

Tuesday, 30 June 2020

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|--|----------|-------|--|---------|----------------------|--------|-------------|---------------------------------|-------|-------|
| S&P/ASX 200 | 5,815.0 | -1.5% | Last | | Overnight Chg | | | Australia | | |
| US Dow Jones | 25,595.8 | 2.3% | 10 yr bond | 99.12 | | 0.02 | 90 day BBSW | 0.10 | 0.00 | |
| Japan Nikkei | 21,995.0 | -2.3% | 3 yr bond | 99.72 | | 0.00 | 2 year bond | 0.25 | 0.00 | |
| China Shanghai | 3,104.2 | -0.6% | 3 mth bill rate | 99.87 | | 0.00 | 3 year bond | 0.26 | 0.00 | |
| German DAX | 12,232.1 | 1.2% | SPI 200 | 5,874.0 | | 67 | 3 year swap | 0.24 | 0.00 | |
| UK FTSE100 | 6,225.8 | 1.1% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 0.88 | 0.02 |
| Commodities (close & change)* | | | TWI | 60.1 | - | - | 60.1 | United States | | |
| CRB Index | 137.0 | 2.6 | AUD/USD | 0.6856 | 0.6962 | 0.6863 | 0.6867 | 3-month T Bill | 0.12 | -0.02 |
| Gold | 1,772.8 | 1.5 | AUD/JPY | 73.46 | 74.17 | 73.31 | 73.86 | 2 year bond | 0.15 | -0.02 |
| Copper | 5,955.0 | -0.5 | AUD/GBP | 0.5557 | 0.5554 | 0.5516 | 0.5583 | 10 year bond | 0.62 | -0.02 |
| Oil (WTI) | 39.7 | 1.2 | AUD/NZD | 1.0694 | 1.0756 | 1.0671 | 1.0693 | Other (10 year yields) | | |
| Coal (thermal) | 52.7 | -1.5 | AUD/EUR | 0.6108 | 0.6148 | 0.6092 | 0.6108 | Germany | -0.47 | 0.01 |
| Coal (coking) | 122.7 | 0.1 | AUD/CNH | 4.8585 | 4.9091 | 4.8555 | 4.8591 | Japan | 0.02 | 0.01 |
| Iron Ore | 97.4 | -3.3 | USD Index | 97.5 | 97.2 | 96.6 | 97.5 | UK | 0.16 | -0.01 |

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: Share markets jumped, which may have been helped by the improvement in US economic data. The lift was despite new COVID-19 cases remaining elevated. Some US States are imposing new restrictions. In Australia, cases in Victoria continued to rise. Bond yields and FX markets were little changed.

Share Markets: The US Dow jumped 2.3% and the S&P500 rose 1.5%. Investors were likely encouraged by a big jump in US home sales. Industrials were driven higher by a jump in Boeing's share price, which began certification test flights for the grounded 737 MAX. Swings in both indices have exceeded 1% over the past four days, highlighting uncertainty over the impact from the COVID-19 pandemic.

Interest Rates: Bond yields remained muted, despite the recovery in the share market. The US 10-year yield fell 2 basis points to 0.62%. Yields on US 2-year notes also dropped 2 basis points to 0.15%.

Foreign Exchange: The US dollar index edged slightly higher possibly helped by the improvement in US economic data. The Australian dollar was very little changed, at 68.7 US cents this morning.

Commodities: Oil prices rose in response to stronger industrial profit data from China on the weekend.

COVID-19: Total cases globally stood at 10,021,401. New cases yesterday were at 178,328, down slightly from the record 189,077 increase in cases in the previous day.

A number of US States have postponed plans to re-open economies. Bars in parts of California, Texas and Florida have been ordered to close.

The Australian Department of Health reported 85 new cases, taking the total case count to 7,767. It was the highest increase since April. A total 75 of those cases were in Victoria.

Australia: There was no major data released yesterday.

Europe: Confidence in Europe continued to improve in June. Economic confidence rose from 67.5 in May to 75.7 in June, although it remains well below the plus-100 readings before February. Confidence in services and industrial sectors also lifted but remain well below pre-pandemic levels.

Japan: Retail sales edged up by 2.1% in May after the country's state of emergency was lifted. It was the first increase since February and comes following a 9.9% drop in April. On an annual basis, store receipts were 12.3% lower compared with the same month a year ago in May.

The tentative recovery shows that the pace of the recovery is likely to be slow in Japan. Cash grants of ¥100,000 per person are likely to buoy spending to

some degree in the coming months, but a material improvement in labour market conditions will be required for consumer spending to lift meaningfully.

United States: Pending home sales surged 44.3% in May following a 21.8% decline in April and a 20.8% fall in March. The rebound signals a recovery in housing activity after lockdown measures have eased. The increase still puts sales below the level at February, but suggests a faster than expected recovery in the housing market. Mortgage rates have dropped to record low levels supporting demand although the loss of employment and incomes will weigh on the market.

In other data, the Dallas Fed manufacturing index improved for the second consecutive month, at -6.1 in June from -49.2 in May and a low of -74.0 in April. June's reading was the best since February pointing to a recovery in manufacturing.

In remarks for a congressional hearing, US Federal Reserve Chair Powell presented a mixed picture on the US economy. Powell spoke of the bounce in economic activity as being "welcome" and that this new phase was "sooner than expected". However, there were new challenges in keeping the virus in check. Powell said that the outlook was "extraordinarily uncertain" and would depend on the success of containing the virus. Powell also urged on policy support from all levels of government to "support the recovery for as long as needed".

Global: The US Commerce Department has suspended export license exceptions to Hong Kong, suspending the preferential treatment to Hong Kong in response to China imposing security legislation on the region.

Today's key data and events:

UK GfK Consumer Conf. Jun F exp -29 prev -30 (9:01am)
 JN Jobless Rate May exp 2.8% prev 2.6 (9:30am)
 JN Industrial Output May exp -5.9% prev -9.8% (9:50am)
 NZ ANZ Business Confidence Jun F prev -33 (11am)
 NZ ANZ Activity Outlook Jun F prev -29.1 (11am)
 CH Manufacturing PMI Jun exp 50.5 prev 50.6 (11am)
 CH Non-Mfg PMI Jun exp 53.6 prev 53.6 (11am)
 AU Private Credit May exp 0.0% prev 0.0% (11:30am)
 AU Weekly Payroll Jobs & Wages w/e 13 June (11:30am)
 AU RBA's Debelle Speaks (12:30pm)
 JN Housing Starts May y/y exp -14.4% prev -12.9% (3pm)
 UK GDP Q1 F exp -2.0% prev -2.0% (4pm)
 EZ Consumer Prices Jun P exp 0.3% prev -0.1% (7pm)
 EZ CPI Core Jun P y/y exp 0.8% prev 0.9% (7pm)
 US S&P CoreLogic 20-City House Prices Apr exp 0.50% prev 0.47% (11pm)
 US MNI Chicago PMI Jun exp 44.0 prev 32.3 (11:45pm)
 US Conf. Board Consumer Confidence Jun exp 90.5 prev 86.6 (12am)
 US Fed's Williams Speaks (1am)
 US Powell and Mnuchin (2:30am)
 NZ QV House Prices Jun y/y prev 7.7% (3am)
 US Fed's Kashkari Takes Part in Panel (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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