

Morning Report

Tuesday, 24 March 2020

Equities (Close & % Change)			Sydney Futures Exchange (Close & Change)					Interest rates (Close & Change)		
S&P / ASX200	4546.0	-5.6%	Last		Overnight Chg			Australia		
Dow Jones	18591.9	-3.0%	10 yr bond	99.12		0.17		10 year bond	0.92	-0.17
Nikkei	16887.8	2.0%	3 yr bond	99.69		-0.02		3 year bond	0.32	0.02
Hang Seng	21696.1	-4.9%	3 month bill	99.56		0.01		90 day BBSW	0.46	-0.06
Shanghai	2660.2	-3.1%	SPI 200	4634		-201		United States		
DAX	8741.2	-2.1%	FX Last 24 Hours	Open	High	Low	8:00 AM	10 year bond	0.79	-0.15
FTSE 100	4993.9	-3.8%	TWI	52.4	-	-	51.8	2 year bond	0.32	-0.04
Commodities (Close & Change)			AUD/USD	0.5800	0.5844	0.5699	0.5827	3-month T Bill	-0.01	-0.04
CRB Index	124.7	0.8	AUD/JPY	0.00	64.78	62.89	64.78	Other (10 year yields)		
Gold	1553.1	55.4	AUD/GBP	0.4966	0.5055	0.4909	0.5045	Germany	-0.38	-0.04
Copper	4810.0	-15.0	AUD/NZD	1.0211	1.0272	1.0117	1.0180	Japan	0.07	-0.04
Oil (WTI)	23.3	3.9	AUD/EUR	0.5414	0.5442	0.5331	0.5431	UK	0.42	-0.14

Data as at 8:00am. Change from previous trading day (excluding the SFE which is the change during the night session). Source: Bloomberg, Refinitiv.

Main Themes: A new extensive array of stimulus measures by the Federal Reserve, including unlimited purchases of assets, did little to prevent a further slide in equity markets. Worries were over a \$2 trillion fiscal stimulus package that failed to pass US congress. Concerns over the impact of measures to contain the coronavirus on the economy remain the overwhelming factor hitting sentiment.

Share Markets: The Dow and S&P500 sold off further, falling 3.0% and 2.9%, respectively. These indices are now down 36.8% and 33.9% from their peaks, respectively.

In Australia, the ASX200 was down 5.6%, and is 36.5% down from its peak in February.

Interest Rates: The Federal Reserve's surprise announcement to purchase an unlimited amount of bonds sent yields lower. Yields on US-10 year treasuries were down 9 basis points to 0.76%.

Foreign Exchange: The US dollar index initially slid following the announcement of new stimulus from the Fed, but then clawed back some gains as risk appetite failed to improve. The Australian dollar was marginally higher in volatile trade, and is trading at 58.22 US cents this morning. AUD remains convincingly higher than the recent low of 55.1 US cents hit on March 19, but the much weaker global growth outlook suggests the AUD is set to trade at lower levels than earlier in the year.

Commodities: US WTI oil prices edged higher overnight, but prices remain 67.8% lower than their

January peak, bringing down fuel costs substantially.

COVID-19: The number of global cases hit 373,647 according to worldometer. Most new cases today came from the US at 8,486. The new daily cases remain substantial in Europe, exceeding 4,000 in Italy, Spain and Germany. In China, no new cases have been reported in Wuhan and in Hubei province.

Australia: On top of the more stringent containment measures enacted at a national level, more states enforced their own initiatives yesterday. Victoria said it was ending the school term early while Queensland closed its borders in an effort to stop the spread of the virus.

Europe: Consumer confidence plunged from -6.6 to -13.0 in the preliminary estimate for March. It was worse than the consensus estimate of -11.6, and the lowest since 2014. It provides some early indication of how consumers are being impacted. The data might be revised even lower, as it may not be capturing the latest social restraint measures.

New Zealand: The New Zealand government announced a full-scale lockdown for four weeks, barring essential services. To combat the economic impact, additional fiscal stimulus was announced. The wage subsidy package announced previously was extended to all firms and self-employed people who have experienced a 30% decline in revenues due to the coronavirus. It also hinted that it was

working with banks to provide a loan guarantee scheme for mortgage holders and businesses.

United States: In a surprise announcement, the Federal Reserve has further added to its arsenal of monetary stimulus, and will buy as many treasury bonds and mortgage-backed securities in order to support the smooth functioning of financial markets and the effective transmission of monetary policy. The Fed also added to its range of purchases to include agency commercial mortgage-backed securities. The open-ended commitment suggests the Federal Reserve could now buy an unlimited amount of assets.

New programs were also launched to facilitate credit to the real economy, which are aimed to provide new loans of up to \$300 billion to employers, consumers and businesses.

A stimulus package worth US\$2 trillion failed to pass Congress. The senate vote was 49-46, and needed 60 votes to advance. Criticism of the package from Democrats included too little money for states and hospitals and there needed to be more oversight provisions for a \$500 billion fund for large businesses.

St. Louis Fed Chair James Bullard said that the US unemployment rate could hit 30% in the second quarter in the wake of a 50% drop in GDP. He called for a powerful fiscal response, adding that "everything is on the table" in terms of the Fed's response. Large sections of US society have been placed under lockdown to combat the spread of the coronavirus. There has already been a large fiscal and monetary response as the Trump administration continues to negotiate a \$2 trillion stimulus package.

Today's key data and events:

AU CBA Mfg PMI Mar P prev 50.2 (9am)
 AU CBA Services PMI Mar P prev 49.0 (9am)
 AU ANZ Consumer Conf. w/e Mar 22 prev 100.0 (9:30am)
 JN Jibun Bank Mfg PMI Mar P prev 47.8 (11:30am)
 EZ Markit Mfg PMI Mar P exp 39.0 prev 49.2 (8pm)
 EZ Markit Services PMI Mar P exp 39.3 prev 51.6 (8pm)
 UK Markit Mfg PMI Mar P exp 45.0 prev 51.7 (8:30pm)
 US Markit Mfg PMI Mar P exp 44.0 prev 50.7 (12:45am)
 US Markit Services PMI Mar P exp 42.0 prev 49.4 (12:45am)
 US New Home Sales Feb exp -1.8% prev 7.9% (1am)
 US Richmond Fed Mfg Index Mar exp -10 prev -2 (1am)

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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