

Friday, 1 May 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	5,522.4	2.4%			Last	Overnight Chg		Australia		
US Dow Jones	24,345.7	-1.2%	10 yr bond	99.10				90 day BBSW	0.10	-0.01
Japan Nikkei	20,193.7	2.1%	3 yr bond	99.75				2 year bond	0.22	-0.01
China Shanghai	2,997.6	1.3%	3 mth bill rate	99.82				3 year bond	0.25	-0.01
German DAX	10,861.6	-2.2%	SPI 200	5,417.0				3 year swap	0.29	0.00
UK FTSE100	5,901.2	-3.5%	FX Last 24 hrs					10 year bond	0.89	-0.03
Commodities (close & change)*			TWI	57.7	-	-	57.8	United States		
CRB Index	117.2	5.3	AUD/USD	0.6558	0.6570	0.6490	0.6510	3-month T Bill	0.08	-0.02
Gold	1,686.5	-26.9	AUD/JPY	69.92	70.17	69.24	69.79	2 year bond	0.20	-0.01
Copper	5,243.3	37.3	AUD/GBP	0.5261	0.5268	0.5167	0.5169	10 year bond	0.64	0.01
Oil (WTI)	19.1	4.0	AUD/NZD	1.0689	1.0695	1.0604	1.0634	Other (10 year yields)		
Coal (thermal)	52.4	1.1	AUD/EUR	0.6031	0.6046	0.5941	0.5945	Germany	-0.59	-0.09
Coal (coking)	106.4	-2.2	AUD/CNH	4.6394	4.6395	4.5883	4.6088	Japan	-0.03	0.01
Iron Ore	82.4	-1.3	USD Index	99.5	99.7	98.8	99.0	UK	0.23	-0.05

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: Weak economic data and concerns over the outlook left stocks weaker overnight. US initial claims for unemployment rose by more than expected and the ECB announced further stimulus measures. Earnings reports from US and European companies overnight were generally disappointing.

Share Markets: Global equity markets ended April on a sour note, but most bourses rose strongly over the month as a whole.

In the US, the S&P 500 fell 0.9% overnight, but ended the month up 12.7%, its best monthly improvement since 1987. A higher-than-expected increase in the number of initial claims for unemployment of 3.8 million in the week ending April 24 dampened the mood, while earnings results were mixed.

Earnings among tech companies have generally weathered the storm brought on by the coronavirus pandemic. Apple reported a quarterly revenue increase of 1% in Q1 while Facebook and Microsoft also beat estimates. Twitter reported a decline in sales while Amazon shares fell in after-market trading after it flagged the potential of a loss in Q2.

The Euro Stoxx 50 fell 2.3% amid a barrage of dismal economic data. Shares in Royal Dutch Shell after it cut its dividend for the first time since World War II.

Interest Rates: Bond yield movements were relatively muted. The US 2-year treasury yield was

unchanged at 0.20%, closing near the high of the session after falling to as low as 0.175%. The 10-year yield edged up by 2 basis points to 0.64%.

European government bond yields fell after the European Central Bank (ECB) introduced fresh stimulus. German 10-year bond yields fell 9 basis points to -0.59%.

Foreign Exchange: The US dollar fell against most of its peers, most notably the pound. The US dollar index fell to 99.0 this morning from 99.5 yesterday. The pound surged against the euro and the US dollar after the ECB extended its stimulus program. It rose US\$0.0125 or about 1% against the US dollar to US\$1.2594.

The Australian dollar slipped overnight to US\$0.6510.

Commodities: Oil prices continued their rollercoaster ride. WTI crude prices surged by US\$4.0 per barrel to US\$19.1 (or 26.8%) as signs of demand picked up in some countries. Saudi Arabia said it was ready to take additional steps to stabilise the price of oil. An OPEC+ meeting is scheduled for today.

Gold prices dipped to US\$1,686.5 per ounce, but were still up 6.9% over the month in April, their best month since August last year.

COVID-19: Bloomberg data shows that there were over 3.2 million cases of coronavirus globally as of

April 30. There have been 228,809 reported fatalities.

In the US, the FDA said that it was working “at lightning speed” to review data for an experimental treatment drug called Remdesivir developed by Gilead Sciences. The company said it has 50,000 courses of the therapy ready to ship as soon as it is given the green light.

In the UK, Prime Minister Boris Johnson said the country has passed its peak of new infections.

Australia has reported 6,753 cases as of 3pm yesterday, it was an increase of 10 from the day before. 91 Australians have been recorded as dying from the coronavirus so far.

