

## 6 July 2020

- Asian equity markets and US equity futures began the week mostly firmer; Hong Kong and Mainland China surged
- US CDC reported 52,228 new coronavirus cases and 271 deaths; Florida coronavirus cases rose by 10,059 and Texas cases rose by 3,449
- US Officials intend to promote a new study showing promising therapeutic results for COVID-19, an announcement they have described as being 'market-moving', NBC reported
- China is braced for possible financial sanctions from the United States over the Hong Kong national security law
- It was reported that China is considering retaliatory measures against Britain and Australia in the form of increased tariffs
- In FX, DXY was lacklustre; USD/JPY and antipodeans were underpinned by the risk appetite
- Looking ahead, highlights include EU & UK Construction PMIs, US Composite & Services PMIs (Final), ISM Non-Manufacturing PMI

## CORONAVIRUS UPDATE

World Health Organization reported that the global number of new COVID-19 cases rose by a record 212,326 to over 10.9mIn as of Saturday. (Newswires)

US CDC reported 52,228 new coronavirus cases on Sunday for a total of 2,841,906 and the death toll increased by 271 to 129,576. (Newswires)

Florida coronavirus cases rose by 10,059 which represents the 3rd occasion new daily cases rose by over 10,000 in the past 4 days, while Texas coronavirus cases rose by 3,449 to 195,239 and current hospitalizations rose by 291 to a record 8,181 total. Furthermore, Texas and Florida had reported record daily increases on Saturday with a combined total of almost 20,000 new cases. (Newswires)

White House Officials are reportedly planning to intensify a sharper and less-conflicting message regarding COVID-19, which will focus on the fact the virus is not going away soon and will be around for the November Presidential election. Additionally, in the next week Officials intend to promote a new study showing promising therapeutic results, an announcement they have described as being 'market-moving'. (NBC)

UK coronavirus death toll rose by 22 to 44,330 which was one of the lowest number of increases in deaths since the pandemic began. (Newswires)

Spain's Galicia has re-imposed lockdown restrictions until Friday with individuals only allowed to leave for work travel, a move which follows Catalonia imposing a regional lockdown which is being enforced via police checkpoints. Restrictions affect around 70k people in Galcia and 210k in Catalonia. (BBC)

Australia's New South Wales will close border with Victoria from Tuesday amid increases in coronavirus cases for the latter. Australia's Victoria state imposed further restrictions including a hard lockdown in 9 public housing towers in Melbourne where police guards have been placed to ensure residents will not leave their homes and which affects about 3,000 residents. (Newswires)

US FDA Commissioner Hahn said he cannot predict when a COVID-19 vaccine will be available. (BBC) *This follows US President Trump's suggestion that a "vaccine solution" to the pandemic would be ready "long before the end of the year".*

Experts at Oxford University believe that COVID-19 may not have originated from China and could have lain dormant across the world and emerged when environment conditions were right. (Telegraph)

## ASIA

**Asian equity markets and US equity futures began the week mostly firmer as trade picked up from the holiday lull in which the broad heightened risk appetite consigned the increasing COVID-19 infection rates to the backseat. ASX 200 (-0.3%) and Nikkei 225 (+1.5%)** were mixed as the Australian benchmark lagged due to weakness in industrials and the commodity related sectors and with sentiment also subdued by rising infections in the country's 2nd largest city of Melbourne which prompted the Victoria state government to close the border with New South Wales from tomorrow, while Tokyo stocks coat-tailed on the favourable currency flows and after the decisive victory by Tokyo Governor Koike at the gubernatorial election on Sunday. **Hang Seng (+3.3%) and Shanghai Comp. (+4.2%)** surged despite the lack of solid fundamental catalysts and amid the ongoing global reproach towards China with Canada suspending its extradition treaty with Hong Kong in the wake of the security law and with the UK set to end the use of Huawei technology in the 5G networks as early as this year due to security issues, while it was separately reported that China is considering retaliatory measures against Britain and Australia in the form of increased tariffs. Nonetheless, this failed to impede the rally in Chinese stocks and the mainland bourse extended to its highest level seen since the beginning of 2018 with financials leading the ascent amid increased IPO activity and after the latest PBoC survey showed the loan demand index surged to 75.8 in Q2 vs. Prev. 66.0 in Q1. Finally, 10yr JGBs were lower amid similar weakness in T-notes as havens were shunned by the heightened risk appetite, which saw prices retreat further away from resistance near 152.00, but with downside also stemmed by the BoJ's presence in the market whereby it upped purchases of 5yr-10yr maturities.

