

# Morning Report

Tuesday, 28 April 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,321.4	1.5%			<b>Last</b>	<b>Overnight Chg</b>		<b>Australia</b>		
US Dow Jones	24,133.8	1.5%	10 year bond	99.04			-0.05	90 day BBSW	0.11	0.00
Japan Nikkei	19,783.2	2.7%	3 year bond	99.74			0.00	2 year bond	0.23	0.00
China Shanghai	2,950.9	0.2%	3 month bill rate	99.81			-0.01	3 year bond	0.26	0.00
German DAX	10,660.0	3.1%	SPI 200	5,313.0			5	3 year swap	0.31	0.00
UK FTSE100	5,846.8	1.6%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.91	0.03
<b>Commodities (close &amp; change)</b>			<b>TWI</b>					<b>United States</b>		
CRB Index	108.0	-4.8	AUD/USD	0.6388	0.6472	0.6383	0.6464	3-month T Bill	0.09	-0.02
Gold	1,717.6	-0.1	AUD/JPY	68.70	69.39	68.58	69.34	2 year bond	0.22	0.00
Copper	5,181.3	55.3	AUD/GBP	0.5165	0.5210	0.5162	0.5204	10 year bond	0.66	0.06
Oil (WTI)	12.8	-4.2	AUD/NZD	1.0621	1.0695	1.0617	1.0702	<b>Other (10 year yields)</b>		
Coal (thermal)	50.5	-2.1	AUD/EUR	0.5903	0.5973	0.5901	0.5968	Germany	-0.45	0.02
Coal (coking)	133.0	-0.2	AUD/CNH	4.5299	4.5879	4.5252	4.5846	Japan	-0.04	-0.02
Iron Ore	83.7	0.0	USD Index	100.2	100.3	99.8	100.1	UK	0.30	0.01

Copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon.  
Data as at 7:45am AEST. Change from previous trading day (excluding the SFE which is the change during the night session).

**Main Themes:** Investor sentiment continued to improve, as some economies moved towards relaxing restrictions. Oil dropped sharply, but failed to dent sentiment.

Yesterday, the Bank of Japan announced they will remove its limits on the purchases of government bonds and will double its purchases of corporate issuance and commercial paper. This decision also supported the lift in investor sentiment.

Central banks in the US and Eurozone meet later this week.

**Share Markets:** US share markets finished higher, despite the sharp fall in oil prices overnight. The S&P 500 index rose by 359 points (or +1.5%) to hit a near 7-week high. Meanwhile, the Dow Jones lifted 42 points (or +1.5%). The moves by some economies to reopen their economies is underpinning an improvement in risk sentiment, reflected in higher demand for equities.

Yesterday, the S&P ASX 200 index rose 79 points (or 1.5%).

**Interest Rates:** Yields on longer-dated US government bonds rose overnight, underpinned by the improvement in investor sentiment towards risk. The US 10-year bond yields rose by 6 basis points. The 2-year bond yield finished unchanged on the previous session.

**Foreign Exchange:** The USD index strengthened early in the overnight trading session, but then lost some of these gains late in trade. The Australian dollar nudged a bit higher in trade to reach a 6-week high, but mostly stuck to a narrow trading range overnight of 0.6444-0.6472. The improvement in risk sentiment suggests AUD/USD will try to break above 0.6500 in the near term. There is a resistance level at around 0.6515. Against the NZD, the AUD appreciated to a 6½-month high of 1.0695.

**Commodities:** Oil prices fell heavily overnight after the world's largest oil-backed exchange traded fund - the US Oil Fund (USO) - unexpectedly said it would sell all its short-term futures contracts (those for delivery in June 2020) by the end of the month following pressure from regulators. The USO said it's moving its money to contracts spread between July 2020 and June 2021. The price of WTI oil fell 24.6% to below US\$12.78 a barrel.

**COVID-19:** The number of confirmed infections globally passed the 3 million mark - reaching 3,067,810. The number of new daily global infections, however, continues to roll over. The latest data from John Hopkins University indicates 65,209 new confirmed cases worldwide on April 27. This compares with 74,683 on the previous day and to the peak of 103,430 on April 4.

