

Wednesday, 29 July 2020

Equities (close & % change)			Sydney Futures Exchange (close & change)					Interest rates (close & change)		
S&P/ASX 200	6,020.6	-0.4%	<b>Last</b>		<b>Overnight Chg</b>			<b>Australia</b>		
US Dow Jones	26,379.3	-0.8%	10 yr bond	99.11	0.05			90 day BBSW	0.10	0.00
Japan Nikkei	22,657.4	-0.3%	3 yr bond	99.70	0.00			2 year bond	0.27	0.00
China Shanghai	3,383.4	0.7%	3 mth bill rate	99.88	-0.01			3 year bond	0.28	0.01
German DAX	12,835.3	0.0%	SPI 200	5,960.0	-26			3 year swap	0.22	0.00
UK FTSE100	6,129.3	0.4%	FX Last 24 hrs	Open	High	Low	Current	10 year bond	0.92	0.03
<b>Commodities (close &amp; change)*</b>			TWI	61.5	-	-	61.6	<b>United States</b>		
CRB Index	143.5	-0.3	AUD/USD	0.7147	0.7177	0.7113	0.7159	3-month T Bill	0.10	0.00
Gold	1,958.4	16.2	AUD/JPY	75.32	75.58	75.01	75.22	2 year bond	0.14	-0.01
Copper	6,484.0	60.3	AUD/GBP	0.5547	0.5564	0.5528	0.5535	10 year bond	0.58	-0.04
Oil (WTI)	41.1	0.1	AUD/NZD	1.0705	1.0759	1.0696	1.0753	<b>Other (10 year yields)</b>		
Coal (thermal)	55.2	-0.4	AUD/EUR	0.6082	0.6113	0.6073	0.6108	Germany	-0.51	-0.02
Coal (coking)	115.0	-0.1	AUD/CNH	5.0027	5.0209	4.9864	5.0128	Japan	0.02	0.00
Iron Ore	104.9	0.6	USD Index	93.7	94.0	93.5	93.7	UK	0.11	0.00

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:** US policymakers were yet to find an agreement on a stimulus package. The delay weighed on sentiment although investors were kept cautious ahead of the Fed's policy meeting tonight.

**Share Markets:** US share markets tumbled late in the session, likely reflecting concern over the lack of agreement over a stimulus plan. There were also some mixed earnings results. The Dow closed 0.8%, the S&P500 fell 0.7% and the Nasdaq dropped 1.3%.

**Interest Rates:** Yields on US treasuries fell, as government securities were supported by the US Federal Reserve's announcement to extend its lending facility programs. The turn lower in sentiment would have also boosted demand for bonds. US 10-year yields fell 4 basis points to 0.58%.

**Foreign Exchange:** Currency markets were rather subdued ahead of the key FOMC meeting tonight. The US dollar index was slightly higher, but not far from the two-year low struck in the previous session. Conversely, euro edged back from its recent highs. The Australian dollar reached a high of 71.77 US cents but also pared its gains slightly to settle at 71.62 US cents this morning.

**Commodities:** Oil prices fell as sentiment weakened reflecting the uncertainty over the US fiscal stimulus package. Gold prices edged higher, lifting to a new record high, reflecting expectations for a dovish Federal Reserve tonight.

**COVID-19:** The World Health Organisation (WHO) reported 226,783 new cases yesterday, down from the record high on the weekend, but higher than the same time last week suggesting an upward trend remains intact.

In Australia, there were 400 new cases yesterday. 384 were in Victoria, while 14 were in NSW.

**Australia:** There were signs of a deteriorating labour market through mid-July according to the latest weekly payroll jobs data. Weekly payrolls fell 1.2% over the fortnight to July 11 and have declined for three consecutive weeks. The renewed weakness would confirm that the rebound in jobs due to the easing of social distancing restrictions from May across the country has resulted in only a temporary spike in employment.

The impact of renewed restrictions in Victoria was evident in weaker payrolls for the State. Compared with March 14, when Australia recorded its 100th COVID-19 case, Victorian payrolls were down -7.3%, the weakest of all States and territories. Falling payrolls in other States suggest that the contraction in demand and weak confidence is also weighing on the labour market more widely across the country.

The data suggests that the partial recovery in jobs over June has unlikely continued through to July and confirms our view that the unemployment rate has further to rise from its current level at 7.4%.

**United States:** The US Federal Reserve has announced it would extend its lending facilities till December 31, which were previously due to expire at the end of September. At the peak of the crisis, the Fed provided an extensive range of facilities to support lending in the economy and to prop up liquidity in financial markets.

US Senate Republicans have expressed opposition to a \$1 trillion coronavirus relief package which was announced by Majority Leader Mitch McConnell the day before. The concerns reflected the cost of the proposal and that payments to the unemployed would discourage Americans from going back to work. Meanwhile, Democrats have also rejected the plan which was much smaller than the \$3 trillion plan which had passed the House of Representatives in May.

Among data releases, consumer confidence slid from 98.3 in June to 92.6 in July, partially unwinding the improvement in June with the re-opening of the economy. The index remains above the lows hit in April, but it indicates rising concern about the rising number of COVID-19 cases.

In other data, the Richmond Fed manufacturing index rebounded from 0 in June to 10 in July, its highest since January. The early indicators on regional manufacturing are showing an improvement in manufacturing activity upon re-opening and pent up demand. Nonetheless, the outlook remains uncertain with global demand likely to remain uneven.

House prices edged higher in May, according to the S&P CoreLogic Case-Shiller index. However, the lift of 0.04% was the weakest result in nine months. The moderation in price growth suggests that the loss in incomes and high unemployment is weighing on housing demand.

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

AU CPI Q2 (11:30am)

Headline q/q exp -2.1% prev 0.3%

Headline y/y exp -0.5% prev 2.2%

Trimmed mean q/q exp 0.0% prev 0.5%

Trimmed mean y/y exp 1.3% prev 1.8%

US Pending Home Sales Jun exp 15.0% prev 44.3% (12am)

US FOMC Policy Decision exp 0-0.25% prev 0-0.25% (4am)

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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