

Friday, 21 August 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,120.0	-0.8%	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	27,739.7	0.2%	10 yr bond	99.13				90 day BBSW	0.10	0.00
Japan Nikkei	22,880.6	-1.0%	3 yr bond	99.70				2 year bond	0.26	0.00
China Shanghai	3,525.9	-1.3%	3 mth bill rate	99.89				3 year bond	0.26	0.00
German DAX	12,830.0	-1.1%	SPI 200	6,082.0			10	3 year swap	0.21	0.00
UK FTSE100	6,013.3	-1.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.85	-0.01
<b>Commodities (close &amp; change)*</b>			TWI	62.0	-	-	61.6	<b>United States</b>		
CRB Index	150.8	-1.2	AUD/USD	0.7184	0.7203	0.7136	0.7192	3-month T Bill	0.09	-0.01
Gold	1,947.3	18.3	AUD/JPY	76.19	76.32	75.61	76.09	2 year bond	0.14	0.00
Copper	6,609.8	-82.0	AUD/GBP	0.5480	0.5493	0.5439	0.5442	10 year bond	0.65	-0.03
Oil (WTI)	42.8	-0.3	AUD/NZD	1.0951	1.1034	1.0934	1.1007	<b>Other (10 year yields)</b>		
Coal (thermal)	50.5	-1.0	AUD/EUR	0.6067	0.6072	0.6042	0.6064	Germany	-0.50	-0.02
Coal (coking)	111.9	0.6	AUD/CNH	4.9724	4.9777	4.9399	4.9670	Japan	0.04	0.00
Iron Ore	123.8	-0.5	USD Index	93.0	93.2	92.7	92.7	UK	0.23	-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:** Risk appetite returned to US equity markets, again led by the tech sector. However, the run of economic data raised questions about the speed of the US recovery. US jobless claims unexpectedly rose back above 1 million.

**Share Markets:** US equity markets brushed off the caution from the Fed minutes in the previous session and resumed its upward march. Again, the tech sector led gains, with the Nasdaq lifting 1.1% and hitting a new record high. The S&P500 was up 0.3% and is also just shy of its record high.

**Interest Rates:** US treasury yields fell overnight, more than offsetting the gain in the previous day after the Fed hosed down expectations of setting a yield target. Concerns regarding the economic outlook following some weaker-than-expected data last night likely helped bring down yields. The 10-year yield fell 3 basis points to 0.65%.

Australian 10-year yields fell 1 basis point yesterday to 0.85% and continue to hold in a tight range.

**Foreign Exchange:** The US dollar index edged lower, paring some of yesterday's gains. The weakness likely reflected the recovery in risk appetite and the softer-than-expected US economic data. The Australian dollar initially dipped to 71.36 US cents before rebounding to 71.92 US cents this morning.

**Commodities:** Oil prices dropped on a news report saying that oil producers would need to slash

output by 2.3 million barrels per day to make up for a surplus in production over May and July.

Gold prices recovered, moving inversely with the US dollar, and following the weak US economic data.

**COVID-19:** The Australian Department of Health reported 246 new cases yesterday, with 240 from Victoria and 5 from NSW. One case was found in Queensland.

Globally, the World Health Organisation (WHO) reported 263,601 cases yesterday, the highest in four days but new infection rates have continued to stabilise on a weekly basis.

**Australia:** No major data to report.

**China:** Chinese authorities kept benchmark lending rates for corporate and household loans steady for the fourth consecutive month yesterday. The one-year loan prime rate was unchanged at 3.85% and the five-year loan prime rate held steady at 4.65%.

**Europe:** Policymakers at the European Central Bank (ECB) discussed the range of policy options at its last meeting on July 16. The account of the meeting noted that some members were reluctant to use all the currently approved stimulus. Currently, the ECB is providing support through a 1.35 trillion euro Pandemic Emergency Purchase Programme and there is scope to tap into the scheme further. As incoming data had "surprised on the upside" and "downside risks surrounding the outlook had

receded it had increased the possibility that “the envelope might not have to be deployed fully”.

**United States:** Initial jobless claims unexpectedly rose from 971k to 1106k for the week ending August 15. However, as a trend, claims continue to move lower. The four-week moving average fell from 1.254k to 1,176k. Nonetheless, the rate of improvement is slowing and suggests an uneven recovery in the labour market. Weekly claims, at close to a million per week, remain at an extremely high level by historical standards.

Other data also point to a slowing economic recovery. The Philadelphia Fed index fell from 24.1 in July to 17.2 in August and suggests that the elevated number of COVID-19 cases is dampening a recovery in economic activity.

**Today’s key data and events:**

JN CPI Jul y/y exp 0.1% prev 0.0% (9.30am)  
JN Jibun PMI Mfg Aug prev 45.2 (10.30am)  
JN Jibun Services PMI Aug prev 45.4 (10.30am)  
AU Retail Sales Preliminary Jul (11:30am)  
NZ Credit Card Spending Jul prev 14.0% (1.00pm)  
UK Retail Sales Jul exp 2.0% prev 13.9% (4.00pm)  
EZ Markit Mfg PMI Aug exp 52.7 prev 51.8 (6pm)  
EZ Markit Services PMI Aug exp 54.5 prev 54.7 (6.00pm)  
UK Markit Mfg PMI Aug exp 54.0 prev 53.3 (6.30pm)  
UK Markit Mfg PMI Aug exp 52.7 prev 51.8 (6.30pm)  
UK Markit/CIPS Services PMI Aug exp 57.0 prev 56.5 (6.30pm)  
UK Markit Mfg PMI Aug exp 52.0 prev 50.9 (11.45pm)  
UK Markit Services PMI Aug exp 51.0 prev 50.0 (11.45pm)  
EZ Cons. Confidence Aug exp -15.0 prev -15.0 (12am)  
US Existing Home Sales Jul exp 14.4% prev 20.7% (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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