

## The week that was

- The global economy continued to recover in July, with Purchasing Managers' Indexes for both the manufacturing and services sectors generally returning into expansionary territory. But with these surveys of business activity point to a rise in new orders, employment intentions remain weak.
- That said, official US employment data suggest that jobs rose by 1.5 million in July with the unemployment rate falling to 10.2%. The Reserve Bank of Australia (RBA) also released updated forecasts last week, with the bank expecting Australia's unemployment rate to increase to 10% at the end of 2020.
- Investors welcomed the data flow with most major equity markets rising over the last week. The US market rose by 2.5% while the Australian share market increased by 1.3%.
- Bond yields generally edged higher over the last week, although Australian 3-year yields declined as the RBA recommenced its bond-buying activity in order to anchor the 3-year bond yield at 25bps.

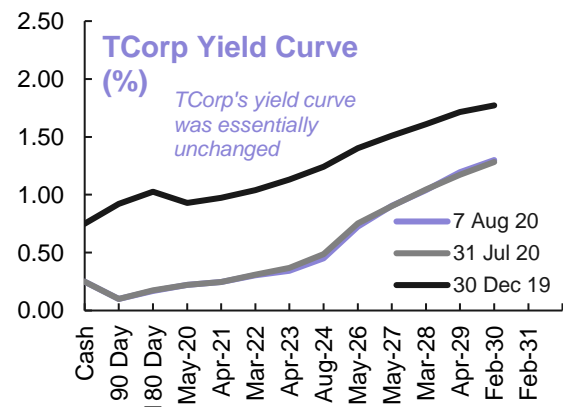
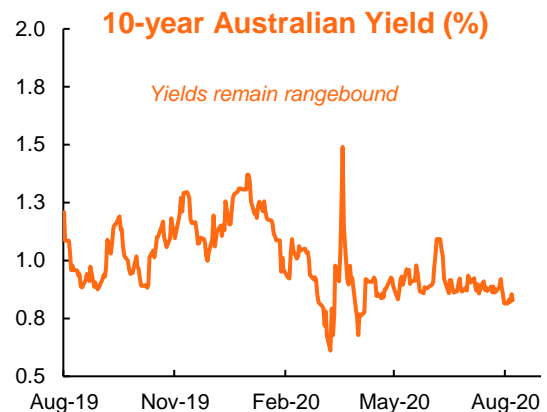
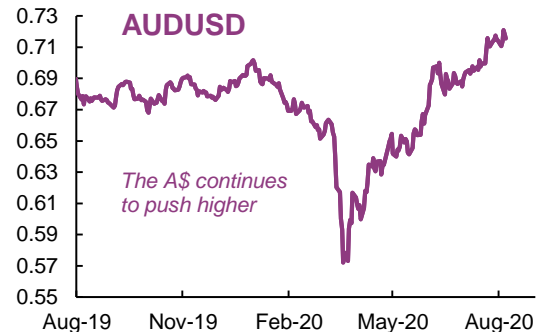
## Economic calendar

|                           |   |
|---------------------------|---|
| <b>Monday</b><br>10/08    | CH: Consumer price index, July  |
| <b>Tuesday</b><br>11/08   | AU: NAB business survey, July<br>AU: Payrolls                           |
| <b>Wednesday</b><br>12/08 | AU: Wage price index, June<br>US: Consumer price index, July            |
| <b>Thursday</b><br>13/08  | AU: Employment, July<br>US: Initial jobless claims                      |
| <b>Friday</b><br>14/08    | CH: Retail sales, industrial production, July<br>US: Retail sales, July |

## The week ahead

- In Australia, there is an avalanche of labour market data. While the monthly labour force survey is usually the key focus, we think the Statistician's survey of payrolls will be more important as it is timelier and a more reliable guide to how many people are being employed by firms.
- China will also release its monthly batch of data, with July retail sales and industrial production of most interest. While Chinese production has bounced back strongly, demand has been slower to rebound and so investors will be looking for signs of stronger retail spending.
- In the US, the main focus will be on retail spending data. There are some signs that consumer spending stalled in July as COVID-19 case numbers increased strongly. Analysts, however, still expect that retail sales will rise.

