

Tuesday, 14 April 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,387.3	closed	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	23,390.8	-1.4%	10 yr bond	99.10	-0.14			90 day BBSW	0.21	-0.01
Japan Nikkei	19,043.4	-2.3%	3 yr bond	99.75	-0.01			2 year bond	0.23	0.00
China Shanghai	2,916.7	-0.5%	3 mth bill rate	99.70	0.00			3 year bond	0.26	0.00
German DAX	10,564.7	closed	SPI 200	5,242.0	-31			3 year swap	0.39	0.00
UK FTSE100	5,842.7	closed	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.91	0.00
<b>Commodities (close &amp; change)*</b>			TWI	54.5	-	-	55.1	<b>United States</b>		
CRB Index	127.9	0.1	AUD/USD	0.6347	0.6409	0.6327	0.6383	3-month T Bill	0.19	-0.03
Gold	1,713.6	25.5	AUD/JPY	68.82	68.98	68.34	68.77	2 year bond	0.25	0.02
Copper	5,008.0	17.8	AUD/GBP	0.5093	0.5115	0.5069	0.5102	10 year bond	0.77	0.05
Oil (WTI)	22.4	-0.4	AUD/NZD	1.0432	1.0502	1.0421	1.0482	<b>Other (10 year yields)</b>		
Coal (thermal)	63.6	0.0	AUD/EUR	0.5800	0.5869	0.5786	0.5849	Germany	-0.35	0.00
Coal (coking)	136.0	0.0	AUD/CNH	4.4713	4.5221	4.4587	4.5025	Japan	0.02	0.01
Iron Ore	83.7	0.7	USD Index	99.5	99.6	99.1	99.5	UK	0.31	0.00

\*Gold, copper, oil, coal & iron ore prices are based on futures pricing. Source: Bloomberg, Thomson Reuters Eikon.

Data as at 7:30am AEST. Change from previous trading day (excluding the SFE which is the change during the night session).

**Main Themes:** The oil price war ended after a historic agreement by OPEC+ to cut global crude output by 9.7 billion barrels per day. Oil prices surged initially but subsequently gave up some ground.

US stocks were mostly lower overnight as investors braced for a coronavirus-hit US earnings season that begins this week.

**Share Markets:** Equity investors mostly sold US stocks overnight ahead of corporate earnings season in the US. The impact of the coronavirus injects additional uncertainty around company profits, which led to volatile trading during the session. The real estate and financial sectors were the worst performing, while consumer discretionary and IT stocks generally performed better. The Dow Jones fell 1.4% while the S&P 500 dropped 1.0%. The tech-heavy NASDAQ rose 0.5%.

The energy sector of the S&P 500 fell 0.4%, despite news of a historic cut to crude oil output by members of the OPEC+ cartel.

European markets were closed for Easter Monday.

**Interest Rates:** The US yield curve steepened after some states announced that they would be gradually re-opening their economies following strict lockdowns to slow the spread of the coronavirus. The 10-year yield rose 5 basis points to 0.77% while the 2-year rose 2 basis points to 0.25%.

**Foreign Exchange:** The US dollar remained broadly unchanged in thin trade with European markets closed for Easter Monday. The US dollar index is currently at 99.492 this morning. Federal Reserve measures to boost liquidity in the US banking system has added some downward pressure on the US dollar in the past week.

The Australian dollar is currently at US\$0.6383.

**Commodities:** Commodity markets are still reacting to news that Saudi Arabia and Russia ended their oil price war on Sunday by finalising a deal to make the biggest oil production cuts in history. OPEC said it would cut 9.7 million barrels a day in oil production in May and June, equivalent to almost 10% of global supply, and continue with lower reductions until April 2022, in an effort to stabilise global crude markets. The cuts would be more than twice those made by the cartel during the global financial crisis.

This deal comes as global demand has dropped amid the coronavirus outbreak.

OPEC officials added that the cuts could end up being much greater, at around a fifth of global supply. However, this would include declines forced on producers outside the cartel by the recent oil price collapse, like those in the battered US shale sector.

WTI oil futures opened up sharply higher in Asian trade on Monday, however those gains were

subsequently pared. WTI is currently trading at US\$22.41 per barrel as investors weigh the dramatic reduction in demand and pre-existing supply glut.

Gold prices have risen amid the uncertainty to a 7-year high of US\$1,713.6 per ounce.

**COVID-19:** The World Health Organisation has reported 1.85 million confirmed cases of the coronavirus, up 76,498 from the previous day. Deaths have totalled more than 114,000 as of 13 April.

Yesterday, 9 US states said they were planning the gradual reopening of their economies following strict stay-at-home measures. There were no definitive timelines provided. The US has reported the most deaths due to the coronavirus than any other country, although some officials have expressed optimism that the worst may be over. More than 23,000 people have died in the US from the coronavirus.

The number of new daily cases in China has risen in the last few days owing to an increase in positive tests from returning travellers, raising some concern of a second wave in China. It is too early to tell, but authorities are on alert.

Over the weekend, Victoria's Premier, Daniel Andrews, has extended the state of emergency until 11 May.

The Australian Department of Health reported 46 new cases of the coronavirus in Australia as of 3pm yesterday, leaving the total number of confirmed cases at 6,359. There have been 61 reported deaths due to the coronavirus in Australia.

**Australia:** There was no major economic data released yesterday due to the Easter break. The last notable release was the Reserve Bank's Financial Stability Review, which is a bi-annual publication, published on Thursday.

The key points taken from this report include the shock to global financial markets from the COVID-19 pandemic has been very large; lower business and household incomes are increasing financial stress; while banks [around the world] may be tested, they are mostly more resilient [in comparison to the GFC]; existing vulnerabilities in several regions are exacerbating stress; and authorities globally have responded with a wide range of policy measures.

The report also noted the Australian financial system has also been substantially disrupted by the COVID-19 pandemic; financial markets in Australia have been dysfunctional at times, but Australian banks are well placed to navigate difficulties in

funding markets and have sufficient capital to withstand a prolonged period of stress. Moreover, it was noted the strong profitability also supports the resilience of [Australian] banks. Other points include the outlook for credit quality has weakened, but from a strong position; reduced liquidity has affected fund managers, other parts of the financial system have been resilient to the effects of the pandemic and [Australian] institutions are so far managing the operational risks that have arisen.

The RBA review also contained a section on household and business finances in Australia. The key points in this section were that business sector conditions are deteriorating; many households have enough liquid assets to manage temporary falls in income, but some households have little savings and are vulnerable to financial stress; there are some risks from property markets; and conditions in commercial property markets are deteriorating.

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

AU NAB Business Survey Mar (11:30am)

CH Trade Balance Mar exp US\$20.0bn prev US\$47.3bn (TBC)

US Export Price Index Mar exp -1.9% prev -1.1% (10:30pm)

US Import Price Index Mar exp -3.2% prev -0.5% (10:30pm)

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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