

Morning Report

Tuesday, 19 May 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,460.5	1.0%			Last	Overnight Chg		Australia		
US Dow Jones	24,597.4	3.9%	10 yr bond	99.05			-0.05	90 day BBSW	0.10	0.00
Japan Nikkei	20,133.7	0.5%	3 yr bond	99.75			0.00	2 year bond	0.25	0.00
China Shanghai	3,013.9	0.2%	3 mth bill rate	99.85			-0.01	3 year bond	0.24	0.00
German DAX	11,058.9	5.7%	SPI 200	5,593.0			109	3 year swap	0.22	0.00
UK FTSE100	6,048.6	4.3%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.91	0.00
Commodities (close & change)*			TWI	57.2	-	-	57.0	United States		
CRB Index	129.1	4.3	AUD/USD	0.6414	0.6527	0.6413	0.6520	3-month TBill	0.10	-0.01
Gold	1,732.6	-11.1	AUD/JPY	68.71	70.08	68.70	69.98	2 year bond	0.18	0.03
Copper	5,292.0	135.8	AUD/GBP	0.5309	0.5353	0.5306	0.5347	10 year bond	0.73	0.08
Oil (WTI)	32.9	1.1	AUD/NZD	1.0823	1.0831	1.0776	1.0796	Other (10 year yields)		
Coal (thermal)	54.6	0.3	AUD/EUR	0.5929	0.5991	0.5928	0.5972	Germany	-0.47	0.06
Coal (coking)	115.0	0.0	AUD/CNH	4.5743	4.6463	4.5727	4.6406	Japan	-0.01	-0.01
Iron Ore	93.6	3.1	USD Index	100.4	100.5	99.6	99.6	UK	0.26	0.03

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: Risk appetite recovered on some promising results in a trial for a COVID-19 vaccine and as economies continued to reopen. Comments by Fed Chair Powell on the weekend which indicated the Fed was open to further monetary easing may have also helped to boost the mood. US shares and interest rates lifted, while the US dollar weakened. The Australian dollar is higher.

Share Markets: Hopes of a vaccine and easing lockdown measures boosted stocks, particularly those related to travel. The Dow surged 3.9% and the S&P500 lifted 3.2%. Drugmaker Moderna said its experimental COVID-19 vaccine had promising results in an early trial and was looking to advance the vaccine to further trials in July.

Interest Rates: The lift in risk appetite dampened demand for safe-haven bonds. Yields on US treasuries lifted – US 10-year yields edged up 8 basis points to 0.73%. Meanwhile, US 2-year yields rose 3 basis points to 0.18%.

Foreign Exchange: The US dollar index weakened as risk appetite improved. In addition, the euro gained after Germany and France jointly proposed a 500 billion euro Recovery Fund, which would allow the European Commission to borrow money in markets. It provides a step towards allowing jointly issued debt within the euro zone. The lift in risk appetite boosted the Australian dollar, lifting to back above

65 US cents.

Commodities: Oil prices rose, supported by the broader recovery in risk appetite. There were also wider reports of production cuts taking effect across OPEC nations and the US. Gold prices weakened, in line with the risk-on theme.

COVID-19: Total global cases stood at 4.8 million according to Bloomberg which sources its data from the John Hopkins University. The number of new cases stood at 68,908.

Total cases in Australia are at 7,060 with 11 new cases reported in the day to 3pm yesterday.

Global: IMF Managing Director Kristalina Georgieva warned that it would take longer to fully recover from the coronavirus than initially expected, given that data was worse than expected. Georgieva hinted that the 3% contraction in world GDP in 2020 was likely to be revised downwards.

Australia: The third edition of a survey examining the impact of COVID-19 on households was released yesterday. The survey was taken between April 29 and May 4.

The proportion of respondents reporting that they had a job increased to 64.2% in early May from 63.4% in April. Moreover, respondents reporting that they were working paid hours also increased, to 59.0%, from 55.8% over the same period.

The results suggest an encouraging improvement in the labour market. However, the ABS has warned that the questions asked differ to those in the official labour force survey and contain a wider margin of error.

Those respondents reporting that they are in a job and working paid hours remain well below the responses in the first survey conducted in early March, before the bulk of social distancing restrictions were in place.

The survey showed that stockpiling behaviour was beginning to abate. A total 21% of respondents said they were purchasing additional household supplies, compared with 47% of those surveyed in March.

Respondents were asked about their consumer-spending habits and if they had changed. There was a 29% reduction in Australians reporting less frequent consumption of takeaway or delivered meals. However, 22% of respondents reported an increase in snack foods, 14% an increase in alcohol and 13% reporting an increase in fruit and vegetable consumption.

China: House price growth picked up in April, lifting 0.5%, after a 0.1% increase in March. April's gain was the fastest since October. It suggests some recovery in housing demand after lockdown earlier in the year.

New Zealand: The performance of services index fell to a record low of 25.9 in April, compared with its last reading of 49.9 in February. All sub-indices fell, consistent with the strict containment measures in place during the month.

Japan: GDP fell 0.9% in Q1 after declining 1.9% in Q4 2019, according to preliminary estimates. Private consumption fell 0.7% over the quarter, narrowly outpacing the 0.5% decline registered in business investment. The data confirm that the Japanese economy was already in a technical recession before the spread of COVID-19 and associated containment measures escalated.

China: New home prices rose 0.42% over the month in April, up from 0.13% in March. The data, based on a 70-city aggregate of newly built home prices compiled by the National Bureau of Statistics, suggest that the housing market is recovering following a sharp slowing in growth amid the COVID-19 pandemic.

United States: The NAHB housing market index improved from 30 in April to 37 in May, but it was still the second lowest reading since 2012.

Today's key data and events:

NZ Input PPI Q1 prev 0.1% (8:45am)
 NZ Output PPI Q1 prev 0.4% (8:45am)
 AU RBA Minutes May (11:30am)
 AU Weekly Payrolls Jobs & Wages w/e May 2 (11:30am)
 -Jobs prev 92.5
 -Wages prev 91.8
 JN Industrial Production Mar F prev -3.7 (2:30pm)
 UK Jobless Claims Change Apr prev 12.2k (4pm)
 UK ILO Unemployment Rate Mar exp 4.3% prev 4.0% (4pm)
 EZ ZEW Survey Expectations May exp 30.0 prev 28.2 (7pm)
 US Housing Starts Apr exp 923k prev 1216k (10:30pm)
 US Building Permits Apr exp 1000k prev 1353k (10:30pm)
 US Fed Chair Powell Testifies Before Senate (12am)
 US Fed's Kashkari Speaks (12am)

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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