

Morning Report

Monday, 20 April 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,487.5	1.3%	Last		Overnight Chg			Australia		
US Dow Jones	24,242.5	3.0%	10 yr bond	99.17	0.02			90 day BBSW	0.13	-0.01
Japan Nikkei	19,897.3	3.1%	3 yr bond	99.75	0.01			2 year bond	0.23	0.00
China Shanghai	2,974.9	0.7%	3 mth bill rate	99.80	0.00			3 year bond	0.26	0.00
German DAX	10,625.8	3.1%	SPI 200	5,464.0	1			3 year swap	0.33	0.01
UK FTSE100	5,787.0	2.8%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.86	0.01
Commodities (close & % change)*			TWI	55.7	-	-	56.3	United States		
CRB Index	123.8	0.2	AUD/USD	0.6362	0.6385	0.6315	0.6364	3-month T Bill	0.09	-0.05
Gold	1,682.8	-34.2	AUD/JPY	68.74	68.95	68.07	68.43	2 year bond	0.20	0.00
Copper	5,200.5	71.3	AUD/GBP	0.5097	0.5110	0.5078	0.5092	10 year bond	0.64	0.02
Oil (WTI)	18.3	-1.6	AUD/NZD	1.0618	1.0626	1.0503	1.0542	Other (10 year yields)		
Coal (thermal)	62.0	0.1	AUD/EUR	0.5863	0.5875	0.5827	0.5854	Germany	-0.47	0.00
Coal (coking)	136.0	0.0	AUD/CNH	4.4840	4.5156	4.4722	4.5063	Japan	0.03	0.01
Iron Ore	84.4	-0.2	USD Index	100.0	100.3	99.6	99.7	UK	0.30	0.00

Copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon. Data as at 7:30am AEST. Change from previous trading day (excluding the SFE which is the change during the night session).

Main Themes: Sentiment was positive on Friday, despite China reporting its first economic contraction on record. Risk appetite was boosted by talk of easing lockdown restrictions in other parts of the world. A US company also reported a promising treatment for COVID-19. Shares were higher, bond yields were little changed, while the US dollar was s

Share Markets: US equity markets lifted on hopes of a slowing in COVID-19 cases and re-opening of the economy. The Dow rose 3.0%, and S&P500 rose 2.7%. Stock prices of Gilead Sciences, a biotech company, jumped after a report that one of its drugs showed promising signs in treating COVID-19 patients.

Interest Rates: US interest rates were little changed over the day. Yields on US 10-year bonds began the session just shy of 0.69%, but then pared gains to end 1.5 basis points higher at 0.64%.

Foreign Exchange: The US dollar index initially rose, but then retreated to be little changed on the day. The Australian dollar was higher on Friday, reflecting stronger risk appetite, and has held onto those gains early this morning, to trade at around 63.6 US cents.

Commodities: The lift in sentiment failed to boost oil prices, which continue to be weighed down by signs of rising inventories. Weak Chinese economic data may have added to the weakness. Gold prices

however, fell on the improvement in sentiment.

COVID-19: New global cases over the past 24 hours stood at 81,153 as of yesterday, down from 85,678 the previous day, but still up from the around 70,000 cases earlier in the week. New cases have continued to stabilise at a high level in the US. Daily deaths in New York, the epicentre of the outbreak in the US, have declined – New York Governor Andrew Cuomo has said that if the current trend holds “we are past the high point” but “we still have a long way to go and a lot of work to do”. US President Trump has said that there was enough testing capability to allow for a phased reopening of the economy.

In Australia, there were 42 reported new cases over the past 24 hours, taking the total to 6612.

Australia: There was no major data released on Friday.

China: The Chinese economy recorded its first contraction since the official series measuring GDP began in 1992. GDP fell 6.8% over the year in Q1, bigger than the 6% expected by markets. Figures for March showed that industrial production declined 1.1% and retail sales slumped 15.8%, despite the gradual relaxation of some containment measures towards the end of the month. Other data showed investment decreased 16.1% over the first 3 months of the year.

The coronavirus outbreak began in China, and by March the effect of stringent lockdowns appeared to be having an effect on the number of reported cases. The country was slowly beginning to return to work around that time. Although industrial production declined in March, it was much less than the double-digit fall recorded in the first two months of the year.

The continued large fall in retail sales suggests that consumer sentiment remained low as partial lockdowns remained in place. Reports have suggested that the economy is now running much nearer to capacity however; the latest data suggests that consumption may be slower to recover than industrial production.

United States: There was further data alluding to the deep economic contraction underway. The leading index dropped 6.7% in March, the largest monthly decline in the history of the series, which dates back to 1959. The massive spike in jobless claims was the main negative contributor to the fall.

Today's key data and events:

NZ CPI Q1 0.4% prev 0.5% (8:45am)

UK Rightmove House Prices Apr prev 1.0% (9:01am)

CH 1-Year Loan Prime Rate exp 3.85% prev 4.05% (11:30am)

CH 5-Year Loan Prime Rate exp 4.65% prev 4.75% (11:30am)

EZ ECB Current Account Feb prev 34.7bn (6pm)

US Chicago Fed National Activity Index Mar exp -0.62 prev 0.16 (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.

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.
