

Morning Report

Monday, 15 June 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
			Last		Overnight Chg		Australia			
S&P/ASX 200	5,847.8	-1.9%	10 yr bond			99.12	0.02			90 day BBSW 0.10 0.00
US Dow Jones	25,605.5	1.9%	3 yr bond			99.73	0.00			2 year bond 0.27 0.00
Japan Nikkei	22,305.5	-0.7%	3 mth bill rate			99.83	-0.01			3 year bond 0.25 0.00
China Shanghai	3,060.4	0.0%	SPI 200			5,834.0	24			3 year swap 0.27 -0.01
German DAX	11,949.3	-0.2%	FX Last 24 hrs			Open	High	Low	Current	10 year bond 0.91 -0.01
UK FTSE100	6,105.2	0.5%	TWI			61.2	-	-	59.9	United States
Commodities (close & change)*			AUD/USD	0.6844	0.6912	0.6800	0.6825	3-month T Bill 0.15 -0.03		
CRB Index	134.3	-0.6	AUD/JPY	73.10	74.30	72.53	73.29	2 year bond 0.19 0.00		
Gold	1,730.8	3.0	AUD/GBP	0.5433	0.5485	0.5419	0.5453	10 year bond 0.70 0.03		
Copper	5,761.8	19.3	AUD/NZD	1.0656	1.0682	1.0603	1.0606	Other (10 year yields)		
Oil (WTI)	36.3	-0.1	AUD/EUR	0.6060	0.6105	0.6029	0.6070	Germany -0.44 -0.03		
Coal (thermal)	53.0	0.6	AUD/CNH	4.9523	4.8860	4.8175	4.8345	Japan 0.01 0.00		
Coal (coking)	113.9	-0.1	USD Index	96.7	97.5	96.5	97.1	UK 0.21 0.01		

Copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon.

Data as at 8:00am AEST. Change from previous trading day (excluding the SFE which is the change during the night session).

Main Themes: It was a mixed session in financial markets on Friday, as investors continue to weigh up the risks to the economic outlook and concerns over a lift in the number of cases in parts of the US and China. Share markets partially rebounded after sharp falls in the previous session. Bond yields were also higher. However, the US dollar index rose and the AUD extended its decline.

Share Markets: US share markets rose on Friday in a volatile session. The gains in major indices were in excess of 1%, but followed hefty falls in the previous session. The Dow rose 1.9% and the S&P500 lifted 1.3%, after they dropped 6.9% and 5.9% in the previous session. In Australia, the S&P/ASX200 fell 1.9% on Friday.

Interest Rates: Bond yields lifted on Friday, in step with the recovery in risk appetite. US 10-year yields rose 3 basis points to 0.70%. However, speculation that the Federal Reserve could potentially adopt yield curve control is likely capping yields, particularly at the shorter end of the curve. There was little change in 2 and 3-year yields.

Foreign Exchange: The US dollar index edged higher. The Japanese yen weakened, as reflected in the recovery in risk appetite, although this did not translate through to other currencies. Euro weakened, as did sterling. The Australian dollar extended a correction to 68.4 US cents this morning after topping 70 US cents earlier in the week.

Concern over a renewed escalation in COVID-19 cases is weighing on the currency.

Commodities: Oil prices were little changed on Friday, although they were down on the week amid concerns over a second wave of COVID-19 cases. In the US, number of oil & gas rigs operating fell to a record low for the sixth straight week, suggesting US supply will continue to be constrained.

COVID-19: According to the World Health Organisation cases globally have reached 7,690,708, with 137,526 new cases. Brazil reported the highest number of cases in the past day, at 25,982, followed by the US at 22,133. New cases continue to rise in a range of US States while in New York they are decreasing. The US infectious disease expert Fauci raised concern over the rising hospitalizations in some States including Texas and North Carolina, but their Governors said that they were pressing ahead with re-opening. In China, a new cluster of cases has been reported in Beijing associated with a wholesale food market.

The Australian Department of Health has reported 18 new cases in the past 24 hours, taking the total to 7320.

Australia: There was no major economic data released on Friday, although there are media reports suggesting that Prime Minister Scott Morrison will announce an additional \$1.5 billion

worth of infrastructure projects and a fast-tracking of approval on other projects including an expansion of Olympic Dam.

Japan: Industrial production fell 9.8% in May and follows a fall of 3.7% in April. The impact of COVID-19 is continuing to impact the Japanese economy significantly, after recession was confirmed earlier in the year.

United States: Consumer sentiment jumped 9.1% in June to 78.9, the highest since March. The index remains low on a historical basis, suggesting consumers remain cautious about the outlook. However, consumers are more upbeat given the re-opening of businesses, and recent rebound in jobs.

Import prices rose 1.0% in May, following a 2.6% fall in April and a 2.4% in March. The increase largely reflected a partial rebound in the price of oil, and should alleviate persistent deflation fears.

Today's key data and events:

NZ Net Migration Apr prev 9700 (8.45am)

AU Overseas Arrivals & Departures Apr (11:30am)

CH Industrial Production May y/y exp 5.0% prev -3.9% (12.00pm)

CH Retail Sales May y/y exp -2.3% prev -7.5% (12.00pm)

EZ Trade Balance Apr prev €23.5bn (7.00pm)

US NY Empire Mfg Jun exp -30.0 prev -48.5 (10.30pm)

US Total Net TIC flows Apr prev \$349.9bn (6am)

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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