

## The week that was

- The key news last week was the surprising resilience of US employment data. Employment increased by 224,000 in June which was much stronger than the market had expected. This suggests that despite some signs that the ongoing trade dispute between China and the US is weighing on business sentiment, US households are yet to be affected by it.
- In Australia, the RBA Governor indicated that while the RBA is prepared to cut rates again, that such a move will only occur "if needed". This suggests that the RBA is prepared to wait and see if the two rate cuts that they have delivered, and the Government's tax cuts, will boost spending before they consider cutting again. Retail sales and building approvals data suggest that the economy remains sluggish but not slowing dramatically.
- Before the strong jobs data, US financial markets were toying with the possibility that the US central bank may cut rates by 50 bps at its July policy meeting. After the strong jobs result, however, that seemed unlikely and US yields edged up, US and European equity markets also fell on Friday, but still ended the week comfortably higher. Australian yields, were a little lower supported by the RBA rate cut.

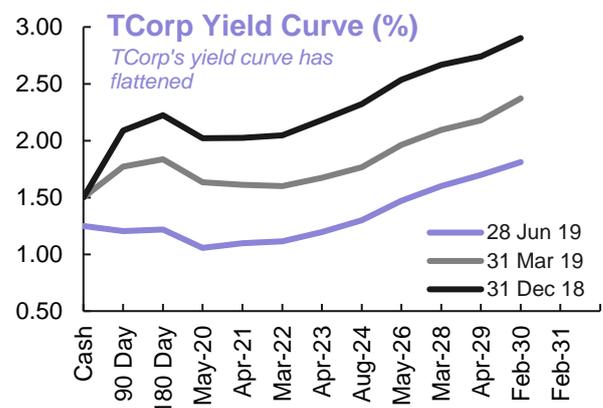
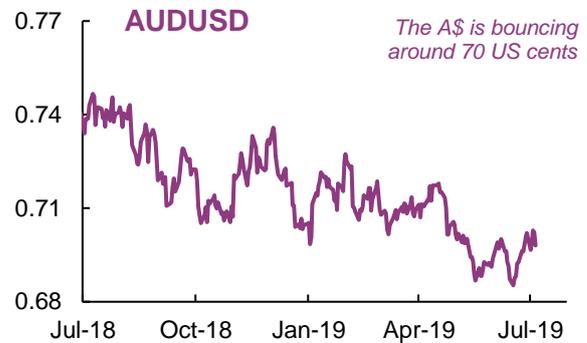
## Economic calendar

|                           |                                |
|---------------------------|--------------------------------|
| <b>Monday</b><br>8/07     | AU: ANZ Job advertisements     |
| <b>Tuesday</b><br>9/07    | AU: NAB business survey        |
| <b>Wednesday</b><br>10/07 | AU: Consumer sentiment         |
| <b>Thursday</b><br>11/07  | US: Fed Chair Powell testimony |
|                           | US: CPI                        |

## The week ahead

- In Australian, we will receive updates on business and consumer sentiment. These will mainly be viewed through the prism of the policy stimulus unleashed in recent weeks and whether that is boosting optimism. Last month, business confidence did rise, although actual conditions fell substantially.
- In the US, the main focus will be on the Congressional testimony of the Chair of the US Federal Reserve, Jerome Powell. In particular, investors will be looking for hints as to whether he is open to cutting rates in the near future. Inflation data, released later in the week, may also support the case for lower rates if it again shows that inflation is moving away from the Fed's target.

