

# Morning Report

Friday, 24 April 2020

| Equities (close & % change)              |          |       | Sydney Futures Exchange (close & change) |         |             |                      |         | Interest rates (close & change) |                  |       |      |
|--|----------|-------|--|---------|-------------|----------------------|---------|---------------------------------|------------------|-------|------|
| S&P/ASX 200                              | 5,217.1  | -0.1% |  |         | <b>Last</b> | <b>Overnight Chg</b> |         |                                 | <b>Australia</b> |       |      |
| US Dow Jones                             | 23,515.3 | 0.2%  | 10 yr bond                               | 99.13   |             |                      |         |                                 | 90 day BBSW      | 0.12  | 0.00 |
| Japan Nikkei                             | 19,429.4 | 1.5%  | 3 yr bond                                | 99.74   |             |                      |         |                                 | 2 year bond      | 0.24  | 0.00 |
| China Shanghai                           | 2,974.9  | -0.2% | 3 mth bill rate                          | 99.81   |             |                      |         |                                 | 3 year bond      | 0.27  | 0.00 |
| German DAX                               | 10,513.8 | 0.9%  | SPI 200                                  | 5,218.0 |             |                      |         |                                 | 3 year swap      | 0.32  | 0.00 |
| UK FTSE100                               | 5,826.6  | 1.0%  | FX Last 24 hrs                           | Open    | High        | Low                  | Current |                                 | 10 year bond     | 0.89  | 0.01 |
| <b>Commodities (close &amp; change)*</b> |          |       | TWI                                      | 56.1    | -           | -                    | 56.2    | <b>United States</b>            |                  |       |      |
| CRB Index                                | 113.5    | 2.4   | AUD/USD                                  | 0.6322  | 0.6351      | 0.6277               | 0.6373  | 3-month T Bill                  | 0.10             | -0.01 |      |
| Gold                                     | 1,730.5  | 16.4  | AUD/JPY                                  | 68.11   | 68.48       | 67.63                | 68.57   | 2 year bond                     | 0.22             | 0.01  |      |
| Copper                                   | 5,143.5  | 26.5  | AUD/GBP                                  | 0.5125  | 0.5163      | 0.5104               | 0.5161  | 10 year bond                    | 0.60             | -0.02 |      |
| Oil (WTI)                                | 16.8     | 0.3   | AUD/NZD                                  | 1.0615  | 1.0629      | 1.0532               | 1.0602  | <b>Other (10 year yields)</b>   |                  |       |      |
| Coal (thermal)                           | 61.0     | -0.2  | AUD/EUR                                  | 0.5814  | 0.5850      | 0.5784               | 0.5912  | Germany                         | -0.42            | -0.02 |      |
| Coal (coking)                            | 134.5    | 0.0   | AUD/CNH                                  | 4.4887  | 4.5060      | 4.4584               | 4.5214  | Japan                           | 0.01             | 0.01  |      |
| Iron Ore                                 | 84.3     | 0.6   | USD Index                                | 100.3   | 100.5       | 99.9                 | 100.5   | UK                              | 0.29             | -0.04 |      |

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:** A raft of activity indices around the world highlighted the extent of economic contraction this month. There appeared to be a limited reaction in financial markets, indicating a deep contraction is now already priced in. Sentiment across different assets was mixed – there was some disappointment after a promising antiviral drug performed poorly in a trial. Oil prices were higher.

**Share Markets:** Key US indices were in the black for most of the session, but gave up gains later on. The Dow closed 0.2% higher, but the S&P500 was down 0.1%. Investors over the past week had placed some hope for antiviral drug remdesivir.

**Interest Rates:** Yields on US treasuries were mostly little changed and slightly lower at the longer-end of the curve. There was minimal reaction to the run of weak economic data. The US 10-year yield was down 2 basis points to 0.60%.

**Foreign Exchange:** The US dollar index was just marginally higher. The euro weakened after a European Union meeting concluded without an agreement on a rescue package. Currencies which have a strong relationship with oil prices recovered, including the Canadian dollar.

The Australian dollar edged higher, touching above 64 US cents briefly, and settled at around 63.7 US cents this morning.

