

## 3<sup>rd</sup> July: Lack of liquidity and traders sees meaningless trade

- **SNAPSHOT:** Equities (futs) down, Treasuries closed, Dollar flat, Crude down.
- **WEEK IN FOCUS:** Highlights include: US ISM Non-Manufacturing PMI, RBA Monetary Policy Decision, Eurogroup meeting, Chinese CPI/PPI, Canadian Jobs Report, Riksbank Minutes. [Click here for full report.](#)
- **CENTRAL BANK WEEKLY:** Previewing RBA, BOI; Reviewing FOMC Minutes, BoJ Tankan, Riksbank. [Click here for full report.](#)

## MARKET WRAP

In holiday thinned trading conditions equity futures saw rangebound trade albeit were trading with some losses, although these aren't to be read in to too much. The downside started in Europe reversing overnight optimism, although there was little to change the dial today with focus still remaining on COVID cases in key hotspots and reopening plans. On the vaccine front, Regeneron (REGN) and Sanofi's (SAN FP) phase three trial of Kevzara in COVID patients did not meet its primary endpoints, although this is not one of the front running candidates. Separate reports in the FT note the UK is in talks to join an EU plan to secure potential COVID-19 vaccine supplies, where an announcement could come as soon as next week. DXY and XAU were little changed. Crude futures were lower, not helped by [Angola dragging its heels](#) in OPEC discussions.

**EUROPEAN CASH CLOSES:** EURO STOXX 50 (-0.87%) at 3,291, FTSE 100 (-1.43%) at 6,149, DAX (-0.80%) at 12,506, CAC 40 (-1.08%) at 4,995, IBEX 35 (-1.27%) at 7,403, FTSE MIB (-0.98%) at 19,692, SMI (-0.55%) at 10,131.

## COVID-19

**REOPENING/CASES:** Florida cases rise +9,488/5.6% (prev. +10,109/6.6%, 7-day average 5.8%). Arizona cases rise 4,433/+5.1% (prev. D/D +3,333/+4.0%); hospitalisations +75 to a record high level of 3,013; adult ICU in use by all patients +2 percentage points to 91%. Alabama cases rise by 1,754, the highest daily increase in the state. New York cases +918 (prev. +875/+0.2%); hospitalisations at 857 (prev. 878), positivity rate at 1.38% (prev. 1.25%). Meanwhile, WHO's Ryan said that certainty of a second wave is not there, what is happening in many countries is a new peak in the first wave.

## DATA

**Chinese Caixin Services PMI** (Jun) 58.4 vs. Exp. 53.2 (Prev. 55.0); Highest since April 2010. **Australian Retail Sales** MM (May) 16.9% vs. Exp. 16.3% (Prev. -17.7%). **EU Markit Services Final PMI** (Jun) 48.3 vs. Exp. 47.3 (Prev. 47.3). **EU Markit Comp Final PMI** (Jun) 48.5 vs. Exp. 47.5 (Prev. 47.5). Having sunk to an unprecedented low in April amid widespread business closures to fight the virus outbreak, the PMI has risen to a level indicative of GDP contracting at a quarterly rate of just 0.2%, suggestive of strong monthly GDP gains in both May and June. However, despite the vigour of the return to work following COVID-19 business closures, we remain cautious as to the strength of any longer-term recovery after the immediate rebound. **UK Markit/CIPS Services PMI Final** (Jun) 47.1 vs. Exp. 47.0 (Prev. 47.0). June data highlights that the worst phase of the service sector downturn has passed as more businesses start to reopen and adapt their operations to meet social distancing requirements. Encouragingly, more than one-in-four service providers reported an expansion of new business during June, which was commonly attributed to pent up demand and the phased restart of the UK economy.

## CENTRAL BANKS

**ECB:** Knot said the recent data solidifies confidence in the ECB's baseline scenarios and the balance of risks has become more favourable. Meanwhile, the central bank is said to be in dispute on the flexibility of its bond purchases, sources reported. Reminder, in the June minutes: a range of preferences were expressed in favour of either a larger or smaller envelope for a PEPP expansion, although in the end, a broad consensus emerged among members around the proposal put forward by Mr Lane to expand the PEPP envelope by EUR 600bln. The point was made that the June

projections did not cover the possibility that the crisis could spill over to the financial sector: if this were to happen, it would trigger a further deterioration in financial conditions and necessitate an even stronger monetary policy response. The point was also made that the June projections did not take into account the Commission's recovery fund proposal or recently announced national fiscal measures, which could entail an upside risk to the economic outlook contained in the staff projections.

**PBOC** is likely to lower its Loan Prime Rate this month after having kept it unchanged for 3 months, according to reports in China Securities Journal citing comments from Citic Securities Deputy Head of Research. Meanwhile, the PBOC will lower fees and increased platforms for the Hong Kong based bond connect.

## WEEKLY FX WRAP

**USD:** A somewhat truncated, but still turbulent week for the Dollar with the usual month end rebalancing embellished by the fact that the June/July turn also aligns with the crossover from Q2 to Q3 and H1-H2. However, bank models only signalled moderate Greenback selling for portfolio purposes, and not across the board as positions were skewed the other way in Euro terms to the benefit of the DXY given its prominent weighting in the basket. Hence, the index actually hit highs of 97.808 on Tuesday before losing momentum and reversing to a 96.801 low post-ADP/pre-NFP amidst a broad upturn in risk sentiment. To recap, the former actually missed consensus, but was more than compensated by a huge upward revision to the previous month, while the latter was better than forecast again both in headline terms and on the unemployment rate. Nevertheless, the more timely weekly jobless claims tally disappointed vs expectations and along with the ongoing rise/spread of COVID-19 cases across US states (including record numbers in some), economic recovery optimism is tinged with concern over the potential longer term damage if hot-spots continue to flare up and force a return to lockdown. Indeed, Fed chair Powell remained cautious about the outlook in latest testimony and FOMC minutes retained a distinctly dovish tone, albeit acknowledging further evidence of a rebound, like the manufacturing ISM and pending home sales on top of monthly labour data. Consequently, the Buck is caught between stalls as a safe-haven alongside the Yen and Gold to varying degrees awaiting coronavirus developments, updates on various vaccine trials, and ultimately 'confirmation' that the worst is over. [Click here for full report.](#)