

Morning Report

Tuesday, 7 July 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,014.6	-0.7%	Last		Overnight Chg			Australia		
US Dow Jones	26,287.0	1.8%	10 yr bond	99.06	0.00			90 day BBSW	0.10	0.00
Japan Nikkei	22,714.4	1.8%	3 yr bond	99.70	0.00			2 year bond	0.25	0.00
China Shanghai	3,493.4	5.7%	3 mth bill rate	99.87	-0.01			3 year bond	0.26	0.00
German DAX	12,733.5	1.6%	SPI 200	6,019.0	31			3 year swap	0.23	0.00
UK FTSE100	6,285.9	2.1%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.92	0.02
Commodities (close & change)*			TWI		60.4			United States		
CRB Index	140.9	0.3	AUD/USD	0.6926	0.6988	0.6933	0.6976	3-month T Bill	0.14	0.00
Gold	1,784.7	8.7	AUD/JPY	74.46	75.16	74.54	74.90	2 year bond	0.16	0.00
Copper	6,135.3	113.5	AUD/GBP	0.5555	0.5591	0.5556	0.5585	10 year bond	0.68	0.01
Oil (WTI)	40.6	0.0	AUD/NZD	1.0639	1.0663	1.0617	1.0647	Other (10 year yields)		
Coal (thermal)	56.9	1.0	AUD/EUR	0.6162	0.6181	0.6153	0.6168	Germany	-0.43	0.00
Coal (coking)	123.1	-6.1	AUD/CNH	4.8950	4.9183	4.8807	4.8920	Japan	0.04	0.01
Iron Ore	97.6	1.1	USD Index	97.2	97.2	96.6	96.8	UK	0.20	0.01

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: Risk appetite was higher, led by a strong gain in share markets in Asia yesterday. Economic data further pointed to a rebound after previous lockdown measures in the US and Europe, but renewed restrictions are now being implemented in some regions.

Share Markets: Share markets in the US and Europe and the US were higher overnight, following a positive session in Asia yesterday. The trigger appeared to be a Chinese state-run media report encouraging a “healthy” bull market which was important for the economy. The Shanghai Composite rose 5.7%. In the US, the S&P500 had its fifth straight gain.

Despite the gains across the world, the Australian S&P/ASX200 failed to rise yesterday, probably reflecting the news of the border closure between NSW and Victoria.

Interest Rates: Yields on US government bonds were just mildly higher on the pickup in risk appetite. US 10-year government bond yields rose 1 basis point to 0.68%.

Movement in yields will remain muted while the Fed is showing little indication it was altering from its accommodative policy stance.

Foreign Exchange: The US dollar index fell yesterday, as risk appetite improved. Conversely, the lift in sentiment saw the Australian dollar gain

from 69.3 US cents to 69.8 US cents this morning.

Commodities: Oil prices were little changed, faced with concerns over demand due to rising COVID-19 cases in the US and cuts to production by OPEC.

COVID-19: The World Health Organisation (WHO) reported 202,545 new cases, the third day in a row cases have exceeded 200,000.

Miami, Florida was the latest US hotspot to re-impose restrictions shutting down on-site dining at restaurants.

The Department of Health reported 140 new cases yesterday across Australia. A total of 127 of those cases were in Victoria and 10 were in NSW.

The border between NSW and Victoria will be closed tonight at midnight. NSW premier Gladys Berejiklian said that the border closure was a “necessary step” due to the community transmissions spiking in Victoria.

Australia: The number of job advertisements rose in June for the first time since February. Job advertisements jumped 42.0% in June, following a 0.3% fall in May, according to ANZ. However, the total number of advertisements remains muted. There were 44.6% fewer jobs advertised compared with a year earlier in June.

Separate data released yesterday by the Melbourne Institute reveal that consumer inflation expectations also picked up in June. The inflation

gauge rose 0.6% following a 1.2% plunge in May. On an annual basis, the gauge was 0.7% higher, indicating that consumers continue to expect inflationary pressures to be muted. The Melbourne Institute inflation expectations indicator narrowly avoided falling into deflationary territory on an annual basis in May, with an outturn of just 0.1%.

Data surrounding the COVID-19 early release scheme has been released by APRA. Data was submitted to APRA by 177 superannuation funds on a best endeavours basis and covers the period between the opening of the scheme on April 20 and June 28. It shows that approximately 2.4 million payments were made for a total of \$18.1 billion (or an average of \$7,503 per payment).

The second tranche of applications open in early July. APRA said that a high volume of applications is expected.

Europe: German factory orders bounced 10.4% in May, the first increase in three months. It followed a 15.0% in March and a 26.2% decline in April. The rebound was below the consensus estimate for a 15.4% increase, and the level of orders remains low.

United States: The ISM non-manufacturing index rebounded significantly from 45.4 in June to 57.1 in June. It was the highest in four months and the first reading above 50 since March. The re-opening after lockdowns was undoubtedly going to lead to a bounce in services activity, but renewed outbreaks in certain States suggests that to restore activity to pre-pandemic levels will take a long time.

Today's key data and events:

AU AiG Perf of Services Index Jun prev 31.6 (8:30am)
JN Household Spending May y/y exp -11.8% prev -11.1% (9:30am)
AU RBA Cash Rate Target exp 0.25% prev 0.25% (2:30pm)
JN Leading Index May P exp 79.3 prev 77.7 (3pm)
UK Unit Labor Costs YoY Q1 y/y prev 2.4 (6:30pm)
US Fed's Bostic Speaks on Webinar (11pm)
US JOLTS Job Openings May exp 480k prev 505k (12am)
NZ QV House Prices Jun y/y% prev 7.7 (3am)
US Fed's Daly and Barkin Speak on Panel (4am)

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.

Janu Chan, Senior Economist

Ph: 02-8253-0898

Contact Listing

Chief Economist

Besa Deda

dedab@banksa.com.au

(02) 8254 3251

Senior Economist

Janu Chan

chanj@banksa.com.au

(02) 8253 0898

Economist

Nelson Aston

nelson.aston@banksa.com.au

(02) 8254 1316

The information contained in this report (the Information) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
