

Tuesday, 12 May 2020

| Equities (close & % change)              |          |       | Sydney Futures Exchange (close & change) |         |             |                      |             | Interest rates (close & change) |       |      |
|--|----------|-------|--|---------|-------------|----------------------|-------------|---------------------------------|-------|------|
| S&P/ASX 200                              | 5,461.2  | 1.3%  |  |         | <b>Last</b> | <b>Overnight Chg</b> |             | <b>Australia</b>                |       |      |
| US Dow Jones                             | 24,222.0 | -0.4% | 10 yr bond                               | 99.04   |             | 0.00                 | 90 day BBSW | 0.10                            | 0.00  |      |
| Japan Nikkei                             | 20,390.7 | 1.0%  | 3 yr bond                                | 99.77   |             | 0.00                 | 2 year bond | 0.22                            | 0.00  |      |
| China Shanghai                           | 3,034.1  | 0.0%  | 3 mth bill rate                          | 99.85   |             | -0.01                | 3 year bond | 0.23                            | 0.00  |      |
| German DAX                               | 10,825.0 | -0.7% | SPI 200                                  | 5,458.0 |             | -20                  | 3 year swap | 0.23                            | 0.00  |      |
| UK FTSE100                               | 5,939.7  | 0.1%  | FX Last 24 hrs                           | Open    | High        | Low                  | Current     | 10 year bond                    | 0.96  | 0.07 |
| <b>Commodities (close &amp; change)*</b> |          |       | TWI                                      | 57.6    | -           | -                    | 57.7        | <b>United States</b>            |       |      |
| CRB Index                                | 122.7    | -2.1  | AUD/USD                                  | 0.6523  | 0.6561      | 0.6457               | 0.6490      | 3-month T Bill                  | 0.11  | 0.00 |
| Gold                                     | 1,702.7  | -13.4 | AUD/JPY                                  | 69.59   | 70.18       | 69.38                | 69.86       | 2 year bond                     | 0.18  | 0.02 |
| Copper                                   | 5,248.5  | 74.8  | AUD/GBP                                  | 0.5259  | 0.5278      | 0.5241               | 0.5262      | 10 year bond                    | 0.71  | 0.03 |
| Oil (WTI)                                | 24.5     | -0.2  | AUD/NZD                                  | 1.0628  | 1.0688      | 1.0628               | 1.0673      | <b>Other (10 year yields)</b>   |       |      |
| Coal (thermal)                           | 53.4     | 0.5   | AUD/EUR                                  | 0.6022  | 0.6048      | 0.5973               | 0.6006      | Germany                         | -0.51 | 0.03 |
| Coal (coking)                            | 115.0    | 1.7   | AUD/CNH                                  | 4.6273  | 4.6497      | 4.5913               | 4.6125      | Japan                           | 0.01  | 0.02 |
| Iron Ore                                 | 85.3     | -0.3  | USD Index                                | 99.8    | 100.3       | 99.7                 | 100.3       | UK                              | 0.27  | 0.03 |

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:** Market sentiment was mixed overnight. Equities see-sawed between gains and losses, bonds fell, oil fell, the US dollar index was up and the Australian dollar was weaker.

Investors remained cautiously optimistic about an economic recovery once the coronavirus is contained, but concerns lingered about the risk of a second wave. Saudi Arabia announced that it would cut its crude oil output even further in June.

**Share Markets:** US equities ended the session mixed. The S&P 500 closed very slightly higher (+0.02%) while the Dow Jones fell 0.45%. The NASDAQ rose 0.78%, its sixth consecutive daily increase. Gains in stocks in technology, health care and consumer discretionary companies outweighed falls in other sectors.

European bourses fell as concerns mounted about a second COVID-19 wave on the continent while the conflict between the ECB and German courts over central bank asset purchases escalated.

**Interest Rates:** US bond yields edged higher and the yield curve steepened. The 10-year treasury yield rose 3 basis points to 0.71% compared with a 2 basis point increase in the 2-year bond to 0.18%. Futures pricing for the Fed funds rate had turned negative in recent sessions, however, the Federal Reserve's Bostic was the latest official to downplay the idea. In comments made overnight he said he

was "not a big fan" of negative rates.

Australian bond yields were generally stuck in a narrow range yesterday. Most tenors were unchanged, except for a 7 basis point increase in the 10-year bond yield which rose to 0.96%.

**Foreign Exchange:** The US dollar rose throughout the session overnight, despite investors selling treasuries and generally buying US stocks. The US dollar index rose to 100.3 from 99.8 while the safe-haven yen strengthened to 107.66. The euro weakened.

Commodity currencies fell amid mixed signals towards risk. The Australian dollar fell in late afternoon trade yesterday and traded sideways overnight. It is currently at US\$0.6490 this morning.

**Commodities:** Saudi Arabia said it would extend its oil production cuts by 1 million barrels per day in June, the equivalent of about 1% of global supply. The Kingdom had already agreed to record cuts as part of its OPEC+ deal to reduce output to around 8 million barrels per day. Global oil demand has slumped amid the COVID-19 pandemic and the cuts are aimed at reducing the burgeoning supply glut. Despite the announcement, WTI futures fell US\$0.2 per barrel to US\$24.5.

**COVID-19:** Global confirmed cases rose 56k to 4.2 million overnight, according to data from Bloomberg. It was the lowest increase reported by

Bloomberg since late March. Various countries have begun gradually easing restrictions which has buoyed market sentiment but raised some concerns of a second wave.

The number of confirmed fatalities rose 2,042 to 286,449 overnight.

New York governor Andrew Cuomo said that some areas outside of New York City are ready to reopen this week.

In Australia, the Department of Health reported 8 new cases in the 24 hours to 3pm yesterday, leaving the total number of cases at 6,948. There number of deaths caused by COVID-19 remains at 97 domestically.

**Australia:** There was no major data released yesterday.

**China:** Aggregate social financing rose 3.09 trillion yuan in April, down from the large 5.15 trillion yuan increase in March but above consensus estimates. It was nearly twice the amount added in April last year. The Chinese authorities had been working to deleverage the economy before the COVID-19 pandemic, but the latest large increases in credit show that liquidity is once again being loosened to encourage growth.

New loans rose 1.7 trillion yuan in April, down from 2.85 trillion in March. The People's Bank of China (PBoC) indicated in its monetary policy report that it is preparing to ramp up support ahead of an expected global recession.

**New Zealand:** Electronic card spending plunged 46.8% in April, the largest monthly fall in the history of the series which began in 2002. It reflects the impact of the lockdown measures which shutdown businesses. Statistics NZ reported that the fall was equivalent to each person in the country spending \$520 less in April compared with March.

Businesses reported an improvement in confidence – the ANZ business confidence index lifted from a record low of -66.6 in April to -45.6 in May. Despite the improvement, businesses remain significantly pessimistic.

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

AU NAB Business Survey Apr (11:30am)

Business Conditions prev -21

Business Confidence prev -66

CH PPI Apr y/y exp -2.5% prev -1.5% (11.30am)

CH CPI Apr y/y exp 3.7% prev 4.3% (11.30am)

US CPI Apr exp -0.8% prev -0.4% (10.30pm)

US Fed Harker Speaks (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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