

Morning Report

Monday, 29 June 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,904.1	1.5%	Last		Overnight Chg			Australia		
US Dow Jones	25,015.6	-2.8%	10 yr bond	99.12	0.01			90 day BBSW	0.10	0.00
Japan Nikkei	22,512.1	1.1%	3 yr bond	99.72	0.00			2 year bond	0.25	0.00
China Shanghai	3,123.1	0.3%	3 mth bill rate	99.86	0.00			3 year bond	0.25	-0.01
German DAX	12,089.4	-0.7%	SPI 200	5,757.0	-91			3 year swap	0.24	0.00
UK FTSE100	6,159.3	0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.87	-0.02
Commodities (close & change)*			TWI	60.0	-	-	60.1	United States		
CRB Index	134.4	-1.0	AUD/USD	0.6887	0.6962	0.6863	0.6856	3-month T Bill	0.14	0.00
Gold	1,771.3	10.1	AUD/JPY	73.84	74.17	73.31	73.46	2 year bond	0.17	-0.02
Copper	5,955.5	69.0	AUD/GBP	0.5542	0.5554	0.5516	0.5557	10 year bond	0.64	-0.04
Oil (WTI)	38.5	-0.2	AUD/NZD	1.0712	1.0756	1.0671	1.0694	Other (10 year yields)		
Coal (thermal)	56.9	0.9	AUD/EUR	0.6140	0.6148	0.6092	0.6108	Germany	-0.48	-0.01
Coal (coking)	122.6	0.5	AUD/CNH	4.8779	4.9091	4.8555	4.8585	Japan	0.01	0.00
Iron Ore	98.4	-0.3	USD Index	97.4	97.2	96.6	97.5	UK	0.17	0.02

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: Virus concerns stoked a sell-off in riskier assets on Friday. Equities and bond yields declined while the US dollar strengthened. The COVID-19 pandemic reached a grim milestone over the weekend of 10 million confirmed cases globally.

Share Markets: Global equity screens were a sea of red on Friday. Investors reassessed the prospects of a speedy recovery from the COVID-19 pandemic, especially in the US. The Dow Jones fell 730 points (or 2.8%) to close at its lowest level in one month. The S&P 500 was down 75 points (or 2.4%).

The ASX 200 finished the week strongly, up 1.5% on Friday. Despite the gain over the session, it fell 0.65% over last week. Futures are pointing to a weaker start this morning.

Interest Rates: US treasury yields tightened as surging COVID-19 cases threatened the economic outlook. The US 10-year yield fell by 4 basis points to 0.64% while the 2-year bond yield fell 2 basis points to 0.17%.

Australian yields traded in a narrow range on Friday. The 10-year finished the week at 0.87%.

Foreign Exchange: The US dollar index edged up on Friday as riskier currencies lost favour and the euro and the yen were broadly flat. The US dollar index traded as high as 97.68 before giving up some of those gains. It is currently at 97.50 this morning.

The Australian dollar came under downward

pressure on Friday, swept up in the decline in sentiment. The AUD is currently at US\$0.6856 this morning.

Commodities: Oil prices fell as the outlook for demand fell. WTI futures prices lost US\$0.2 per barrel to US\$38.5.

Metals prices did better. Gold prices rose US\$10.1 per ounce to US\$1,771.3 while copper rallied US\$69 to US\$5,956 per ounce.

COVID-19: The global number of confirmed infections surpassed 10 million over the weekend, according to data compiled by Bloomberg. Cases rose by 176,821 on Sunday to 10,058,758. The death toll has increased to 499,990 globally.

Major sources of new infections remain in Brazil and the US. New cases in India have also increased. Cases in Australia rose by 53 in the 24 hours to 9pm yesterday. 49 of those cases were recorded in Victoria, which continues to grapple with outbreaks in some hotspots. Speaking over the weekend, Chief Health Officer Brett Sutton declined to characterise the increase in cases as a second wave, but warned that further precautions to slow the spread within the community may be necessary.

Australia: There was no major data released on Friday.

New Zealand: Consumer confidence increased by a further 7.4% in June to 104.5, following a 14.7%

increase in May. Perceptions regarding next year's economic outlook rebounded but remained very low at -37%.

Confidence has cautiously returned after New Zealand's success containing COVID-19 and the earlier-than-anticipated easing of restrictions. However, the level of the index remains well below its pre-pandemic level of 117.2 recorded in February.

China: Industrial profits rose 6.0% in May, signalling that economic activity continues to return to life following the strict lockdown measures earlier in the year. Profits remain down 19.3% over the first five months of the year compared with the same period a year ago.

United States: The final reading of the University of Michigan consumer sentiment fell to 78.1 in June from a preliminary estimate of 78.9 (the May outturn was 72.3). The revision lower in sentiment is consistent with a high degree of concern among consumers about the outlook, but confidence is above its pandemic lows.

Personal income fell 4.2% in May following a 10.8% jump in April (which was boosted by stimulus cheques). Spending bounced back by 8.2% in May following a 12.6% plunge in April, but this was lower than the 9.3% boost expected by consensus. The core PCE deflator rose 0.1% during May, slightly ahead of the flat outcome expected by the market and above the fall of 0.5% recorded in April.

Today's key data and events:

JN Retail Sales May exp 3.0% prev -9.6% (9:50am)
 UK Consumer Credit May/y prev -0.4% (6:30pm)
 EZ Economic Confidence Jun exp 82.5 prev 67.5 (7pm)
 EZ Industrial Confidence Jun exp -17 prev -27.5 (7pm)
 EZ Services Confidence Jun exp -22 prev -43.6 (7pm)
 EZ Consumer Confidence Jun F prev -14.7 (7pm)
 US Pending Home Sales May exp 18.9% prev -21.8% (12a m)
 US Dallas Fed Mfg Jun exp -29.5 prev -49.2 (12:30a m)
 US Fed's Daly Speaks on Panel (1am)
 US Fed's Williams and IMF's Georgieva Speak (5am)

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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