

Morning Report

Friday, 27 March 2020

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|-------------------------------|----------|-------|--|---------|-------------|----------------------|---------|---------------------------------|-------|-------|
| S&P/ASX 200 | 5,113.3 | 2.3% | | | Last | Overnight Chg | | Australia | | |
| Dow Jones | 22,552.2 | 6.4% | 10 yr bond | 99.10 | | 0.01 | | 10 year bond | 0.93 | -0.05 |
| Nikkei | 18,664.6 | -4.5% | 3 yr bond | 99.71 | | 0.00 | | 3 year bond | 0.28 | -0.01 |
| Shanghai | 2,897.5 | -0.6% | 3 mth bill rate | 99.60 | | 0.00 | | 3 year swap | 0.42 | -0.04 |
| DAX | 10,001.0 | 1.3% | SPI 200 | 5,302.0 | | 184 | | 2 year bond | 0.27 | 0.00 |
| FTSE100 | 5,815.7 | 2.2% | FX Last 24 hrs | Open | High | Low | Current | 90 day BBSW | 0.45 | -0.01 |
| Commodities (close & change)* | | | TWI | 53.7 | - | - | 53.0 | United States | | |
| CRB Index | 126.3 | -3.3 | AUD/USD | 0.5959 | 0.6088 | 0.5871 | 0.6067 | 10 year bond | 0.83 | -0.04 |
| Gold | 1,632.4 | 22.4 | AUD/JPY | 66.28 | 66.60 | 64.92 | 66.37 | 2 year bond | 0.28 | -0.05 |
| Copper | 4,794.8 | -53.4 | AUD/GBP | 0.5002 | 0.5040 | 0.4959 | 0.4962 | 3-month T Bill | -0.09 | -0.05 |
| Oil (WTI) | 23.1 | -1.4 | AUD/NZD | 1.0199 | 1.0222 | 1.0120 | 1.0166 | Other (10 year yields) | | |
| Coal (thermal) | 66.5 | 0.2 | AUD/EUR | 0.5473 | 0.5518 | 0.5384 | 0.5489 | Germany | -0.36 | -0.10 |
| Coal (coking) | 160.0 | 0.0 | AUD/CNH | 4.2467 | 4.3097 | 4.1788 | 4.2931 | Japan | 0.00 | -0.05 |
| Iron Ore | 88.7 | 0.8 | USD index | 100.89 | 101.02 | 99.26 | 99.26 | UK | 0.40 | -0.05 |

*Gold, copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon.

Data as at 7:00am AEDT. Change from previous trading day (excluding the SFE which is the change during the night session).

Main Themes: Sentiment improved for the third consecutive session on expectations that a US\$2.2 trillion stimulus bill will pass the US House of Representatives today. US jobless claims however, hit their highest on record. The recovery in sentiment boosted shares, although bond yields fell. The Australian dollar poked back above 60 US cents.

Share Markets: Share markets rallied on optimism over the US stimulus package. The Dow jumped 6.2%, while the S&P500 rose 4.2%.

Yesterday, the Australian ASX200 also benefited from the more upbeat mood, lifting 2.3%.

Interest Rates: Yields on US treasuries fell, following a massive surge in jobless claims. Flows have moved back into bonds following the US Federal Reserve's announcement to purchase an unlimited amount of bonds. US 10-year yields fell 4 basis points to 0.83%.

Foreign Exchange: The optimism over the stimulus bill eased demand for the US dollar. Conversely, the euro, sterling, and yen were stronger against the greenback. The Australian dollar has rallied to above 60 US cents, and is trading at 60.7 US cents this morning.

Commodities: Oil prices failed to benefit from the improvement in sentiment witnessed in other asset classes. Concerns over weaker demand continued

to weigh on prices. Gold prices rose, supported by the weaker US dollar and expectations of fiscal stimulus.

COVID-19: Total cases have hit 522,744 according to the Worldometer site. New cases have hit nearly 12,000 in the US, and exceeded 6,000 in Italy, Spain and Germany.

There have been 2,799 total confirmed cases in Australia, and 376 new cases confirmed for yesterday.

Australia: The Australian Bureau of Statistics (ABS) released the first edition of its new monthly survey documenting the prevalence and nature of adverse impacts of the COVID-19 outbreak on businesses. The survey period took place between March 16-23. The Federal government announced its "Stage 1" restrictions on social gatherings on March 22.

This survey showed that a high number of businesses have been impacted by COVID-19 (49%) and more are expected to be impacted in coming months (86%).

Businesses operating in accommodation & food services were the most adversely impacted, followed by arts & recreation services and both retail trade and wholesale trade.

By contrast, businesses in professional, scientific & technical services, electricity, gas & water supply

and mining were the least adversely impacted by COVID-19 in the previous two weeks.

Accommodation & food services is expected to continue to experience an acute adverse impact in coming months. But in coming months, the survey indicates wholesale trade as the industry expected to be most adversely impacted.

The top five industries currently experiencing an adverse impact are also significant employers in Australia.

A fall in local demand was the most common impact experienced by businesses. It is also the most common impact expected in coming months.

Europe: The European Central Bank (ECB) has dropped its limit on how many bonds it can buy from a single euro zone country, which paves the way for a further ramp up of monetary stimulus through bond purchases, potentially unlimited.

United Kingdom: Retail spending edged down 0.3% in February, suggesting weakness ahead of store closures later on. That said, it followed a 1.1% increase in the previous month.

In their scheduled meeting, the Bank of England (BoE) left policy settings unchanged, but said it could ramp up its asset purchases further if needed.

United States: Initial jobless claims jumped to a record high of 3.3 million, for the week ending March 21. By comparison, weekly jobless claims have consistently held below 300k since 2015 prior, and the peak in claims during the GFC was 665k. It suggests that we should expect a very sharp rise in the unemployment rate.

The Kansas City Fed manufacturing index slumped to -17 in March after a reading of 5 in February, providing an early sign of the impending downturn in manufacturing activity.

After the Senate passed a \$2.2 trillion coronavirus bill on Wednesday night, the House will vote on the bill on Friday. House Speaker Nancy Pelosi said that she expects bipartisan support for the bill.

In an interview last night, Federal Reserve Chair Powell reiterated the stance that the Fed would do whatever it takes saying that when it comes to lending, the fed was “not going to run out of ammunition”. Powell added that the Fed was trying to create a bridge over a substantial decline in the economy. The kind of stimulus in the pipeline includes further lending facilities, particularly for corporations. The bill is in congress which will allow further funding for some of the lending facilities already in place that could allow for lending “up to

\$2 or \$3 trillion” according to a US Senator. In terms of the timing, Powell said that it depended on the virus. The Federal Reserve is set to become the lender of last resort for the whole economy as well as the banks.

Today's key data and events:

NZ ANZ Consumer Confidence Index Mar prev 122.1 (8am)

CH Industrial Profits Feb ytd, y/y% prev -3.3% (12:30pm)

US Personal Income Feb exp 0.4% prev 0.6% (11:30pm)

US Personal Spending Feb exp 0.2% prev 0.2% (11:30pm)

US PCE Core Deflator Feb exp 0.2% prev 0.1% (11:30pm)

US University of Michigan Consumer Sentiment Mar F exp 90.0 prev 95.9 (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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