In the US, New York may open some regions of the State in May after reporting steady hospitalisations and lower intubations, and fewer than 400 deaths for a second straight day. New York's Governor said it could start reopening for business on May 15.

In Europe, Italy reported the lowest levels of new infections in seven weeks and prepared to begin reopening. Italy's Prime Minister said it would begin lifting a nationwide lockdown on May 4. In the UK, Prime Minister Boris Johnson returned to work but warned against lifting the lockdown too soon.

In Australia, there were 9 new confirmed cases yesterday, taking the total number of cases to 6,720. A high number of cases – 5,586 – have recovered, leaving the number of current active cases as 1,134. The death toll is 83.

**Australia:** There was no major economic data published locally yesterday.

**China:** Industrial profits plunged 34.9% over the year in Q1. Profits at state-owned enterprises (SOEs) were particularly weak, falling by 45.5% compared with a year earlier. The overall decline was slightly less severe than in the first two months of the year when profits fell 38.3% over the year. China implemented a country-wide lockdown and extended the Lunar New Year holiday in February. The sustained large fall in profits shows that the economy continued to face considerable challenges in March, even as it slowly emerged from lockdown.

More high frequency activity indicators suggest that further progress towards restarting economic activity was made in April, although the recovery is likely to be very gradual given the deterioration in external demand.

**Europe:** European banks are set for a fourth round of capital relief from regulators to help them keep loans flowing. News reports suggest the European Commission (EC) plans to announce a series of measures later today, including relief on how banks calculate a metric called the leverage ratio, or capital as a share of assets.

**Japan:** The Bank of Japan (BOJ) ratcheted up its emergency stimulus measures yesterday. The BOJ lifted its cap on its buying of government bonds, committing to unlimited purchases of Japanese government bonds (JGBs). It also announced it would more than double its capacity to purchase corporate bonds and commercial papers. The policy rate was left at -0.1% and the 10-year government bond yield target was also left unchanged at around 0%.

The BOJ also downgraded its economic growth

forecasts. For the current fiscal year to March 2021, the BOJ now forecasts the economy to contract 3.0-5.0%, compared with the previous estimate of 0.8-1.1%. For consumer prices, the BOJ expects a decline of 0.6% in the fiscal year to March 2021, excluding the impact of last year's consumption tax rise.

**United States:** The economic activity in Texas's manufacturing sector contracted further in April; the Federal Reserve of Dallas's general business activity index deteriorated to -73.7 in April, from -70.0 in March. April's outcome is the lowest level since the series began in 2004.

The new orders sub index also declined, by 26 points to -67, suggested ongoing weakness in this index lies ahead.

In other news, the US Federal Reserve expanded the scope and duration of the Municipal Liquidity Facility, a US\$500 billion emergency lending program aimed at providing short-term credit to State and local governments as they endure the economic fallout from the coronavirus pandemic. The US central bank lowered the population thresholds under which counties and cities would be eligible to sell short-term debt to the facility. The new levels are at least 500,000 for counties and 250,000 for cities, down from 2 million and 1 million. The facility, which is yet to be operational, is among nine programs announced by the Federal Reserve to limit the economic harm from the virus as businesses shutter to limit contagion.

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

JN Jobless Rate Mar exp 2.5% prev 2.4% (9:30am)  
 EZ ECB Quarterly Bank Lending Survey (6pm)  
 UK CBI Reported Retail Sales Apr exp -45 prev -3 (8pm)  
 US Goods Trade Balance Mar exp -\$55.0bn prev -\$59.9bn (10:30pm)  
 US W'sale Inventories Mar exp -0.5% prev -0.7% (10:30pm)  
 US 20-City House Prices Feb exp 0.35% prev 0.30% (11pm)  
 US CB Consum. Confidence Apr exp 97.9 prev 120.0 (12am)  
 US Richmond Mfg PMI Apr exp -40 prev 2 (12am)

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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