PBoC skipped reverse repo operations for a net daily drain of CNY 180bln. (Newswires)  
PBoC set USD/CNY mid-point at 7.0663 vs. Exp. 7.0642 (Prev. 7.0638)

**China is braced for possible financial sanctions from the United States over the Hong Kong national security law, but still hopes to ease tensions with Washington, according to a source close to China's financial authority, who added that the Mainland and Hong Kong "certainly have prearranged plan". The official did not elaborate on China's possible responses. (SCMP)**

**Canadian PM Trudeau said they are looking at taking additional measures regarding Hong Kong including immigration. There were also comments from the Global Times which warned that meddling in Hong Kong is to backfire on Canada's economy. (Newswires/Twitter)**

**UK is set to end the use of Huawei technology in the 5G networks as early as this year due to security issues, while it was separately reported that China is considering retaliatory measures against Britain and Australia in the form of increased tariffs. (Sky News/The Australian)**

China Daily's EU Bureau Chief Chen tweeted criticism on US President Trump in which he alleged President Trump is racist and the most incompetent national leader in pandemic response, while he added that President Trump sabotages global solidarity too. (Newswires)

## UK/EU

**UK PM Johnson will set the timetable for reopening in the week ahead and said he will not hesitate to reimpose restrictions if COVID-19 runs out of control again, while they are looking at other ways to contain a second wave as they do not want to do a national lockdown again. (Newswires)**

**UK Treasury is mulling steps on how to make it easier for businesses to access coronavirus support loans.** The Treasury and the British Business Bank are reviewing access to state-backed loan schemes after EU relaxed state-aid rules. Sources said it was likely that UK firms rejected under the EU's financial difficulty tests could reapply if loan schemes were altered. **There were also separate reports that Chancellor Sunak is considering a radical proposal to give vouchers of GBP 500 to each adult to spend on companies impacted by the coronavirus pandemic, while is also said to plan increasing the property tax threshold to as high as GBP 500,000.** (The Times/Telegraph/Guardian)

UK banks are reportedly preparing a code of conduct for pursuing businesses which default on coronavirus loan repayments amid industry forecasts that as many as 80% of borrowers may fail to fully repay loans. (The Guardian)

UK hospitality industry warned UK PM Johnson that urgent support is needed for the industry to avert widespread devastation. (BBC)

**BoE Governor Bailey** reiterated that negative interest rates were one of the potential measures under review should further stimulus be required, but also warned lenders of challenges associated with negative rates. (Newsires)

**ECB's Villeroy** stated that the French economy is probably rebounding faster than anticipated and that the latest economic figures suggest situation is at least as well as expected early last month and probably better. Furthermore, the Governing Council member stated that exceptional ECB measures are here to stay. (Newsires)

**Bundesbank is to reportedly formally elect to take the lead from the German Finance Ministry & Parliament that the proportionality requirements have been satisfied**; debate remains on whether to announce this or just let the deadline of August 5<sup>th</sup> pass, according to Officials. (FT)

**French President Macron is set to unveil a new cabinet this Monday, according to sources.** (Newsires)

**Greece's PM said he will not accept strict EU conditions on the use of coronavirus emergency funds** in a sign of the difficult negotiations ahead and additional red lines appearing among EU member states for a recovery fund that needs unanimous backing to pass. (FT/Twitter)

Fitch affirmed Switzerland at AAA; Outlook Stable. (Newsires)

## FX

In FX markets, the **DXY** was lacklustre and breached the 97.00 level to the downside as the constructive tone across stocks favoured risk currencies over the greenback and amid rising COVID-19 infection rates stateside which tempered 4th of July celebrations. **EUR/USD** was firmer after having launched off its 100-Hour and 200-Hour moving average at 1.1241 and 1.1243 respectively, while **GBP/USD** was less decisive after BoE Governor Bailey reiterated the view that negative rates were among the tools being reviewed if further stimulus was required but also warned lenders of the challenges associated with the unconventional policy. Elsewhere **USD/JPY** was underpinned by the risk appetite and **antipodeans** also benefitted due to their high beta statuses but with gains limited following a relatively stable, albeit weaker PBoC reference rate and heading into tomorrow's RBA policy meeting.

## COMMODITIES

Commodities traded mixed with mild gains seen in **Brent** crude which made an attempt on the USD 43.00/bbl level to the upside, while **WTI** crude futures were marginally weaker with prices contained by resistance at USD 40.50/bbl and amid reports that placed doubts on China fulfilling its targeted purchases of US energy products. Elsewhere, **gold** was rangebound as the tailwinds from a subdued greenback on the precious metal was nullified by the lack of haven demand, and **copper** prices also conformed to the humdrum tone across the commodities complex despite the firm rally in the Asia-Pac region and outperformance of Chinese stocks.

**China is said to be far behind on its agreed purchases of US energy products under the Phase 1 deal and will unlikely be able to fulfill its pledge to buy USD 25bln of US energy for this year.** (WSJ)

## GEOPOLITICAL

**US deployed aircraft carriers to the South China Sea for freedom of navigation operations.** (Newsires)

**Iran's Revolutionary Guards Navy Commander said Tehran has set up underground missile cities along coasts of gulf and Gulf of Oman**, while he added that the IRGC Navy is present everywhere in the gulf like a nightmare for enemies. (Newsires)

Iran acknowledged that a fire incident and apparent explosion at its Natanz nuclear site set back its centrifuge program. Furthermore, Israeli experts assessed that the incident could set back Iran's nuclear program by a year, while a Middle Eastern intelligence official alleged that Israel was behind the recent incident at Iran's Natanz nuclear site which damaged buildings. (Newsires/NYT)

## US

US musician Kanye West has announced he is running for US presidency this year. However, he does not appear to have registered his name with the Federal Election Commission (FEC) for November's election. (BBC)