

Morning Report

Tuesday, 11 August 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,110.2	1.8%			Last	Overnight Chg		Australia		
US Dow Jones	27,791.4	1.3%	10 yr bond	99.12		0.00		90 day BBSW	0.10	0.00
Japan Nikkei	22,329.9	-0.4%	3 yr bond	99.71		0.00		2 year bond	0.26	0.00
China Shanghai	3,542.1	0.8%	3 mth bill rate	99.90		0.00		3 year bond	0.26	0.01
German DAX	12,687.5	0.1%	SPI 200	6,067.0		-3		3 year swap	0.19	0.00
UK FTSE100	6,050.6	0.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.86	0.04
Commodities (close & change)*			TWI	61.9	-	-	61.6	United States		
CRB Index	147.6	0.7	AUD/USD	0.7158	0.7184	0.7140	0.7148	3-month T Bill	0.09	0.00
Gold	2,019.2	42.2	AUD/JPY	75.82	76.02	75.69	75.73	2 year bond	0.13	0.00
Copper	6,397.3	86.8	AUD/GBP	0.5482	0.5487	0.5466	0.5469	10 year bond	0.58	0.01
Oil (WTI)	42.0	0.8	AUD/NZD	1.0847	1.0874	1.0836	1.0845	Other (10 year yields)		
Coal (thermal)	54.3	-0.3	AUD/EUR	0.6073	0.6098	0.6069	0.6089	Germany	-0.53	-0.02
Coal (coking)	113.0	0.5	AUD/CNH	4.9889	5.0003	4.9746	4.9752	Japan	0.01	-0.01
Iron Ore	113.4	-1.7	USD Index	93.4	93.7	93.3	93.6	UK	0.13	-0.01

Copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon. Data as at 7:30am AEST. Change from previous trading day (excluding the SFE which is the change during the night session).

Main Themes: Congressional negotiations around further US stimulus remained at a stalemate overnight. A lack of major US and European economic data amid this stalemate left asset markets mixed overnight.

Share Markets: US share markets ended mostly mixed, as equity investors weighed renewed US tensions with China and the ongoing negotiations over further US government stimulus. The S&P 500 closed 9 points higher (or +0.3%) and approached its all-time high. Indeed, the S&P 500 index closed just 26 points (or 0.8%) away from its all-time high, reached prior to the pandemic. The Dow Jones finished 358 points firmer (or +1.3%).

Interest Rates: US bond yields were little changed at the close with the US 2-year bond yield finishing flat and the US 10-year bond yield edging up just 1 basis point.

Foreign Exchange: The USD index stretched to an overnight high of 93.7, which is its highest level in one week, amid a stalemate in Congressional negotiations on the next phase of US virus relief.

The AUD/USD pair moved from an overnight low of 0.7140 in European trade to an overnight high of 0.7184, but then lost these gains to finish much where it started the session. Since the AUD/USD sold off from its 18-month high of 0.7243 on August 7, the AUD/USD has mostly treaded water around

the 0.7150 handle.

Commodities: The West Texas Intermediate quote for oil posted the largest gain in a week. Gold also gained overnight.

COVID-19: Victoria registered 337 new infections yesterday and 19 new deaths. The number of deaths was the largest single day total with 14 occurring in aged care centres. NSW registered 12 new infections yesterday. Since July 8, NSW has not exceeded a daily total that exceeds 21.

Australia: Data released by the Australian Bureau of Statistics (ABS) yesterday revealed the extensiveness of the fiscal response to COVID-19. The ABS said that 32% of households have received some sort of stimulus payment from the Commonwealth government in late May. Households were most likely to use the payments to top up their savings (40%) and to pay household bills (42%). The large proportion of funds being used to bolster savings and to meet day-to-day obligations highlights the sharp fall in employment income and the heightened sense of uncertainty prevailing in May. The survey collection period was between the 10th and 23rd of May.

New Zealand: The BNZ business confidence index fell to -42.4 in the preliminary August reading from -31.8 in July. The outlook activity gauge fell to -17.0 from -8.9 previously, indicating that output slowed

over the month. It was the first decline in the index since April, suggesting that the momentum of the post-lockdown recovery is slowing. The index reached a low of -66.6 in April.

China: Consumer prices rose at an annual pace of 2.7% in July compared with a 2.5% rise in June. Food prices faced upward pressure due to disruptions caused by flooding. Excluding food and energy, which have both been particularly volatile in recent months, core inflation rose at an annual pace of 0.5% compared with 0.9% in June.

Producer price deflation slowed to an annual pace of 2.4% in July following a 3.0% decline in June.

Europe: Investor confidence in the eurozone, according to Sentix, improved 4.8 points to -13.4 in August. This is the fourth consecutive monthly improvement, with the current conditions indicator notably rising while expectations remain stable but positive.

United States: Job openings were at 5.89 million in June, up from 5.37 million in May, according to the JOLTS survey. The quit rate rose from 1.6% to 1.9% over the month. Overall, it was a positive report, but a dated one.

There was no progress on US stimulus talks overnight. US Treasury Secretary Steven Mnuchin told CNBC that Democrats' insistence on almost \$1 trillion for aid to state and local governments is "absurd," but maintained some kind of deal is possible. Lawmakers returned home last week for an August recess with plans to return only if an agreement is reached. There is a gap between the Democrats' \$3 trillion proposal and the Republicans' \$1 trillion plan. The Republicans have repeatedly rejected any plan that offers aid to state and local governments.

The US Federal Reserve laid out its capital standards, and Goldman Sachs, Morgan Stanley and several foreign lenders operating in the US will face the stiffest demands. The levels, determined by the central bank's most recent stress-tests, give Goldman the highest target among domestic banks, with an overall capital minimum at 13.7% of risk-weighted assets. Morgan Stanley's target is 13.4%. Among foreign-based lenders, Deutsche Bank is highest at 12.3%. The standards take effect on October 1.

Today's key data and events:

NZ Retail Card Spending Jul prev 16.3% (8:45am)
 UK BRC Sales Like-For-Like Jul y/y prev 10.9% (9:01am)
 AU NAB Business Survey Jul (11:30am)
 Business Conditions Jul prev -7
 Business Confidence Jul prev 1
 AU Weekly Payroll Jobs & Wages w/e Jul 25 (11:30am)
 UK Jobless Claims Jul prev -28.1k (4pm)
 UK Unemployment Rate Jun exp 4.2% prev 3.9% (4pm)
 UK Employment Jun 3M/3M exp -298k prev -125k (4pm)
 EZ ZEW Survey Expectations Aug prev 59.6 (7pm)
 US NFIB Small Biz Survey Jul exp 100.4 prev 100.6 (8pm)
 US PPI Final Demand Jul exp 0.3% prev -0.2% (10:30pm)
 US Core PPI Jul exp 0.1% prev -0.3% (10:30pm)
 US Federal Reserve's Barkin Speaks (1am)
 US Federal Reserve's Daly Speaks (2am)

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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