Australia: Credit growth in the private sector surged 1.1% over the month in March. It was the fastest monthly pace of growth since December 2007 and was up sharply from 0.4% in February. On an annual basis, growth increased to 3.6%.

Businesses appeared to take advantage of the RBA’s largest ever stimulatory move announced on March 19, despite heightened movement restrictions. Firms were likely looking to build cash holdings ahead of a big crunch in revenue.

Business credit rose 2.9% in March, its fastest monthly increase since 1987.

Other segments of credit were mixed, reflecting the rapidly evolving policy response to the novel coronavirus outbreak in Australia.

Housing credit continued to grow modestly, at a 0.3% pace. In March, growth was driven by owner-occupier credit, which grew 0.5%.

The long-running trend of declining other personal credit (which includes personal loans and credit cards) accelerated in March as uncertainty around household incomes mounted. Other personal credit fell 1.4% over the month.

The coming months are likely to see a reduction in outstanding credit as headwinds to the economy intensify.

Separate data released yesterday showed that the terms of trade improved in Q1. The import price index fell 1% while export prices rose 2.7%. The prices of Australia’s major commodity exports held up relatively well over the quarter in Q1, including coal and iron ore. They have since fallen sharply in the past two weeks. Nevertheless, they haven’t faced the same declines as experienced in the price of oil.

China: The recovery in Chinese economic activity continued in April, according to the latest official

PMI data. The manufacturing PMI fell to 50.8 in April from 52.0 in March while for services it rose to 53.2 from 52.3 previously. Both indicators remain above 50, signalling expansion.

China was the first country to enact a widespread lockdown in response to the coronavirus and began gradually returning its economy to capacity in March. Growth in China is expected to be muted by lacklustre global demand as social distancing measures remain in place in other areas around the world.

Japan: Industrial production fell 3.7% in March after falling 0.3% in February. Production is now at the lowest level since January 2013, which was around the time of the introduction of the “Abenomics” effort to reignite inflation.

Europe: The ECB extended its stimulus package while keeping rates and its asset purchase plan unchanged. It will offer new long-term loans for euro-area banks, to be known as PELTROs, lower the interest rate on TLTRO III loans to 0.5 percentage points below the deposit rate (currently -0.5%), and stands ready to increase purchases under the PEPP. Christine Lagarde said the economy may shrink as much as 12% this year and forecast a significant deterioration in the labour market.

A barrage of economic data released overnight confirms that the virus has had a profound impact on economic activity. GDP fell 3.8% in Q1, including a 5.8% drop in France. Unemployment across the Eurozone rose to 7.8% in March.

New Zealand: The ANZ Bank New Zealand business confidence index fell to -66.6 in April from -63.5 in March. Though still dramatically negative, it was a slight improvement from the preliminary estimate for April of -73.1, when the economy was in the midst of strict lockdown aimed at eliminating the coronavirus within the borders of New Zealand.

The country has since begun loosening some containment measures.

United States: 3.839 million Americans filed for unemployment in the week ending April 24, down from 4.442 million in the previous week but more than the market was expecting. The sum of the latest week’s new unemployment claims and the number of continuing claims is more than 22 million, signalling a looming spike in unemployment.

Meanwhile, consumer spending plunged 7.5% in March as the spread of the coronavirus limited the movement of shoppers. Personal incomes fell 2.0%, the biggest drop since January 2013. The core PCE

deflator fell by less than expected to 1.7% from 1.8% in February.

Today's key data and events:

NZ ANZ Consumer Confidence Apr prev 106.3 (8am)
AU AiG Perf of Mfg Index Apr prev 53.7 (8:30am)
AU CBA PMI Apr F prev 45.6 (9am)
AU CoreLogic House Prices Apr prev 0.7% (10am)
JN Jibun Mfg PMI Apr F prev 43.7 (10:30am)
AU PPI Q1 prev 0.3% (11:30am)
JN Vehicle Sales Apr y/y% prev -10.2% (3pm)
UK Nationwide House Prices Apr exp -0.3% prev 0.8% (4pm)
AU Commodity Index AUD Apr prev 105.8 (4:30pm)
UK Markit Mfg PMI Apr F exp 32.8 prev 32.9 (6:30pm)
UK Mortgage Approvals Mar exp 58.0k prev 73.5k (6:30pm)
US Markit Mfg PMI Apr F exp 36.7 prev 36.9 (11:45pm)
US ISM Mfg PMI Apr exp 36.0 prev 49.1 (12am)
US Construction Spending Mar exp -3.5% prev -1.3% (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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