

Friday, 7 August 2020

| Equities (close & % change) | | | Sydney Futures Exchange (close & change) | | | | | Interest rates (close & change) | | |
|-------------------------------|----------|-------|--|---------|----------------------|--------|---------|---------------------------------|-------|-------|
| S&P/ASX 200 | 6,001.3 | -0.6% | Last | | Overnight Chg | | | Australia | | |
| US Dow Jones | 27,201.3 | 1.4% | 10 yr bond | 99.14 | -0.02 | | | 90 day BBSW | 0.10 | 0.00 |
| Japan Nikkei | 22,514.9 | -0.3% | 3 yr bond | 99.71 | -0.01 | | | 2 year bond | 0.26 | 0.00 |
| China Shanghai | 3,540.3 | 0.2% | 3 mth bill rate | 99.90 | 0.00 | | | 3 year bond | 0.26 | 0.00 |
| German DAX | 12,660.3 | 0.5% | SPI 200 | 5,978.0 | 16 | | | 3 year swap | 0.19 | 0.00 |
| UK FTSE100 | 6,104.7 | 1.1% | FX Last 24 hrs | Open | High | Low | Current | 10 year bond | 0.82 | -0.01 |
| Commodities (close & change)* | | | TWI | 61.7 | - | - | 61.7 | United States | | |
| CRB Index | 148.7 | 0.8 | AUD/USD | 0.7189 | 0.7241 | 0.7154 | 0.7189 | 3-month T Bill | 0.10 | 0.00 |
| Gold | 2,019.2 | 42.2 | AUD/JPY | 75.95 | 76.41 | 75.67 | 75.95 | 2 year bond | 0.12 | 0.01 |
| Copper | 6,459.0 | -41.5 | AUD/GBP | 0.5484 | 0.5506 | 0.5474 | 0.5484 | 10 year bond | 0.55 | 0.04 |
| Oil (WTI) | 42.1 | 0.4 | AUD/NZD | 1.0821 | 1.0862 | 1.0779 | 1.0821 | Other (10 year yields) | | |
| Coal (thermal) | 53.4 | -0.8 | AUD/EUR | 0.6064 | 0.6095 | 0.6059 | 0.6064 | Germany | -0.51 | 0.05 |
| Coal (coking) | 113.3 | -0.7 | AUD/CNH | 4.9924 | 5.0214 | 4.9894 | 4.9924 | Japan | 0.01 | -0.01 |
| Iron Ore | 112.3 | 0.7 | USD Index | 92.8 | 93.2 | 92.6 | 92.8 | UK | 0.13 | 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: Market sentiment was upbeat overnight, although investors are still awaiting on further progress on a US stimulus package. The major economic news from the US showed a mixed picture of the labour market.

Share Markets: US shares marched higher, despite little progress from US Congress in agreeing to a fiscal stimulus package. Tech stocks led the gain – the Nasdaq rose 1.0%. The S&P500 rose 0.6% and the Dow lifted 0.7%.

Interest Rates: Yields on US treasuries edged slightly lower and remain muted on expectations that monetary policy will remain easy and the growth outlook subdued. The US 10-year yield fell 1 basis point to 0.54%.

Australian 10-year bond yields edged up 3 basis point yesterday to 0.85%.

Foreign Exchange: The US dollar index edged was little changed, although it spiked briefly after data showed initial jobless claims fell. The Australian dollar pushed past 72 US cents and is trading at 72.4 US cents this morning. Buoyant risk appetite as reflected in equity markets is continuing to prop up the Australian dollar.

Commodities: Oil prices were relatively unchanged, but close to their highest since March. There has been support from supply cuts from Iraq. Gold prices pushed higher hitting new records, on

expectations of further monetary stimulus.

COVID-19: Speaking to reporters, Prime Minister Scott Morrison said that the Victorian lockdown was likely to reduce Australian GDP by 2.5% in Q3. The government is now expecting unemployment to peak at 10%, rather than the 9.25% estimated by treasury in the July economic and fiscal update. The Department of Health reported 483 new cases yesterday. A total 471 were in Victoria and 12 cases were in NSW.

Australia: There was no major data released yesterday.

Europe: German factory orders surged in June, rising 27.9%, following a 10.4% in May. Orders are still below the pre-pandemic level in February, suggesting that activity has not fully recovered. Uncertainty remains for the outlook given the risk of COVID-19 and weak demand. However, the gain was well above the consensus expectation for a 10.1% increase and an encouraging sign that activity was recovering.

United Kingdom: The Bank of England (BoE) kept monetary policy settings unchanged, holding interest rates at 0.1% and quantitative easing at £745 billion. Near-term forecasts were upgraded with the unemployment rate now expected to peak at 7.5% instead of just under 10% previously. However, the economy was expected to take longer to recover and would not return to its pre-

pandemic level until the end of 2021. Governor Andrew Bailey said that they were “ready to act, should that be needed”. On negative rates, Bailey said that they were “part of our toolbox” but there was no plan to use them.

United States: Negotiations are continuing among Republicans and Democrats on an aid package and remain in disagreement on the \$600 per week enhanced unemployment benefits.

Initial jobless claims fell 249k to 1.2 million for the week ending July 31, although claims remain at a very high level, and significantly above the 200k-250k claims per week prior to the pandemic.

Separately, other data indicated further weakness for the labour market. Challenger reported a 54% increase in job cuts in July, which was 576% higher than a year ago. The number of job cuts was the third largest monthly total ever after April and May.

Today's key data and events:

AU AiG Perf of Services Index Jul prev 31.5 (8:30am)
AU RBA Statement on Monetary Policy (11:30am)
AU RBA's Ellis Gives Speech Online (11:45am)
CH Exports Jul y/y exp 0.9% prev 4.3% (7 Aug)
CH Imports Jul y/y exp 2.5% prev 6.2% (7 Aug)
CH Trade Balance Jul exp ¥286.75b prev ¥328.94b (7 Aug)
US Nonfarm Payrolls Jul exp 1500k prev 4800k (10:30pm)
US Unemployment Rate Jul exp 10.5 prev 11.1 (10:30pm)
US Average Hourly Earnings Jul exp -0.5% prev -1.2% (10:30pm)
US Participation Rate Jul exp 61.8 prev 61.5 (10:30pm)
US Underemployment Rate Jul prev 18 (10:30pm)
US Fed's Rosengren Testifies (12am)
US Consumer Credit Jun exp \$10.0b prev -\$18.3b (5am)

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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