

Morning Report

Tuesday, 9 June 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,998.7	0.1%	Last		Overnight Chg			Australia		
US Dow Jones	27,572.4	1.7%	10 yr bond	98.90	0.01			90 day BBSW	0.10	closed
Japan Nikkei	23,178.1	1.4%	3 yr bond	99.72	0.01			2 year bond	0.29	closed
China Shanghai	3,079.3	0.2%	3 mth bill rate	99.85	-0.01			3 year bond	0.28	closed
German DAX	12,819.6	-0.2%	SPI 200	6,138.0	41			3 year swap	0.28	closed
UK FTSE100	6,472.6	-0.2%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	1.09	closed
Commodities (close & change)*			TWI	60.6	-	-	61.2	United States		
CRB Index	137.5	-1.5	AUD/USD	0.6940	0.7029	0.6931	0.7015	3-month T Bill	0.16	0.01
Gold	1,698.5	13.5	AUD/JPY	75.73	76.79	75.56	76.05	2 year bond	0.23	0.02
Copper	5,681.0	9.1	AUD/GBP	0.5511	0.5537	0.5480	0.5513	10 year bond	0.88	-0.02
Oil (WTI)	38.2	0.0	AUD/NZD	1.0747	1.0771	1.0681	1.0705	Other (10 year yields)		
Coal (thermal)	56.1	-0.7	AUD/EUR	0.6122	0.6221	0.6113	0.6213	Germany	-0.32	-0.04
Coal (coking)	114.5	2.6	AUD/CNH	4.9319	4.9671	4.9203	4.9523	Japan	0.05	0.00
Iron Ore	102.3	4.8	USD Index	96.7	97.1	96.4	96.7	UK	0.33	-0.02

Copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon.
Data as at 8am AEST. Change from previous trading day (excluding the SFE which is the change during the night session).

Main Themes: The lift in positive sentiment continued reflecting greater confidence of recovery. Share markets rallied and the Australian dollar is sustaining levels just above 70 US cents.

Share Markets: Market optimism continued as investors looked towards the signs of a faster-than-expected recovery, including an unexpected increase in US jobs on Friday. The Dow rose 1.7% while the S&P500 lifted 1.2%. The S&P500 is now 45.5% above its recent low. The Nasdaq lifted 1.1% last night to a record high, beyond the highs prior to the crisis.

Interest Rates: US 10-year bond yields fell slightly despite the ongoing improvement in risk appetite reflected in the share market and currency markets. There remains solid demand for bonds given expectations of easy monetary policy measures for some time. The US 10-year yield fell 2 basis points to 0.88%

Foreign Exchange: The US dollar index continued to edge lower amid the improvement in risk appetite as economies re-open. The Australian dollar has pushed passed 70 US cents, hitting an intraday high of 70.29 US cents, its highest this year. Stronger risk appetite, combined with a successful containment of COVID-19 in Australia and an RBA adamant on ruling out negative interest rates are likely helping the currency higher.

Commodities: Oil prices fell, as Saudi Arabia decided it wouldn't extend cuts to production.

COVID-19: The Australian Department of Health has reported 5 new cases, taking the total number of cases to 7265.

Australia: The AiG performance of services index released on Friday, improved from 27.1 in April to 31.6 May, on signs of containment of the virus and on plans to reopen the economy. Despite the improvement, it was the second lowest reading in the series after the record low in April. It is still pointing to a contraction in activity in May, holding well below 50.

China: Exports and imports both contracted in May, suggesting ongoing signs of weak demand in China and the rest of the world. Exports declined 3.3% in the year to May, but imports fell 16.7% over the same period. The decline in imports largely reflected falling prices.

Europe: German industrial production fell a sharp 17.9% in April, as factories shut down over the month. The decline was broadly as expected, with the consensus estimate at -16.5%. However, the re-opening of the economy suggests that industrial activity reached a bottom in the month.

United States: US President Trump has suggested he was open to another economic relief package, despite saying he would veto a \$3 trillion economic

aid bill which was passed the House of Representatives.

The National Bureau of Economic Research (NBER), which determines US business cycles in the US economy confirmed that the US economy entered recession in February. The determination does not come as a surprise, given the large drop in employment and production, although the NBER also added that the recession could turn out briefer than earlier contractions.

In a release on Friday, the deterioration in the labour market unexpectedly reversed. Non-farm payrolls added 2.5 million jobs in May after a 20.7 million decline in April. The unemployment rate edged down from 14.7% in April to 13.3% in May reflecting the re-opening of businesses and economic activity. While an encouraging sign, the unemployment rate remains quite high and there remains some way to go before absorbing the excess capacity in the labour market.

Today's key data and events:

NZ ANZ Business Confidence Jun prev -41.8 (11am)

AU ANZ Job Ads May prev -53.1% (11.30am)

AU NAB Business Survey May (11.30am)

Business Conditions prev -34

Business Confidence prev -46

EZ GDP Q1 final exp -3.8% prev -3.8% (7.00pm)

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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