

Morning Report

Tuesday, 21 July 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,001.6	-0.5%	Last		Overnight Chg			Australia		
US Dow Jones	26,680.9	0.0%	10 yr bond	99.10				90 day BBSW	0.10	0.00
Japan Nikkei	22,717.5	0.1%	3 yr bond	99.69				2 year bond	0.26	0.00
China Shanghai	3,473.7	3.1%	3 mth bill rate	99.89				3 year bond	0.27	0.00
German DAX	13,046.9	1.0%	SPI 200	6,012.0			42	3 year swap	0.20	-0.01
UK FTSE100	6,261.5	-0.5%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.89	0.02
Commodities (close & change)*			TWI	60.7	-	-	60.7	United States		
CRB Index	140.7	-0.1	AUD/USD	0.6987	0.7019	0.6973	0.7016	3-month T Bill	0.11	0.00
Gold	1,817.8	7.3	AUD/JPY	74.87	75.31	74.82	75.24	2 year bond	0.15	0.00
Copper	6,493.3	38.3	AUD/GBP	0.5564	0.5578	0.5534	0.5543	10 year bond	0.61	-0.02
Oil (WTI)	40.7	-0.1	AUD/NZD	1.0669	1.0677	1.0656	1.0670	Other (10 year yields)		
Coal (thermal)	53.9	-0.6	AUD/EUR	0.6120	0.6136	0.6095	0.6131	Germany	-0.46	-0.01
Coal (coking)	110.9	-0.1	AUD/CNH	4.8851	4.9048	4.8779	4.9038	Japan	0.03	0.01
Iron Ore	106.0	-1.0	USD Index	96.0	96.2	95.7	95.8	UK	0.15	-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: Sentiment lifted after promising trial results from potential COVID-19 vaccines. There are also hopes a major stimulus package in Europe is close.

An announcement from the Federal Government is expected today for details on the future for JobKeeper and JobSeeker.

Share Markets: US share markets continued their run up higher, on the back of COVID-19 vaccine hopes. Tech stocks surged further – the Nasdaq gained another 2.5%, taking the index to a new record high, while the S&P500 lifted 0.8% to its highest since late February.

Interest Rates: The stronger risk appetite in equity markets failed to translate into higher yields in the bond market. US yields edged slightly lower – US 10-year yields were 2 basis points lower at 0.61%.

Expectations of easy monetary policy combined with strong new issuance and an uncertain growth outlook continue to keep bond yields rangebound.

Foreign Exchange: The US dollar index slid, mostly reflecting support for the euro. Euro gained on hopes that a deal can be made on a EU recovery fund. However, other major currencies also lifted, suggesting broadly firmer risk appetite was also impacting currency markets. The Australian dollar poked back above 70 US cents and is trading at 70.2 US cents this morning.

Commodities: Oil prices were little changed, as investors weighed up rising COVID-19 cases and stronger risk appetite from vaccine hopes.

COVID-19: There have been promising trial results for a vaccine from a range of studies. These included a study from the Oxford University which in a human trial on more than 1000 people showed an immune response in all study participants and no reported significant side effects. Another study for a Chinese vaccine was showed to be safe and also triggered an immune response in most of the 508 study participants.

Cases globally rose 229,780 from the World Health Organisation (WHO) after rising by a record high (in excess of 250,000) on the weekend. Cases continue to be led by the US, Brazil, India and South Africa all with new cases in the tens of thousands. Chicago was the latest to re-impose restrictions in the US.

In Australia, 296 new cases were confirmed as of yesterday. Of these cases, 275 were from Victoria and 20 came from NSW.

Australia: A news report is indicating that the JobKeeper wage subsidy will be extended until the end of March but will be at a lower rate from October. The report also suggests two tiers to the payment. An announcement by Treasurer Josh Frydenberg and Prime Minister Scott Morrison is due today to confirm details for JobKeeper and

JobSeeker.

New Zealand: The BusinessNZ and Bank of New Zealand performance of services index bounced back into expansion in June as the economy began to reopen. The index rose to 54.1 in June from 37.5 in May and a record low 25.8 in April. The increase was led by sales and new orders while the employment sub index remained in contraction, at 45.1 in June.

China: The People's Bank of China (PBoC) left its main policy rates unchanged in July, as expected. The one-year loan rate for prime borrowers remained at 3.85%. It was the third consecutive month the central bank left the benchmark corporate lending rate unchanged. It suggests that the authorities have opted to pause the rate of easing while they assess the impact of monetary stimulus to date. The five-year prime rate (which is the reference rate for mortgages) was unchanged at 4.65%.

Japan: Minutes of the June policy meeting of the Bank of Japan (BoJ) reveal that board members wanted to examine the impact of policies implemented to date to combat COVID-19 before acting further. The main policy settings were left unchanged at the June meeting, with members agreeing that support for business funding should remain. Members agreed that financial markets were beginning to calm down, but that the current policy framework was adaptable should conditions warrant.

Data released yesterday reveal that the trade deficit fell to ¥423.9 billion in June from ¥585.7 billion in May. It suggests that the trade sector will provide a drag to growth in Q2. Exports fell 26.2% compared with a year earlier in June, following a 28.3% drop in May. The decline in imports lessened to 14.4% over the year in June following a 26.2% fall in May.

Europe: Hopes are high for a stimulus plan which includes a 750 billion euro recovery fund after a four-day summit. EU Council President Charles Michel expressed confidence that a group of fiscally frugal nations led by the Netherlands would be able to come to an agreement.

United States: There is discussion that the US White House and Republicans are working on a \$1 trillion relief bill which is focussed on businesses, schools and healthcare.

Today's key data and events:

JN National CPI Jun y/y exp 0.1% prev 0.1% (9:30am)
 JN Natl CPI Core Jun y/y exp 0.4% prev 0.4% (9:30am)
 AU RBA Minutes of Jul. Policy Meeting (11:30am)
 AU RBA Governor Lowe Gives Speech (12:30pm)
 NZ Credit Card Spending Jun prev 54.3% (1pm)
 AU RBA's Kent Gives Speech (2pm)
 UK Public Sector Net Borrowing Jun exp £34.7b prev £54.5b (4pm)
 JN Machine Tool Orders Jun F y/y prev -32.0% (4pm)
 US Chicago Fed National Activity Index Jun exp 4.00 prev 2.61 (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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