## Financial markets charts



## Financial markets data: Week ending 5 July 2019

| Interest Rates                          | Close (%) | 1 Week (bps) |   | YTD (bps) |   |
|---|-----------|--------------|---|-----------|---|
| RBA Cash Rate                           | 1.00      | -25          | ▼ | -50       | ▼ |
| 90-day BBSW                             | 1.13      | -8           | ▼ | -96       | ▼ |
| 3-year Australian Bond Yield            | 0.93      | -2           | ▼ | -92       | ▼ |
| 10-year Australian Bond Yield           | 1.28      | -4           | ▼ | -104      | ▼ |
| 20-year Australian Bond Yield           | 1.72      | -1           | ▼ | -96       | ▼ |
| 10-year Australian Break-Even Inflation | 1.36      | -3           | ▼ | -28       | ▼ |
| 10-year Australian Real Yield           | -0.07     | -1           | ▼ | -75       | ▼ |
| Fed Funds Rate (lower bound)            | 2.25      | 0            | — | 0         | — |
| 2-year US Treasury Yield                | 1.86      | 10           | ▲ | -63       | ▼ |
| 10-year US Treasury Yield               | 2.03      | 3            | ▲ | -65       | ▼ |
| 30-year US Treasury Yield               | 2.54      | 1            | ▲ | -47       | ▼ |
| 10-year German Bund Yield               | -0.36     | -4           | ▼ | -61       | ▼ |
| NSW TCorp Bonds                         | Close (%) | 1 Week (bps) |   | YTD (bps) |   |
| 6.00% 1 May 2020                        | 1.02      | -4           | ▼ | -100      | ▼ |
| 4.00% 8 April 2021                      | 1.06      | -3           | ▼ | -96       | ▼ |
| 6.00% 1 March 2022                      | 1.08      | -3           | ▼ | -96       | ▼ |
| 4.00% 20 April 2023                     | 1.15      | -5           | ▼ | -103      | ▼ |
| 5.00% 20 August 2024                    | 1.25      | -5           | ▼ | -108      | ▼ |
| 4.00% 20 May 2026                       | 1.40      | -7           | ▼ | -113      | ▼ |
| 3.00% 20 May 2027                       | 1.53      | -7           | ▼ | -114      | ▼ |
| 3.00% 20 March 2028                     | 1.63      | -7           | ▼ | -111      | ▼ |
| 3.00% 20 April 2029                     | 1.74      | -7           | ▼ | -110      | ▼ |
| 3.00% 20 February 2030                  | 1.83      | -7           | ▼ | -108      | ▼ |
| 3.75% 20 August 2020 CIB                | 0.08      | -1           | ▼ | -58       | ▼ |
| 2.75% 20 November 2025 CIB              | 0.18      | -2           | ▼ | -75       | ▼ |
| 2.50% 20 November 2035 CIB              | 0.72      | 2            | ▲ | -52       | ▼ |
| 10-year NSW TCorp Bond Yield            | 1.79      | -6           | ▼ | -103      | ▼ |
| 10-year TCV (Victoria) Spread           | -0.04     | 0            | ▼ | 1         | ▲ |
| 10-year QTC (Queensland) Spread         | 0.04      | 0            | ▼ | -3        | ▼ |
| Equities                                | Close     | 1 Week       |   | YTD       |   |
| S&P/ASX 200 (Australia)                 | 6,751     | 2.0%         | ▲ | 19.6%     | ▲ |
| S&P 500 (US)                            | 2,990     | 1.7%         | ▲ | 19.3%     | ▲ |
| FTSE 100 (UK)                           | 7,553     | 1.7%         | ▲ | 12.3%     | ▲ |
| DJ Stoxx 600 (Europe)                   | 390       | 1.4%         | ▲ | 15.5%     | ▲ |
| Nikkei 225 (Japan)                      | 21,746    | 2.2%         | ▲ | 8.7%      | ▲ |
| Shanghai Composite (China)              | 3,011     | 1.1%         | ▲ | 20.7%     | ▲ |
| Currencies                              | Close     | 1 Week       |   | YTD       |   |
| AUD/USD                                 | 0.698     | -0.6%        | ▼ | -1.0%     | ▼ |
| EUR/USD                                 | 1.123     | -1.3%        | ▼ | -2.1%     | ▼ |
| USD/JPY                                 | 108.47    | 0.6%         | ▲ | -1.1%     | ▼ |
| GBP/USD                                 | 1.25      | -1.4%        | ▼ | -1.8%     | ▼ |
| US\$ Index                              | 97.29     | 1.2%         | ▲ | 1.2%      | ▲ |
| Commodities                             | Close     | 1 Week       |   | YTD       |   |
| Brent Oil (US\$/bbl)                    | 64.23     | -3.5%        | ▼ | 19.4%     | ▲ |
| Iron Ore (US\$/t)                       | 115.78    | 6.0%         | ▲ | 62.8%     | ▲ |
| Coking Coal (US\$/t)                    | 1,362.50  | -5.4%        | ▼ | -5.7%     | ▼ |
| Gold (US\$/oz)                          | 1,399.45  | -0.7%        | ▼ | 9.1%      | ▲ |

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