## Financial markets charts



## Financial markets data: Week ending 31 July 2020

| Interest Rates                          | Close (%) | 1 Week (bps) |   | YTD (bps) |     |
|---|-----------|--------------|---|-----------|-----|
| RBA Cash Rate                           | 0.25      | 0            | — | -50       | ▼   |
| 90-day BBSW                             | 0.10      | 0            | — | -82       | ▼   |
| 3-year Australian Bond Yield            | 0.26      | -1           | ▼ | -65       | ▼   |
| 10-year Australian Bond Yield           | 0.83      | 1            | ▲ | -54       | ▼   |
| 20-year Australian Bond Yield           | 1.53      | 0            | ▲ | -34       | ▼   |
| 10-year Australian Break-Even Inflation | 1.34      | -3           | ▼ | -7        | ▼   |
| 10-year Australian Real Yield           | -0.51     | 5            | ▲ | -47       | ▼   |
| Fed Funds Rate (lower bound)            | 0.00      | 0            | — | -150      | ▼   |
| 2-year US Treasury Yield                | 0.13      | 2            | ▲ | -144      | ▼   |
| 10-year US Treasury Yield               | 0.56      | 4            | ▲ | -135      | ▼   |
| 30-year US Treasury Yield               | 1.23      | 4            | ▲ | -116      | ▼   |
| 10-year German Bund Yield               | -0.51     | 2            | ▲ | -32       | ▼   |
| NSW TCorp Bonds                         | Close (%) | 1 Week (bps) |   | YTD (bps) |     |
| 4.00% 8 April 2021                      | 0.25      | 0            | ▼ | -76       | ▼   |
| 6.00% 1 March 2022                      | 0.30      | -1           | ▼ | -76       | ▼   |
| 4.00% 20 April 2023                     | 0.34      | -2           | ▼ | -82       | ▼   |
| 1.00% 8 February 2024                   | 0.41      | -4           | ▼ | -87       | ▼   |
| 5.00% 20 August 2024                    | 0.45      | -4           | ▼ | -83       | ▼   |
| 4.00% 20 May 2026                       | 0.72      | -3           | ▼ | -73       | ▼   |
| 3.00% 20 May 2027                       | 0.91      | 0            | ▲ | -67       | ▼   |
| 3.00% 20 March 2028                     | 1.04      | -1           | ▼ | -63       | ▼   |
| 3.00% 20 April 2029                     | 1.19      | 2            | ▲ | -58       | ▼   |
| 3.00% 20 February 2030                  | 1.30      | 2            | ▲ | -54       | ▼   |
| 2.00% 20 March 2031                     | 1.44      | 1            | ▲ | -52       | ▼   |
| 2.00% 20 March 2032                     | 1.65      | 1            | ▲ | n/a       | n/a |
| 2.00% 20 March 2033                     | 1.73      | -1           | ▼ | -47       | ▼   |
| 3.75% 20 August 2020 CIB                | 1.60      | 35           | ▲ | 227       | ▲   |
| 2.75% 20 November 2025 CIB              | 0.01      | 0            | — | -8        | ▼   |
| 2.50% 20 November 2035 CIB              | 0.34      | 1            | ▲ | n/a       | n/a |
| 10-year NSW TCorp Bond Yield            | 1.38      | 1            | ▲ | -46       | ▼   |
| 10-year TCV (Victoria) Spread           | -0.07     | 1            | ▲ | -5        | ▼   |
| 10-year QTC (Queensland) Spread         | -0.01     | 0            | ▼ | -4        | ▼   |
| Equities                                | Close     | 1 Week       |   | YTD       |     |
| S&P/ASX 200 (Australia)                 | 6,005     | 1.3%         | ▲ | -10.2%    | ▼   |
| S&P 500 (US)                            | 3,351     | 2.5%         | ▲ | 3.7%      | ▲   |
| FTSE 100 (UK)                           | 6,032     | 2.3%         | ▲ | -20.0%    | ▼   |
| Euro Stoxx 600 (Europe)                 | 364       | 2.0%         | ▲ | -12.6%    | ▼   |
| Nikkei 225 (Japan)                      | 22,330    | 2.9%         | ▲ | -5.6%     | ▼   |
| Shanghai Composite (China)              | 3,354     | 1.3%         | ▲ | 10.0%     | ▲   |
| Currencies                              | Close     | 1 Week       |   | YTD       |     |
| AUD/USD                                 | 0.716     | 0.2%         | ▲ | 2.1%      | ▲   |
| EUR/USD                                 | 1.179     | 0.1%         | ▲ | 5.1%      | ▲   |
| USD/JPY                                 | 105.92    | 0.1%         | ▲ | -2.4%     | ▼   |
| GBP/USD                                 | 1.31      | -0.3%        | ▼ | -0.9%     | ▼   |
| US\$ Index                              | 93.44     | 0.1%         | ▲ | -3.1%     | ▼   |
| Commodities                             | Close     | 1 Week       |   | YTD       |     |
| Brent Oil (US\$/bbl)                    | 44.40     | 2.5%         | ▲ | -32.7%    | ▼   |
| Iron Ore (US\$/t)                       | 117.89    | 9.1%         | ▲ | 28.8%     | ▲   |
| Coking Coal (US\$/t)                    | 1,300.00  | 1.0%         | ▲ | 7.7%      | ▲   |
| Gold (US\$/oz)                          | 2,035.55  | 3.0%         | ▲ | 34.2%     | ▲   |

**Brian Redican**

Chief Economist

[brian.redican@tcorp.nsw.gov.au](mailto:brian.redican@tcorp.nsw.gov.au)

This material has been prepared by New South Wales Treasury Corporation ABN 99 095 235 825 (TCorp), a statutory corporation of New South Wales.

This material is of a general nature only and does not take into account your investment objectives, financial situation or needs. This material does not constitute investment advice. It should not be relied upon in determining whether to invest in a TCorpIM Fund. TCorp recommends you seek your own legal and financial advice before proceeding with any investment decision.

While this material has been formulated with all due care, TCorp does not warrant or represent that the material is free from errors or omissions, or that it is exhaustive. TCorp takes no responsibility for the accuracy, adequacy, currency or completeness of any information included in the material provided by third parties. Except where contrary to law, TCorp will not be liable for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of the use of, or reliance on, the information contained in this material.

This material is not intended to forecast or predict future events. Past performance is not a guarantee or a reliable indicator of future performance. The material is subject to change without notice and TCorp is not under any obligation to update the information or correct any inaccuracy which may become apparent at a later date.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2020. All rights reserved.

## About New South Wales Treasury Corporation (TCorp)

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$103 billion of assets under management, TCorp is a top five Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$99 billion. It is rated AAA by S&P and Aaa by Moody's.

### TCorp

Level 7, Deutsche Bank Place,  
126 Phillip Street, Sydney, NSW 2000

**Tel:** +61 2 9325 9325

[www.tcorp.nsw.gov.au](http://www.tcorp.nsw.gov.au)

[www.linkedin.com/company/tcorp-nswtreasurycorporation/](https://www.linkedin.com/company/tcorp-nswtreasurycorporation/)

