

Morning Report

Thursday, 18 June 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,991.8	0.8%	Last		Overnight Chg			Australia		
US Dow Jones	26,119.6	-0.6%	10 yr bond	99.07		0.01	90 day BBSW	0.10	0.00	
Japan Nikkei	22,455.8	-0.6%	3 yr bond	99.73		0.00	2 year bond	0.27	0.00	
China Shanghai	3,077.3	0.1%	3 mth bill rate	99.85		-0.01	3 year bond	0.25	0.00	
German DAX	12,382.1	0.5%	SPI 200	5,972.0		-36	3 year swap	0.24	0.00	
UK FTSE100	6,253.3	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.92	0.00
Commodities (close & change)*			TWI	60.6	-	-	60.1	United States		
CRB Index	136.4	0.1	AUD/USD	0.6878	0.6923	0.6852	0.6883	3-month T Bill	0.15	-0.02
Gold	1,727.0	0.4	AUD/JPY	73.83	74.31	73.47	73.65	2 year bond	0.20	0.00
Copper	5,755.3	42.8	AUD/GBP	0.5474	0.5515	0.5462	0.5483	10 year bond	0.74	-0.01
Oil (WTI)	38.0	-0.4	AUD/NZD	1.0678	1.0696	1.0652	1.0664	Other (10 year yields)		
Coal (thermal)	52.1	-0.8	AUD/EUR	0.6109	0.6164	0.6088	0.6122	Germany	-0.39	0.04
Coal (coking)	116.0	-0.1	AUD/CNH	4.8714	4.9020	4.8561	4.8712	Japan	0.02	0.00
Iron Ore	101.0	-1.5	USD Index	97.0	97.3	96.8	97.1	UK	0.19	-0.02

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: The mood in financial markets turned mildly risk averse, as the optimism over stimulus from the US Federal Reserve announced earlier in the week faded. Investors weighed up new COVID-19 outbreaks in parts of the US and China and signs of economic recovery. Share markets were mixed. US bond yields were slightly lower, and the US dollar index slightly higher.

Share Markets: US share markets were mixed overnight. Concerns over rising COVID-19 cases are likely weighing on risk appetite, although news of a common steroid was shown to assist critically ill COVID-19 patients supported markets earlier in the session. The Dow fell 0.7% and the S&P500 fell 0.4%. It was the first fall in four days for both indices. The Nasdaq rose 0.2%, and is just 1% away from its closing record high.

Interest Rates: US yields were little changed – the 10-year yield fell 1 basis point to 0.74%.

A 20-year bond auction saw strong demand at a yield of 1.31%. Concerns about the new outbreaks in COVID-19 are keeping demand in bonds well-supported.

Foreign Exchange: The US dollar index edged slightly higher, reflecting the mildly risk averse mood. The euro and sterling weakened with the latter helped by weak inflation. The Australian dollar was broadly unchanged from 24 hours ago at

68.8 US cents this morning.

Commodities: Oil prices weakened on rising COVID-19 cases in parts of the US and China, and also on rising US crude stocks.

COVID-19: The World Health Organisation has reported 119,759 new cases globally in the past 24 hours taking the total to 8,061,550. There were 20,647 new cases in Brazil and 18,514 new cases in the US. In the US, cases are rising to record highs in Oklahoma and are near record highs in Florida and Arizona.

Australia: The six-month annualised growth rate in the Westpac-Melbourne Institute leading index rose from -5.1% in April to -4.8% in May. The index's growth rate remains in deep negative territory consistent with an economic recession, despite the slight improvement.

Japan: The goods trade deficit in May stood at ¥833.4 billion, marking the second straight month of red ink. Exports and imports in May both posted the largest year-on-year drops in more than 10 years, reflecting rapidly weakened domestic and external demand as the pandemic continued to slow economic activity. Exports plunged 28.3% from a year earlier and imports fell 26.2% on a year ago.

New Zealand: The current account narrowed \$372 million to \$1.6 billion in the March quarter. The smaller deficit was driven by an improvement in the

goods trade balance.

United Kingdom: Headline inflation eased from an annual rate of 0.8% in April to 0.5% in May the weakest since 2016. Soft demand and weak oil prices are placing downward pressure on prices.

United States: Federal Reserve Chair Powell spoke to the House of Representatives and urged Congress for more fiscal support. Powell said that "it would be a concern if Congress were to pull back on the support that it's providing too quickly".

In economic data, housing starts lifted 4.3% in May after a 26.4% slump in April, pointing to a partial recovery in residential construction activity. It was well below the consensus estimate for a 23.5% increase suggesting a slower than expected recovery. Nonetheless, a 14.4% increase in building permits suggests that a recovery will come through in time.

Today's key data and events:

NZ GDP Q1 q/q exp -1.0% prev 0.5% (8:45am)

AU Labour Force Survey May (11:30am)

Employment exp -150k prev -594.3k

Unemployment Rate exp 7.4% prev 6.2%

EZ ECB Monthly Bulletin (6pm)

UK Bank of England Monetary Policy Comm. Meets (9pm)

US Philad. Fed Index Jun exp -22.9 prev -43.1 (10:30pm)

US Initial Jobless Claims Jun 13 exp 1290k prev 1542k (10:30pm)

US Leading Index May exp 2.4% prev -4.4% (12am)

US Federal Reserve's Mester Speaks (2:15am)

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

The information contained in this report (the Information) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
