

Thursday, 16 April 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,466.7	-0.4%	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	23,504.4	-1.9%	10 yr bond	99.19		0.09		90 day BBSW	0.15	-0.02
Japan Nikkei	19,550.1	-0.5%	3 yr bond	99.74		0.02		2 year bond	0.24	0.00
China Shanghai	2,946.2	-0.6%	3 mth bill rate	99.78		0.01		3 year bond	0.27	0.01
German DAX	10,279.8	-3.9%	SPI 200	5,340.0		-122		3 year swap	0.35	0.00
UK FTSE100	5,597.7	-3.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.92	-0.01
<b>Commodities (close &amp; change)*</b>			TWI	56.6	-	-	56.3	<b>United States</b>		
CRB Index	123.6	-2.4	AUD/USD	0.6443	0.6444	0.6284	0.6322	3-month T Bill	0.12	-0.05
Gold	1,720.3	-8.1	AUD/JPY	69.07	69.06	67.58	67.90	2 year bond	0.20	-0.02
Copper	5,098.3	-51.8	AUD/GBP	0.5103	0.5104	0.5038	0.5047	10 year bond	0.63	-0.12
Oil (WTI)	19.9	-0.2	AUD/NZD	1.0549	1.0572	1.0513	1.0543	<b>Other (10 year yields)</b>		
Coal (thermal)	62.3	-0.5	AUD/EUR	0.5865	0.5867	0.5776	0.5795	Germany	-0.47	-0.09
Coal (coking)	136.0	0.0	AUD/CNH	4.5399	4.5399	4.4473	4.4700	Japan	0.01	-0.02
Iron Ore	84.5	-0.3	USD Index	99.30	99.98	98.82	99.58	UK	0.30	-0.04

\*Gold, 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:** Economic data in the US highlighted the extent of the deep economic contraction underway. It jolted financial markets back into a risk averse state. Share markets and bond yields fell. The US dollar is higher, while the AUD retreated. Oil prices fell.

**Share Markets:** US share markets fell in response to the very weak US economic data, and also on reports of sharp profit losses. The Dow fell 1.9%, while the S&P500 fell 2.2%.

**Interest Rates:** Risk aversion and signs of the deep contraction in the US economy were supportive for bonds, and drove yields lower. US 10-year yields dropped 12 basis points to 0.63%.

**Foreign Exchange:** The US dollar was the beneficiary of the more risk averse mood. The index edged higher, while the euro weakened. The Canadian dollar also weakened, as the Bank of Canada (BoC) added the purchase of provincial and corporate bonds to its quantitative easing program. Weaker sentiment weighed on the Australian dollar. AUD tumbled from a recent high of 64.5 US cents to settle at 63.2 US cents this morning.

**Commodities:** Oil prices fell after the US reported a record increase in US crude stocks. WTI crude futures fell below \$20 a barrel, virtually losing all its gains since the historic pact to cut supply. The International Energy Agency (IEA) forecast a fall of

29 million barrels per day in crude demand. The drop in demand completely dwarfs the historic global deal to cut supply by near 10 million barrels per day. The IEA said that no output cut by producers could fully offset the near-term falls facing the market.

**COVID-19:** The number of total cases worldwide topped 2 million according to the John Hopkins University. The World Health Organisation has officially reported 1.9 million cases.

New cases over the past 24 hours were 70,082, down from 71,779 the day previously, and have declined for four consecutive days.

Germany announced an extension of lockdown measures until at least May 3, but has allowed some smaller shops to reopen.

**Australia:** The Westpac-Melbourne Institute consumer sentiment index recorded the largest monthly decline in its 47-year history in April. Consumer sentiment fell 17.7% to 75.6 in April, from 91.9 in March. The dramatic fall highlights the uncertainty facing households due to the impact of the coronavirus.

April's survey included special questions around employment and working arrangements. The responses provided a stark warning for the labour market. Of those that were employed in March, 7% reported losing their job over the past month. A

further 14% said that they had been temporarily stood down without pay.

Expectations for the housing market also deteriorated significantly. The time to buy a dwelling index fell by 26.6% to 82.1 in April. The index is above its GFC low, but points to a marked downward shift in sentiment towards transacting in the property market nonetheless.

The prevalence of negative responses to questions around employment and spending suggest that the downturn in demand is likely to be deep.

Yesterday, the Victorian State government announced a \$500 million package aimed at residential and commercial tenants and landlords. These new measures will come into effect from 29 March for a period of six months.

The package includes the Victorian government providing \$420 million in land tax relief. If a landlord provides tenants impacted by coronavirus with rent relief, they will be eligible for a 25% discount on their land tax, while any remaining land tax can be deferred until March 2021.

The package also includes eviction bans for residential tenancies for 6 months, except in some circumstances. Evictions will also be banned for six months for the non-payment of rent for commercial tenancies involving small and medium-sized businesses. Rental increases will also be banned for commercial and residential properties for the same period.

Consistent with the National Cabinet agreement to implement a mandatory code of conduct for commercial tenancies, eligible small and medium sized businesses can be granted rental waivers or deferrals. Businesses are eligible for these measures if they have an annual turnover under \$50 million per year and have experienced more than a 30% fall in turnover due to coronavirus.

The Victorian government will also create an \$80 million rental assistance fund for renters facing hardship due of coronavirus. To be eligible, renters will need to have registered their revised agreement with Consumer Affairs Victoria or gone through mediation, have less than \$5,000 in savings and still be paying at least 30% of their income in rent.

**China:** The People's Bank of China (PBOC) added 100 billion yuan to its 1-year medium-term lending facility, and cut the rate from 3.15% to 2.95%. There was little reaction in markets suggesting the move had been anticipated following a reduction in rates

7-day market operations in late March.

**New Zealand:** House sales fell by 7.8% in the year to March, from annual growth of 9.2% in February, according to the REINZ.

**United States:** The run of economic data last night gave an indication of the deep economic contraction underway.

Retail sales declined a massive 8.7% in March, a slightly larger fall than the 8.0% drop expected by consensus estimates. It was the largest ever recorded decline in this series dating back to 1992.

Industrial production also weakened, falling 5.4% in March, the largest one-month percentage loss since 1945.

Surveys on business activity were also off the charts. The New York Empire Manufacturing index slumped to -78.2 in March, also the lowest on record. The previous low of -34.3 was set during the GFC, in 2009.

The housing market also witnessed a significant deterioration in sentiment. The NAHB housing market index fell from 72 in March to 30 in April, the lowest since 2012, and the biggest one month fall since this series began in 1985.

#### Today's key data and events:

AU Consumer Inflation Expectations Apr prev 4.0% (11am)

AU Labour Force Survey Mar (11:30am)

Employment exp -20k prev +26.7k

Unemployment Rate exp 5.3% prev 5.1%

Participation Rate exp 65.9% prev 66.0%

CH New Home Prices Mar prev 0.02% (11:30am)

UK Bank of Eng Liabilities/Credit Conditions Survey (6:30pm)

EZ Industrial Production Feb exp -0.1% prev 2.3% (7pm)

US Housing Starts Mar exp -18.7% prev -1.5% (10:30pm)

US Philadelphia Fed Index Apr exp -32 prev -12.7 (10:30pm)

US Initial Jobless Claims Apr 11 exp 5500k prev 6606k (10:30pm)

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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