

Morning Report

Monday, 22 June 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,942.6	0.1%	Last		Overnight Chg			Australia		
US Dow Jones	25,871.5	-0.8%	10 yr bond	99.13		0.00		90 day BBSW	0.11	0.00
Japan Nikkei	22,478.8	0.6%	3 yr bond	99.73		0.00		2 year bond	0.26	0.00
China Shanghai	3,110.6	1.0%	3 mth bill rate	99.85		-0.01		3 year bond	0.25	0.00
German DAX	12,330.8	0.4%	SPI 200	5,854.0		-78		3 year swap	0.24	0.00
UK FTSE100	6,292.6	1.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.85	-0.01
Commodities (close & change)*			TWI	60.0	-	-	60.0	United States		
CRB Index	138.0	0.9	AUD/USD	0.6848	0.6912	0.6805	0.6819	3-month T Bill	0.15	0.00
Gold	1,743.9	20.9	AUD/JPY	73.23	73.83	72.74	72.82	2 year bond	0.19	-0.01
Copper	5,839.3	44.8	AUD/GBP	0.5513	0.5572	0.5509	0.5520	10 year bond	0.69	-0.01
Oil (WTI)	39.6	-0.1	AUD/NZD	1.0662	1.0708	1.0657	1.0668	Other (10 year yields)		
Coal (thermal)	53.4	0.9	AUD/EUR	0.6112	0.6150	0.6082	0.6098	Germany	-0.42	-0.01
Coal (coking)	114.9	-0.6	AUD/CNH	4.8504	4.8830	4.8176	4.8280	Japan	0.02	0.00
Iron Ore	100.4	0.3	USD Index	97.5	97.7	97.2	97.7	UK	0.24	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: Concerns over rising cases of COVID-19 kept markets mildly risk averse. The World Health Organisation (WHO) reported a record high number of new cases. In Australia, Victoria reimposed restrictions over the weekend, after new cases hit their highest in over two months.

Share Markets: It was another session with sentiment remaining broadly weaker, reflecting concerns over rising COVID-19 cases. The Dow fell 0.8% and the S&P500 fell 0.6%. Technology stocks continued to be relatively resilient – the Nasdaq was flat.

Interest Rates: Yields on US treasuries initially lifted but then fell to be little changed. The 10-year yield was 1 basis point lower at 0.69%. The prospect of yield curve control from the US Federal Reserve is keeping movements in bond yields muted.

Foreign Exchange: The US dollar index edged higher, reflecting the slightly risk averse mood. The Australian dollar was mildly lower, and is trading at 68.3 US cents this morning.

Commodities: The oil price was relatively unchanged, as investors weighed up concerns over the impact of rising COVID-19 cases on economic activity and cuts to supply from OPEC and other major oil producers.

COVID-19: The World Health Organisation (WHO) reported a record high increase in cases of COVID-

19, rising by 183,020 over the past 24 hours.

In Australia, the Department of Health has reported 25 new cases, with 19 of those cases in Victoria.

Restrictions have been tightened in Victoria from midnight Sunday. Households are now only allowed to have five visitors at a time, and outdoor gatherings will be limited to 10 people. Limits on restaurants and pubs etc. were due to have restrictions lifted on Monday, but they are still only allowed to serve 20 people. Gyms, cinemas and theatres and TABs are still able to open but also with a 20 customer limit.

Australia: According to preliminary data released by the Australian Bureau of Statistics (ABS), retail sales grew 16.3% in May, which was the largest increase recorded since the survey began in 1982. It followed the largest fall on record in April of 17.7% and the second highest rise on record in March of 8.5%.

The data is subject to revision, and comprises of 80% of retailing recorded over the month. Further details including an industry breakdown and on States will be available in the final release due on July 3

The lifting of restrictions throughout the month provided a significant boost to sales in May, particularly in sectors which were adversely affected by the COVID-19 restrictions in late March

and April.

Notably, the increase in May in clothing, footwear & personal accessories exceeded 100%! Cafes, restaurants & takeaway services also rose significantly, up around 30% in May. Both these sectors had sizeable declines over March and April. However, the level of spending in both sectors over May remained below the level of a year ago.

There were further increases in spending in areas which were resilient throughout the lockdown period as consumers continued to eat more frequently at home and spent more on at-home activities. These sectors included food retailing and household goods retailing, which were 13% and 30%, respectively, higher on a year ago.

A further easing in restrictions will support spending and the ongoing impediments to travel and other services (eg. concerts) may divert spending to retail goods sectors.

However, the loss of incomes and employment will limit how much consumers can spend. Overall growth in consumer spending is expected to remain very weak.

Japan: Japan's key inflation gauge fell again in May, stoking fears of a return to deflation. Consumer prices excluding fresh food fell 0.2% compared with a year earlier in May, the same fall recorded in April. Falling energy prices was the main driver of the fall while travel and accommodation price declines moderated after lock down measures were lifted later in the month.

The Bank of Japan (BoJ) has previously been focussed on fighting deflation under "Abenomics", but has recently said its main priority is helping businesses survive the pandemic by supporting lending.

United Kingdom: Retail sales rebounded sharply in May, as social distancing restrictions began to unwind. Retail sales jumped 12.0% in May, greater than the consensus estimate for a rebound of 6.3%. While the bigger-than-expected bounce is an encouraging sign of economic activity recovering, the increase followed an 18.0% decline in April. It suggests that the loss of demand and jobs is impacting negatively on consumer spending. On an annual basis, sales were down 13.1%.

United States: Boston Federal Reserve President said more fiscal and monetary support was likely needed for the US economy.

Today's key data and events:

AU RBA's Lowe Participates in Panel (9am)
 CH 1-Year Prime Rate exp 3.83% prev 3.85% (11:30am)
 CH 5-Year Prime Rate exp 4.65% prev 4.65% (11:30am)
 NZ Credit Card Spending May prev -41.3% (1pm)
 UK CBI Trends Total Orders Jun exp -50 prev -62 (8pm)
 US Chicago Fed Activity Index May prev -16.74 (10:30pm)
 EZ Consumer Confidence Jun exp -14.5 prev -18.8 (12am)
 US Home Sales May exp -4.2% prev -17.8% (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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