

# Morning Report

Tuesday, 26 May 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,615.6	2.2%	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	24,465.2	closed	10 yr bond	99.15	0.00			90 day BBSW	0.10	0.00
Japan Nikkei	20,741.7	1.7%	3 yr bond	99.74	0.00			2 year bond	0.26	0.01
China Shanghai	2,953.6	0.1%	3 mth bill rate	99.84	0.00			3 year bond	0.25	0.00
German DAX	11,391.3	2.9%	SPI 200	5,673.0	47			3 year swap	0.27	0.00
UK FTSE100	5,993.3	closed	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.86	-0.01
<b>Commodities (close &amp; change)*</b>			TWI	57.9	-	-	57.9	<b>United States</b>		
CRB Index	129.5	closed	AUD/USD	0.6534	0.6550	0.6520	0.6540	3-month T Bill	0.11	closed
Gold	1,732.0	-2.7	AUD/JPY	70.27	70.58	70.20	70.46	2 year bond	0.17	closed
Copper	5,272.8	closed	AUD/GBP	0.5366	0.5374	0.5357	0.5366	10 year bond	0.66	closed
Oil (WTI)	33.7	closed	AUD/NZD	1.0718	1.0737	1.0712	1.0723	<b>Other (10 year yields)</b>		
Coal (thermal)	56.6	0.0	AUD/EUR	0.5995	0.6011	0.5987	0.6004	Germany	-0.49	-0.01
Coal (coking)	112.5	-0.3	AUD/CNH	4.6738	4.6810	4.6647	4.6754	Japan	0.00	0.00
Iron Ore	94.8	-0.8	USD Index	99.8	100.0	99.7	99.8	UK	0.17	closed

Copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon. Data as at 8am AEST. Change from previous trading day (excluding the SFE which is the change during the night session).

**Main Themes:** The focus was on Europe with the US on holiday due to Memorial Day. A lift in German business confidence and good news for German airline Lufthansa reminded investors that economies were re-opening, boosting sentiment. Shares in Europe were higher, but bonds and currencies were more subdued.

**Share Markets:** Share markets across Germany, France and Spain all gained in excess of 2%. A 9 billion euro rescue package for Lufthansa also helped boost shares for airlines and those linked to tourism. The airline also announced it would resume flights from mid-June. In the US, while share markets were closed, futures on the S&P500 gained 1.2%.

**Interest Rates:** Yields implied by US 10-year note futures were little changed. In Europe, Italian bond yields declined despite formal opposition from Austria, Sweden, Denmark and the Netherlands over the weekend to a 500 billion euro fund proposed by France and Germany. The four countries in opposition proposed for the source of funding to come from loans rather than grants.

In Australia, there was also minimal change in yields yesterday. The yield on 10-year bonds was down 1 basis point on the day, at 0.86%.

**Foreign Exchange:** The US dollar index was relatively steady. Euro was also little changed, but

there is key event risk this week with European Commission assessing two proposals for a recovery fund – one from France and Germany, and the other from Austria, Netherlands, Denmark and Sweden. The Australian dollar held within a small range and is currently at 65.4 US cents, after losing ground on global trade tensions yesterday.

**Commodities:** Brent oil prices rose overnight, gaining support from a re-opening of economic activity. The sharp supply cuts from major oil producers around the world also continue to be supportive of prices.

**COVID-19:** New cases globally were at 100,264 as of May 25 according to the World Health Organisation, and have exceeded 100,000 cases per day for the last five days. New daily cases are increasing in Brazil and India.

In Australia, there have been 9 reported cases over the past 24 hours with total cases at 7,118. There are 484 active cases across the country.

**Australia:** Preliminary trade data for April was released yesterday, covering goods trade. The data is not seasonally adjusted and is reported on a customs basis, so it is not directly transferable to the more comprehensive data released next week. However, it provides an indication of the likely direction and the key themes over the month.

The data showed that goods exports fell 12.2%

following a 29.6% increase in March and that imports fell 5.4% in April following a 13.3% rise previously.

Weaker commodity prices and a pull-back in gold exports following a surge in the previous month was the main driver of the decline in goods exports. In March, iron ore exports rebounded strongly from weather disruptions at the start of the year and gold bounced back as China emerged from its lockdown. Lower commodity prices in April impacted the value of both exports and imports.

**Europe:** The IFO business climate index lifted to 79.5 in May, after hitting a low of 74.2 in April. The rebound points to a recovery as restrictions in Germany begin to lift. However, the index is continuing to signal deep pessimism. A sharp contraction in the German economy is expected, much like the rest of the world.

**United Kingdom:** Markets were closed for a bank holiday.

**United States:** Markets were closed for the Memorial Day public holiday.

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

NZ Trade Balance Apr exp 1235m prev 672m (8:45am)  
JN Activity Index Mar exp -3.9% prev -0.6% (2:30pm)  
JN Machine Tool Orders Apr y/y prev -48.3% (4pm)  
US Chicago Nat Activity Index Apr prev -4.19 (10:30pm)  
EZ ECB Publishes Financial Stability Review (11pm)  
US FHFA House Price Index Mar exp 0.5% prev 0.7% (11pm)  
US New Home Sales Apr exp -23.4% prev -15.4% (12am)  
US CB Consumer Conf. May exp 87.0 prev 86.9 (12am)  
US Dallas Fed Mfg PMI May exp -62.0 prev -73.7 (12:30am)  
US Fed's Kashkari Speaks (3am)

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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