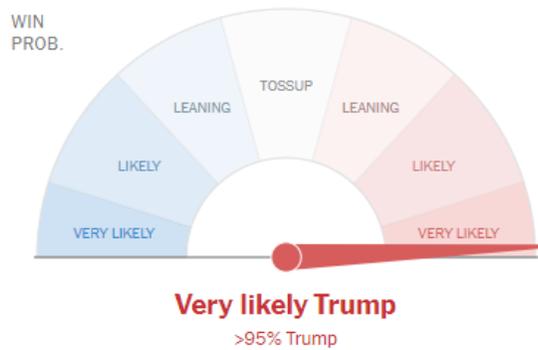
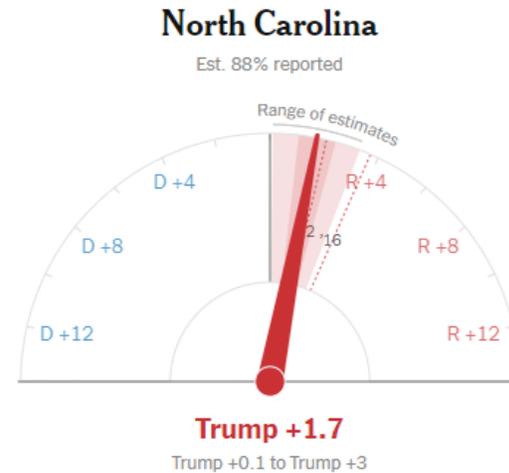
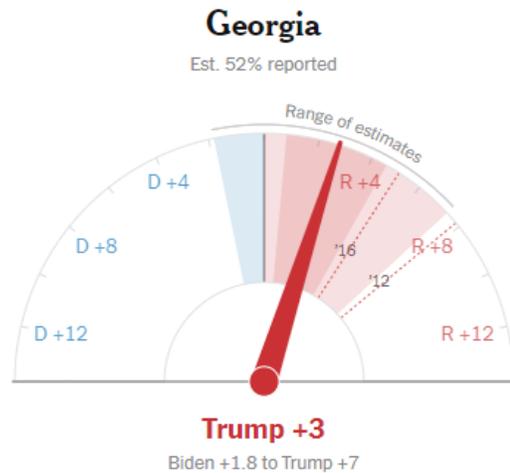
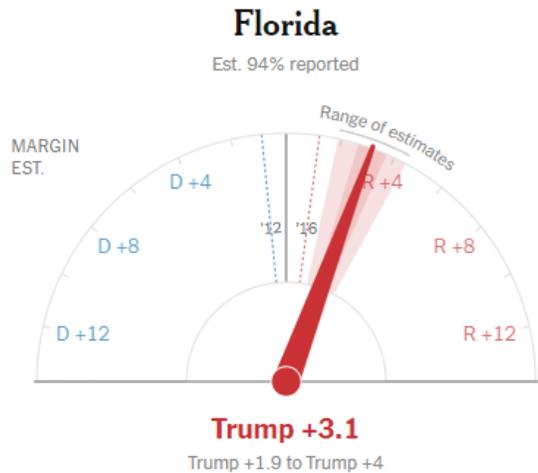


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Election: These states would have indicated a blue wave



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Election: Mail-in votes won't be known for days, and will probably swing the mid-west

Battleground states to watch

Some states will report a vast majority of votes on Election Day, while others will take several days to count mail-in and provisional ballots.

	MARGIN	EST. VOTES REPORTED	FORECAST		MARGIN	EST. VOTES REPORTED	FORECAST
Fla. >	Trump +3	94% 	 >95% Trump	Minn. >	Biden +26	32% 	—
N.C. >	Trump +0.5	88% 	 >95% Trump	Wis. >	Trump +3	31% 	—
Ariz. >	Biden +9	72% 	—	Mich. >	Trump +13	28% 	—
Ohio >	Trump +4	72% 	—	Pa. >	Trump +8	25% 	—
Ga. >	Trump +13	52% 	 84% Trump	Nev. >	Polls closed at 10 p.m.		—



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Investment Outlook

Caution

- Cautious outlook. International and bonds still generating value
- Low return environment, but volatile
- Need to be more active than in the past



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