

Morning Report

Tuesday, 7 April 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,286.8	4.3%	Last		Overnight Chg			Australia		
US Dow Jones	22,680.0	7.7%	10 yr bond	99.20	-0.04			90 day BBSW	0.24	-0.02
Japan Nikkei	18,576.3	4.2%	3 yr bond	99.74	-0.02			2 year bond	0.22	0.01
China Shanghai	2,896.6	-0.6%	3 mth bill rate	99.70	0.00			3 year bond	0.25	0.01
German DAX	10,075.2	5.8%	SPI 200	5,397.0	124			3 year swap	0.36	0.00
UK FTSE100	5,582.4	3.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.78	0.01
Commodities (close & change)*			TWI	54.0	-	-	53.8	United States		
CRB Index	128.1	0.1	AUD/USD	0.6015	0.6106	0.5991	0.6083	3-month T Bill	0.05	-0.03
Gold	1,666.6	45.9	AUD/JPY	65.21	66.60	65.03	66.44	2 year bond	0.26	0.03
Copper	4,872.5	44.8	AUD/GBP	0.4920	0.4981	0.4894	0.4975	10 year bond	0.67	0.08
Oil (WTI)	26.3	-2.0	AUD/NZD	1.0243	1.0272	1.0223	1.0250	Other (10 year yields)		
Coal (thermal)	64.2	-1.9	AUD/EUR	0.5558	0.5655	0.5543	0.5636	Germany	-0.43	0.02
Coal (coking)	134.9	-5.4	AUD/CNH	4.2786	4.3379	4.2629	4.3248	Japan	0.02	0.03
Iron Ore	82.5	0.3	USD Index	100.68	100.93	100.48	100.78	UK	0.33	0.02

*Gold, copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon. Data as at 7:30am AEDT. Change from previous trading day (excluding the SFE which is the change during the night session).

Main Themes: Sentiment improved, as investors took heart from lower cases of COVID-19 globally, and in Italy and Spain. It is a positive sign, but it does not yet suggest that containment measures can be lifted. Moreover, cases in the US have not yet stabilised. Share markets and bond yields lifted. The Australian dollar also received a boost.

Share Markets: Shares across Europe and the US jumped on the first positive news on COVID-19 developments in weeks. The Dow and S&P500 surged 7.7% and 7.0%, respectively.

Australian shares are set for a strong start, following the positive lead from the US. SPI futures were up 125 points.

Interest Rates: The lift in sentiment saw demand for bonds ease, and yields lift. US 10-year yields jumped 8 basis points to 0.67%

Foreign Exchange: The recovery in risk appetite failed to dent demand for the US dollar. US dollar resilience probably reflected some weakness in sterling and euro, following the news that Prime Minister Boris Johnson had been sent to intensive care, as his coronavirus symptoms had worsened. The Australian dollar benefited from the boost in sentiment, rising to 60.86 US cents this morning.

Commodities: Oil prices fell on news that Saudi Arabia and Russia delayed a meeting to discuss

production cuts from yesterday to April 9. It follows a rebound in prices over the past few sessions on hopes that OPEC and its allies would agree to large scale production cuts, but want the US to also contribute. Crude inventories at Cushing rose to a record last week which would have also placed downward pressure on prices, and indicative of weak demand.

COVID-19: Total cases globally now stand at 1.21 million as of 6 April, according to the World Health Organisation (WHO). New cases over a 24-hour-period stood at 77,200 down from 82,061 over the previous day. Spain and Italy both reported a lower number of new cases and deaths. However, cases are still rising in the US – new cases stood at 33,510, up from 32,105 in the previous day.

In Australia, there have been a total of 5,785 confirmed cases according to the Department of Health. There were 108 new cases over a 24-hour-period as of yesterday. There has been an average of 221 cases per day over a 7-day period.

Australia: Inflation lifted 0.2% in March according to the Melbourne Institute inflation gauge. The annual rate edged down from 1.6% in February to 1.5% in March. Inflation is set to receive some downward pressure from lower oil prices.

Europe: Investor confidence slumped from -17.1 in March to -42.9 in April, which was the lowest on

record, just surpassing the lows witnessed in the GFC.

The European Central Bank (ECB) bought a large amount of Italian bonds in March (35%), after the rule setting limits on the purchase of bonds of each country was dropped. Talk of jointly-issued Eurobonds (dubbed coronabonds) is gathering steam to meet healthcare needs and stimulus given the toll COVID-19 is having on the Euro zone.

Japan: Japanese Prime Minister Shinzo Abe declared a state of emergency in Tokyo and six other prefectures. A massive stimulus package was also announced worth 108 trillion yen or 20% of GDP.

United States: An official has warned that hospitalisations, ICU patients and deaths due to COVID-19 would peak this week.

Today's key data and events:

AU AiG Perf of Services Mar prev 47.0 (8.30am)

AU Trade Balance Feb exp \$3.5bn prev \$5.2bn (11.30am)

AU ANZ Job Ads Mar prev 0.7% (11:30am)

AU RBA Board Meeting exp 0.25% prev 0.25% (2:30pm)

EZ Ger. Industrial Production Feb exp -0.8% prev 3.0% (4pm)

US Consumer Credit Feb exp \$14.0bn prev US\$12.0bn (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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