

# Morning Report

Monday, 27 April 2020

| Equities (close & % change)   |          |       | Sydney Futures Exchange (close & change) |         |             |                      |         | Interest rates (close & change) |       |       |
|-------------------------------|----------|-------|--|---------|-------------|----------------------|---------|---------------------------------|-------|-------|
| S&P/ASX 200                   | 5,242.6  | 0.5%  |  |         | <b>Last</b> | <b>Overnight Chg</b> |         | <b>Australia</b>                |       |       |
| US Dow Jones                  | 23,775.3 | 1.1%  | 10 yr bond                               | 99.11   |             |                      | -0.02   | 90 day BBSW                     | 0.12  | 0.00  |
| Japan Nikkei                  | 19,262.0 | -0.9% | 3 yr bond                                | 99.73   |             |                      | 0.00    | 2 year bond                     | 0.23  | 0.00  |
| China Shanghai                | 2,943.5  | -1.1% | 3 mth bill rate                          | 99.81   |             |                      | -0.01   | 3 year bond                     | 0.26  | 0.00  |
| German DAX                    | 10,336.1 | -1.7% | SPI 200                                  | 5,298.0 |             |                      | 82      | 3 year swap                     | 0.32  | 0.00  |
| UK FTSE100                    | 5,752.2  | -1.3% | FX Last 24 hrs                           | Open    | High        | Low                  | Current | 10 year bond                    | 0.88  | 0.00  |
| Commodities (close & change)* |          |       | TWI                                      | 56.2    | -           | -                    | 56.3    | <b>United States</b>            |       |       |
| CRB Index                     | 112.8    | -0.7  | AUD/USD                                  | 0.6373  | 0.6398      | 0.6337               | 0.6388  | 3-month T Bill                  | 0.10  | 0.00  |
| Gold                          | 1,729.6  | 15.5  | AUD/JPY                                  | 68.57   | 68.80       | 68.22                | 68.70   | 2 year bond                     | 0.22  | 0.01  |
| Copper                        | 5,126.0  | -17.5 | AUD/GBP                                  | 0.5161  | 0.5173      | 0.5139               | 0.5165  | 10 year bond                    | 0.60  | 0.00  |
| Oil (WTI)                     | 16.9     | 0.4   | AUD/NZD                                  | 1.0602  | 1.0649      | 1.0598               | 1.0621  | <b>Other (10 year yields)</b>   |       |       |
| Coal (thermal)                | 52.6     | 0.5   | AUD/EUR                                  | 0.5912  | 0.5927      | 0.5889               | 0.5903  | Germany                         | -0.47 | -0.05 |
| Coal (coking)                 | 133.2    | -1.3  | AUD/CNH                                  | 4.5214  | 4.5365      | 4.4964               | 4.5299  | Japan                           | -0.02 | -0.02 |
| Iron Ore                      | 83.7     | 0.0   | USD Index                                | 100.5   | 100.9       | 100.2                | 100.2   | UK                              | 0.29  | 0.00  |

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:** Market sentiment was mixed around the globe on Friday. US equities rose while European markets closed weaker. Investors took some cautious comfort from signs of a slowing in newly reported coronavirus cases and deaths in key hotspots including Italy, Spain, France, the UK and New York.

European authorities took small steps towards developing a blueprint for a gradual reopening of some economies. Plans for a European economic recovery package were announced, but contained few details.

**Share Markets:** All three major US indices rose on Friday. The Dow Jones rose 1.1%, the S&P 500 increased by 1.4% and the NASDAQ gained 1.7%. Consumer and technology shares were the best performers. Most notably, improvements in Microsoft and Apple offset some falls in other stocks. Investors had a mixed reaction to news that some US states were pushing ahead with plans to reopen their economies, despite disapproval from some health experts.

In Europe, equity bourses fell after EU leaders agreed to establish a fund to help member states recover from the coronavirus outbreak, but left out crucial details, including how support will be delivered. The Euro Stoxx 50 fell 1.5%.

The ASX 200 ended the week marginally higher on

Friday, rising 0.5% to 5,242.62. The index is up 15.3% from its March 23 low, but remains down 21.6% so far this year.

**Interest Rates:** Bond yields were flat as investors weighed prospects of a gradual reopening of some of the economies hit worst by the coronavirus and the likelihood of a prolonged economic downturn. Trading was in a narrow range.

The yield on the US 10-year note was unchanged at 0.60% while the 2-year yield edged up by 1 basis point to 0.22%. The 3-month treasury bill remained steady at 0.10%.

Australian bond yields were unchanged across the curve on Friday. The 10-year bond yield is currently 0.88% while the 3-year bond yield is sitting in the vicinity of the RBA's target of "around 0.25%" at 0.26%. The 90-day bank bill swap rate is currently 0.12%.

**Foreign Exchange:** The US dollar index was little changed at 100.2 this morning. Commodity currencies performed relatively well, in line with an improvement in commodity prices.

Uncertainty around the details of a new recovery fund to be established in the European Union capped gains in the euro while the pound bounced back after an initial fall following its largest recorded fall in retail sales over the month in March.

The Australian dollar rose for the fourth consecutive session and is currently at US\$0.6385.

**Commodities:** The price of oil futures rose after Saudi Arabia started its oil production cuts early. An official said that the Kingdom would be reducing output from its current level of about 12 million barrels per day and will probably be at its target level of output of 8.5 million barrels before May. The agreed OPEC+ oil cuts were scheduled to begin May 1. WTI futures rose \$0.4 per barrel to US\$16.9 per barrel.

**COVID-19:** Bloomberg data reported 2.9 million coronavirus cases worldwide as of this morning, including almost 206,000 deaths.

Italy said it would begin to ease its strict lockdown on May 4 after reporting the fewest deaths since mid-March yesterday. Fatalities in the UK and New York also fell, with both at the lowest in more than three weeks.

In Australia, the government released its new coronavirus tracing app. Western Australia and Queensland became the first states to begin gradually unwinding some lockdown measures, including a small relaxation of travel restrictions in Queensland and the approval of auctions with fewer than 10 people physically present to proceed. The Department of Health reported 16 new cases as of 3pm yesterday, leaving the total at 6,711 cases. The number of new daily cases has been oscillating within a range of 8-20 over the past week. There were 83 reported deaths due to the coronavirus in Australia as of yesterday.

**Australia:** No major data to report.

**Europe:** The German IFO current estimates index fell to 79.5 and the expectations index dropped further to 69.4. European leaders agreed to set up a recovery fund. More than one trillion euros were committed; however it was not made clear how the support will be delivered or the details of how the fund will be administered.

**Japan:** National inflation was unchanged at an annual rate of 0.4% in March. Core inflation, excluding fresh food, eased from an annual rate of 0.6% to 0.4%. Inflation is facing downward pressure from lower fuel costs.

**United Kingdom:** UK retail sales fell by the most on record, plunging 5.1% in March. The initial stage of lockdowns were introduced in March, and resulted in a 35% month-on-month fall in clothing sales.

**United States:** US durable goods orders for March fell 14.5% while the final reading for the Michigan

consumer sentiment survey for March confirmed that sentiment fell by the largest amount on record. The large falls in measures of consumer and business activity for March confirms that the impact on the US economy from containment measures will be significant.

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

CH Industrial Profits Mar (11.30am)

US Dallas Fed Mfg Apr exp -71.5 prev -70.0 (12.30am)

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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