

## The week that was

- President Trump declared that the trade talks between the US and China were 'back on track' after he met with Chinese President Xi at the G20 Leader's Summit in Japan. While this doesn't preclude another worsening in the ongoing trade dispute in the future, it will nevertheless be welcomed by markets.
- While the US threat to further increase tariffs on Chinese exports has been a key driver of markets in recent months, the other key development has been a dramatic shift in policy rhetoric from central banks. Last week RBA Governor Lowe indicated that another rate cut was not only likely, but necessary. And this raises the prospect that the RBA could cut rates again at its July policy meeting.
- It was a mixed week for markets with US bond yields continuing to decline, while most yields in Australia edged up. Similarly, while equity markets in Australia and the US were down modestly, Japanese and European stocks ended higher. With the prospect that the US central bank will cut rates more aggressively than the RBA, the A\$ also strengthened, rising above US 70 cents.

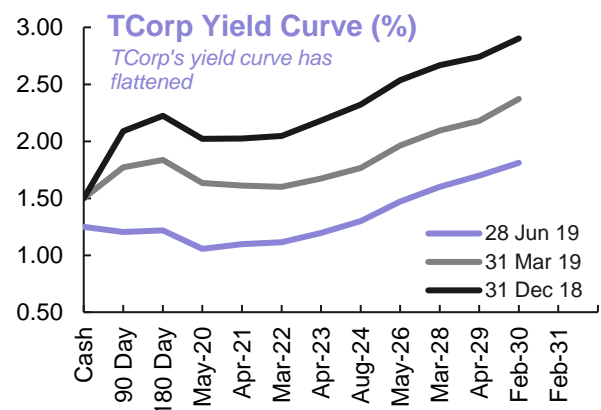
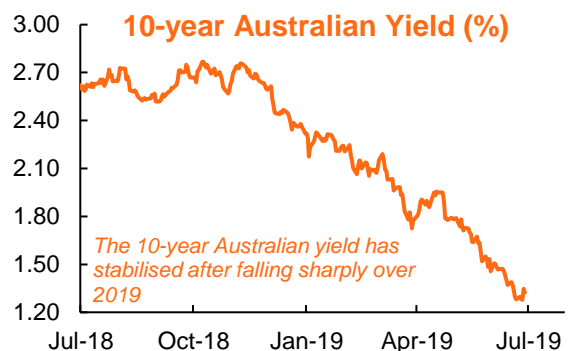
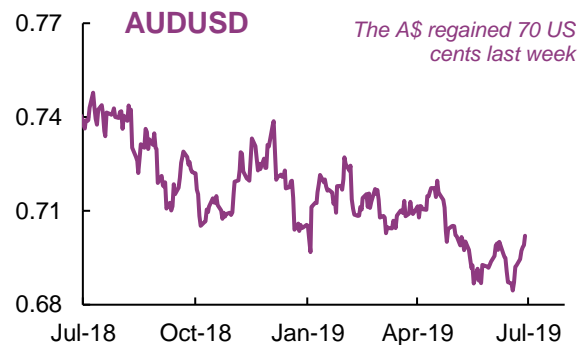
## Economic calendar

<b>Monday</b> 1/07	US: ISM Survey Global: Manufacturing PMIs
<b>Tuesday</b> 2/07	AU: RBA Policy Meeting RBA Governor speech
<b>Wednesday</b> 3/07	AU: Building approvals
<b>Thursday</b> 4/07	AU: Retail sales
<b>Friday</b> 5/07	US: Non-farm payrolls

## The week ahead

- It's a very busy start to the new financial year, with the RBA policy meeting at centre stage. Market pricing suggests that there is a 70% chance of the RBA cutting its cash rate at this meeting. The RBA Governor has said that another rate cut is likely and so, in our view, there seems little benefit in delaying the inevitable.
- The US will release some key data this week with an update on the manufacturing sector (the ISM survey) and the labour market (non-farm payrolls). With regional manufacturing surveys weakening in June, markets will be nervously awaiting the economy-wide measure of activity. Purchasing Manager's Indexes (PMIs) will also be released in China and Europe.

## Financial markets charts



## Financial markets data: Week ending 28 June 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.25	0	—	-25	▼
90-day BBSW	1.20	-1	▼	-89	▼
3-year Australian Bond Yield	0.96	6	▲	-89	▼
10-year Australian Bond Yield	1.32	4	▲	-100	▼
20-year Australian Bond Yield	1.73	3	▲	-95	▼
10-year Australian Break-Even Inflation	1.38	-5	▼	-26	▼
10-year Australian Real Yield	-0.06	9	▲	-74	▼
Fed Funds Rate (lower bound)	2.25	0	—	0	—
2-year US Treasury Yield	1.75	-1	▼	-73	▼
10-year US Treasury Yield	2.01	-5	▼	-68	▼
30-year US Treasury Yield	2.53	-5	▼	-49	▼
10-year German Bund Yield	-0.33	-4	▼	-57	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	1.06	0	▼	-97	▼
4.00% 8 April 2021	1.10	6	▲	-93	▼
6.00% 1 March 2022	1.11	3	▲	-93	▼
4.00% 20 April 2023	1.20	3	▲	-99	▼
5.00% 20 August 2024	1.30	3	▲	-102	▼
4.00% 20 May 2026	1.47	0	▲	-106	▼
3.00% 20 May 2027	1.60	1	▲	-107	▼
3.00% 20 March 2028	1.70	0	▲	-104	▼
3.00% 20 April 2029	1.81	1	▲	-104	▼
3.00% 20 February 2030	1.90	0	▼	-100	▼
3.75% 20 August 2020 CIB	0.09	-8	▼	-56	▼
2.75% 20 November 2025 CIB	0.20	9	▲	-73	▼
2.50% 20 November 2035 CIB	0.70	5	▲	-54	▼
10-year NSW TCorp Bond Yield	1.85	1	▲	-97	▼
10-year TCV (Victoria) Spread	-0.04	-1	▼	1	▲
10-year QTC (Queensland) Spread	0.04	-2	▼	-2	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,619	-0.5%	▼	17.2%	▲
S&P 500 (US)	2,942	-0.3%	▼	17.3%	▲
FTSE 100 (UK)	7,426	0.2%	▲	10.4%	▲
DJ Stoxx 600 (Europe)	385	0.0%	▲	14.0%	▲
Nikkei 225 (Japan)	21,276	0.1%	▲	6.3%	▲
Shanghai Composite (China)	2,979	-0.8%	▼	19.4%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.702	1.4%	▲	-0.5%	▼
EUR/USD	1.137	0.0%	▲	-0.7%	▼
USD/JPY	107.85	0.5%	▲	-2.0%	▼
GBP/USD	1.27	-0.3%	▼	-0.3%	▼
US\$ Index	96.13	-0.1%	▼	0.0%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	66.55	2.1%	▲	23.7%	▲
Iron Ore (US\$/t)	109.18	-0.3%	▼	53.5%	▲
Coking Coal (US\$/t)	1,441.00	1.4%	▲	-0.3%	▼
Gold (US\$/oz)	1,409.55	0.7%	▲	9.9%	▲

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