

Morning Report

Tuesday, 14 July 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,977.5	1.0%	Last		Overnight Chg			Australia		
US Dow Jones	26,085.8	0.0%	10 yr bond	99.10			0.02	90 day BBSW	0.11	0.01
Japan Nikkei	22,784.7	2.2%	3 yr bond	99.70			0.00	2 year bond	0.25	0.01
China Shanghai	3,609.2	1.8%	3 mth bill rate	99.88			0.00	3 year bond	0.26	0.01
German DAX	12,800.0	1.3%	SPI 200	5,892.0			-45	3 year swap	0.19	0.00
UK FTSE100	6,176.2	1.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.90	0.04
Commodities (close & change)*			TWI					United States		
CRB Index	140.7	-0.8	AUD/USD	0.6954	0.6993	0.6939	0.6942	3-month T Bill	0.13	0.00
Gold	1,802.8	4.1	AUD/JPY	74.35	75.01	74.19	74.48	2 year bond	0.15	0.00
Copper	6,580.0	162.0	AUD/GBP	0.5506	0.5543	0.5497	0.5529	10 year bond	0.63	-0.01
Oil (WTI)	40.1	-0.4	AUD/NZD	1.0581	1.0624	1.0569	1.0612	Other (10 year yields)		
Coal (thermal)	54.5	0.5	AUD/EUR	0.6151	0.6164	0.6115	0.6119	Germany	-0.42	0.05
Coal (coking)	115.9	0.4	AUD/CNH	4.8740	4.8923	4.8584	4.8614	Japan	0.04	0.01
Iron Ore	107.9	4.8	USD Index	96.7	96.7	96.3	96.6	UK	0.19	0.03

Copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon.
Data as at 8am AEST. Change from previous trading day (excluding the SFE which is the change during the night session).

Main Themes: Sentiment in financial markets faded late in the session, likely reflecting tighter COVID-19 related restrictions in California. In Australia, new measures for pubs and clubs are expected for NSW this morning.

Share Markets: The upward momentum in US share markets fizzled late in the session, but not before the S&P500 and Nasdaq hit intraday highs. Despite a positive start, the S&P500 closed 0.9% lower. The Nasdaq fell 2.1%, as prices of major tech stocks corrected. These tech stocks have been the major driver of the recent rally.

Interest Rates: US bond yields moved with risk appetite, initially increasing, but then ending lower.

US 10-year yields were down 3 basis points to 0.62%. Yields continue to hold in a relatively small range, especially at the shorter end on expectations the Fed will keep short-term rates very low.

Foreign Exchange: The US dollar index was little changed over the session, as investors weighed up the impact of tighter restrictions in California and the loss in risk appetite. Euro gained against the US dollar and yen, possibly gaining support from hopes ahead of a long-term budget and pandemic recovery plan summit on July 17-18.

The Australian dollar took a round trip, following the gyrations of equity markets. AUD touched a high of 69.9 US cents before retreating to 69.4 US

cents this morning.

Commodities: Weaker risk appetite late in the session was negative for oil prices, reflecting concern over rising infections of COVID-19 and the tighter restrictions in California. It was despite comments from OPEC Secretary General who said that the oil market is getting closer to being balanced and as the EIA predicted a drop in US shale output to its lowest in two years.

COVID-19: New reports are indicating that NSW Premier Berejiklian is set to announce new customer limits on pubs and clubs. Group bookings are expected to be reduced from 20 to 10, and larger venues will be limited to 300 customers.

There were a total 192 new cases in Australia yesterday as of 9pm yesterday. 177 came from Victoria, 14 from NSW and 1 from Queensland.

California became the latest US State to ramp up restrictions to stem the spread of COVID-19 amid a further rise in new cases. Th Governor ordered a state wide shutting of bars and indoor dining and the banning of churches, gyms and hair salons in certain counties.

New global cases remain elevated at 215,539, slightly down from the record high of 230,370 the previous day according to the World Health Organisation (WHO). US cases continue to top the list, with 62,369 new cases versus 66,281 the

previous day.

Australia: The Australian Bureau of Statistics (ABS) released the seventh and penultimate edition of a survey measuring the impact of COVID-19 on households yesterday.

It provided a signal that labour market conditions stabilised in late June as restrictions began to ease. The survey was conducted between June 24 and June 29 and predates the reimposition of lockdown in Melbourne and the Mitchell Shire.

61.4% of respondents said they were currently working paid hours, up fractionally from 61.1% in the survey conducted in mid-June.

The low point for the proportion of respondents who reported working paid hours was in early April when 55.8% of respondents were currently in paid employment. The ABS has warned that the questions asked in this survey were about changes in the job situation of respondents and differ from questions in the ABS labour force survey.

Other questions in the survey revealed the dramatic shift in consumption patterns of Australians amid COVID-19. 18% of respondents said they consumed more takeaway meals in the past two weeks compared with before restrictions were introduced in March, while 26% said they consumed fewer takeaway meals.

33% of respondents said they increased their online shopping purchases and 44% said they spent more time looking at screens.

China: China announced sanctions against the US in retaliation for US sanctions against senior Chinese officials in response to the treatment of Uighur Muslims in the Xinjiang region. The European Union said it was preparing counter measures for China in reaction to Beijing's new security law on Hong Kong, but was not likely to involve economic sanctions.

Japan: The tertiary industry index fell 2.1% in May after falling 7.7% in April. The decline was less than expected. Activity in the services sector ground to a halt in April as lockdown conditions limited the ability for consumers to transact. The less severe fall in May reflects some easing of restrictions. In particular, retail trade lifted 1.6% following a 9.6% plunge in April.

United States: A survey by the New York Federal Reserve revealed US consumers are more optimistic that the worst of the economic crisis is behind them. There was also less concern about joblessness. Consumers posed a 15% chance on

average that they would lose their jobs in the next year, the lowest since February. Concern remains about earnings growth potential and expectations of finding work.

Today's key data and events:

NZ Net Migration May prev 220 (8:45am)
 AU NAB Business Conditions Jun prev -24 (11:30am)
 AU NAB Business Confidence Jun prev -20 (11:30am)
 AU Weekly Payroll Jobs & Wages w/e Jun 27 (11:30am)
 JN Industrial Production May F prev -8.4% (2:30pm)
 JN Capacity Utilisation May prev -13.3% (2:30pm)
 UK Monthly GDP May exp 5.0% prev -20.4% (4pm)
 UK Industrial Output May exp 6.0% prev -20.3% (4pm)
 EZ Industrial Output May exp 15.0% prev -17.1% (7pm)
 GE ZEW Survey Expectations Jul exp 60.0 prev 63.4 (7pm)
 EZ ZEW Survey Expectations Jul prev 58.6 (7pm)
 US NFIB Small Business Optimism Jun exp 98.0 prev 94.4 (8pm)
 US Avg Weekly Earnings Jun y/y prev 7.4% (10:30pm)
 US CPI Jun exp 0.5% prev -0.1% (10:30pm)
 US CPI Ex Food & Energy Jun exp 0.1% prev -0.1% (10:30pm)
 US Fed's Brainard (4am), Bullard (4:30am) Speak

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.

Janu Chan, Senior Economist

Ph: 02-8253-0898

Contact Listing

Chief Economist

Besa Deda

dedab@banksa.com.au

(02) 8254 3251

Senior Economist

Janu Chan

chanj@banksa.com.au

(02) 8253 0898

Economist

Nelson Aston

nelson.aston@banksa.com.au

(02) 8254 1316

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