**Commodities:** Oil prices rebounded on talk that major oil-producing nations would accelerate planned production cuts. Prices remain near historically low levels – Brent futures sit at US\$21.62 a barrel. Prices for WTI lifted to US\$15.75 a barrel. Gold prices were also higher, gaining support from expected further stimulus in the US.

**COVID-19:** Total confirmed cases stood at 2.5 million according to the World Health organisation (WHO), with new cases over the past day at 73,657. Cases appear to be stabilising at a high level.

In Australia, there are a total 6,661 confirmed cases, and there were 12 new cases over the past day as of 3pm April 23.

**Australia:** The Australian Bureau of Statistics (ABS) released preliminary estimates of the merchandise trade balance, part of the additional detail being provided by the ABS post-COVID. This data is not seasonally adjusted, is preliminary and subject to revision, is on a customs basis (rather than a balance of payments basis as in the typical monthly release) and this data does not include services (coverage is for goods only). Notwithstanding these caveats, the data provides some insights around the trade balance for goods. Our preliminary calculations suggest that good exports rose by 20% and imports by 6% in the month, which caused the goods surplus to widen from \$5.1 billion in February

to to \$9.5 billion in March.

The key point: it appears that goods exports had a particularly strong showing in the month, led by gold and resources. This may represent a catch-up after the initial COVID-19 disruptions in late January and in February. By way of context, January and February exports combined were some \$3.2 billion below that in December, whereas the March figure has clawed that back, being some \$3.7 billion above December. Cyclone Damien was a contributing factor, with iron ore shipments in March rebounding sharply from the February disrupted result.

Overall, the goods exports result and the goods trade surplus is more resilient than might be expected in the current environment in which trade flows have been disrupted by COVID-19.

The full trade figures for March, to be released on May 7, will provide an update on services.

**Europe:** Activity indicators continue to highlight the extent of the sharp contraction underway. The Markit manufacturing index plunged from 44.5 to 33.6 in the preliminary reading for April. Meanwhile, the services index fell from 26.4 in March to 11.7 in April.

**Japan:** The Jibun Bank's manufacturing purchasing managers' index (PMI) for April fell to 43.7, from 44.8 in the previous month. The composite and services PMIs also fell in the month. All three indices are suggesting a contraction in activity in the period ahead.

**New Zealand:** Credit card spending fell 9.1% in March, as the impact of COVID-19 hurt consumer confidence and spending.

**United Kingdom:** Consistent with the global theme, the manufacturing PMI by Markit fell from 47.8 in March to 32.9 in April. Services slumped from 34.5 to 12.3 in April, which saw the composite index at just 12.9.

**United States:** Initial jobless claims rose 4.4 million for the week ending April 18, the best result in four weeks but still extremely elevated and well above pre-crisis levels of around 200-300k.

Other data continued to point to a woeful level of economic activity. The Markit PMI indices weakened substantially in April – the composite index plunged 13.5 points to 27.4, the lowest on record with data dated back to 2009. The index measuring services fell 12.8 points to 27.0, while the manufacturing index fell to 36.9.

The regional Kansas manufacturing index similarly

weakened, from -17 in March to -30 in April,

New home sales slumped 15.4% in March when non-essential services were shut. It was the largest fall since 2013.

The US House of Representatives is preparing to pass a \$500 billion bill for coronavirus relief to go to small businesses and hospitals. Total Federal funding has amounted to nearly US\$3 trillion.

#### Today's key data and events:

JN CPI Ex Food Mar y/y exp 0.6% prev 0.6% (9:30am)

JN All Industry Index Feb exp -05% prev 0.8% (2:30pm)

UK Retail Sales Ex Auto Fuel Mar -4.0% prev -0.5% (4pm)

US Durable Good Orders Mar exp -12.0% prev 1.2% (10:30pm)

US UoM Cons. Sentiment Apr exp 67.9 prev 71.0 (12a)

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](mailto:dedab@banksa.com.au)

(02) 8254 3251

**Senior Economist**

Janu Chan

[chanj@banksa.com.au](mailto:chanj@banksa.com.au)

(02) 8253 0898

**Economist**

Nelson Aston

[nelson.aston@banksa.com.au](mailto:nelson.aston@banksa.com.au)

(02) 8254 1316

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