

Tuesday, 23 June 2020

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|--|----------|-------|--|---------|----------------------|--------|---------|---------------------------------|-------|-------|
| S&P/ASX 200 | 5,944.5 | 0.0% | Last | | Overnight Chg | | | Australia | | |
| US Dow Jones | 26,025.0 | 0.6% | 10 yr bond | 99.10 | -0.02 | | | 90 day BBSW | 0.10 | 0.00 |
| Japan Nikkei | 22,437.3 | -0.2% | 3 yr bond | 99.72 | -0.01 | | | 2 year bond | 0.26 | 0.00 |
| China Shanghai | 3,108.1 | -0.1% | 3 mth bill rate | 99.86 | 0.00 | | | 3 year bond | 0.25 | 0.00 |
| German DAX | 12,263.0 | -0.5% | SPI 200 | 5,935.0 | 34 | | | 3 year swap | 0.24 | 0.00 |
| UK FTSE100 | 6,244.6 | -0.8% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 0.87 | 0.01 |
| Commodities (close & change)* | | | TWI | 60.0 | - | - | 60.0 | United States | | |
| CRB Index | 139.1 | 1.1 | AUD/USD | 0.6819 | 0.6923 | 0.6811 | 0.6911 | 3-month T Bill | 0.14 | -0.01 |
| Gold | 1,754.4 | 10.6 | AUD/JPY | 72.82 | 73.99 | 72.78 | 73.89 | 2 year bond | 0.19 | 0.01 |
| Copper | 5,869.5 | 30.3 | AUD/GBP | 0.5520 | 0.5556 | 0.5519 | 0.5542 | 10 year bond | 0.71 | 0.01 |
| Oil (WTI) | 40.5 | 0.7 | AUD/NZD | 1.0668 | 1.0684 | 1.0630 | 1.0662 | Other (10 year yields) | | |
| Coal (thermal) | 53.4 | 0.0 | AUD/EUR | 0.6098 | 0.6148 | 0.6095 | 0.6136 | Germany | -0.44 | -0.02 |
| Coal (coking) | 116.0 | 1.1 | AUD/CNH | 4.8280 | 4.8852 | 4.8225 | 4.8777 | Japan | 0.01 | -0.01 |
| Iron Ore | 99.2 | -1.2 | USD Index | 97.7 | 97.7 | 97.0 | 97.0 | UK | 0.19 | -0.05 |

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: Concerns over rising COVID-19 cases eased, possibly reflecting little indication of restrictions being tightened to stem the virus's spread in the US. A recovery in risk appetite was evident in US shares and FX.

Share Markets: US shares edged higher overnight, boosted by tech stocks which are seen to be less negatively impacted by COVID-19. The Nasdaq rose 1.1% to its highest on record, while the S&P500 rose 0.7% and the Dow lifted 0.6%. It followed a softer session in Europe, where major indices declined including in Germany and France. Concern likely stemmed from a rise in the COVID-19 infection rate in Germany.

Interest Rates: US treasuries continued to be little changed. The US 10-year yield lifted 1 basis point to 0.71%, as risk appetite was better supported overnight.

Foreign Exchange: The US dollar index weakened, reflecting an improvement in risk appetite. Euro and sterling strengthened, as did the AUD. The Australian dollar lifted from a low of 68.05 US cents early yesterday morning to 69.11 US cents this morning.

Commodities: Brent crude prices rose, gaining support from the lift in risk appetite and tighter crude supplies as US and Canadian oil rig counts declined. Gold prices rose, running contrary to the

risk-on theme.

COVID-19: The World Health Organisation (WHO) reported 152,323 new cases over June 22, down from the record high of above 180k posted on Sunday, but still the third highest on record.

While cases continue to rise in various US States, there was a lifting of more restrictions in New York including restaurants and bars and hair salons on Monday.

In Australia, the Department of Health has recorded 18 new cases in the past 24 hours, with 16 of those cases in Victoria. The total now stands at 7,474.

Australia: A panel discussion with RBA Governor Lowe spoke of COVID-19 and the global economy. Lowe was "fundamentally optimistic" about Australia's future. Lowe was also upbeat in regards to Australia's handling of the COVID-19 in comparison to the rest of the world. The downturn was not as bad as feared neither as deep as other economies, and Lowe was also positive in terms of policy co-ordination and containment of the virus. Nonetheless, Lowe spoke of the importance of advancing with new technologies and policy reform, including industrial relations, infrastructure and de-regulation. He also noted that fiscal and monetary policy should be doing all it can to build a bridge.

China: Chinese benchmark lending rates were unchanged for the second consecutive month as

widely expected.

New Zealand: Credit card spending surged 54.3% in May as lockdown measures eased. It followed a 41.3% decline in April when the lockdown was imposed.

United Kingdom: Industrial activity remained weak over June, according to a measure from the Confederation of British Industry (CBI) on industrial orders. Orders improved from a record low of -62 to -58, but the ongoing low level points to manufacturing activity remaining weak for some time.

Bank of England (BoE) Governor Bailey said that the central bank should sell back government bonds before it raises interest rates, which is a departure from the previous policy under his predecessor Mark Carney. Carney said he would raise interest rates materially before starting to sell back asset purchases. That said, with the impact of COVID-19, uncertainty about Brexit and low interest rates globally, any opportunity to withdraw monetary stimulus is some way off.

United States: The Chicago Fed National Activity Index rose from -17.89 in April to 2.61 in May, the first positive reading since November 2019 and the highest ever with the series dating back to 1967. It adds to the signs of an economic recovery, although the rise in COVID-19 cases in certain states poses a downside risk to the outlook. That said, there appears to be little appetite to re-enforce shutdown measures.

Existing home sales fell 9.7% in May to their lowest level since October 2010. It followed a 17.8% decline in April and an 8.5% decline in March. It was the third consecutive decline. The weakness reflects contracts signed over March and April when lockdown measures were in force across nearly the whole country. A rise in loan applications suggests a rebound as restrictions eased, but the ongoing caution and job losses are likely to weigh on demand.

A spokesperson from Trump's administration has announced a suspension of certain foreign workers including visas for skilled workers and visas for workers being transferred within a company. Seasonal workers would also be blocked, with an exception for workers in the food industry.

Today's key data and events:

JN Nikkei PMI Mfg Jun prev 38.4 (10.30am)
 JN Nikkei Services PMI Jun prev 26.5 (10.30am)
 EZ Markit Services PMI Jun (6.00pm)
 EZ Markit Mfg PMI Jun exp 44.8 prev 39.4 (6.30pm)
 EZ Markit/CIPS Services PMI Jun exp 42.3 prev 32.6 (6.30pm)
 US Markit Mfg PMI Jun exp 50.8 prev 39.8 (11.45pm)
 US Markit Services PMI Jun exp 48.0 prev 37.5 (11.45pm)
 US New Home Sales May exp 19% prev 0.6% (12.00am)
 US Richmond Fed index Jun exp -11 prev -27 (12.00am)

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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The Detail

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