

The week that was

- The economic data released last week were underwhelming, with evidence that the US-China trade dispute continues to dampen activity and some signs that Australia's labour market is suffering from the effects of weaker housing construction. Despite that, renewed optimism that the US and China will reach a deal ultimately supported equity markets.
- The negative effects of the trade wars were evident in both the US and China. In the US, industrial production fell by 0.8% in October. Chinese industrial production was also much weaker than expected in October, while retail sales and investment also disappointed.
- It wasn't all bad news, however, with the German economy proving to be more resilient than expected in Q3, as it managed to eke out a small rise in production and so avoid a recession.
- In Australia, employment recorded its sharpest fall in October for two years, while the unemployment rate rose to 5.3%. While the jobs data are volatile, this was a disappointing outcome. With wages growing at a modest 2% annualised pace in Q3, any further deterioration in employment would effectively ensure that inflation will remain below 2%.

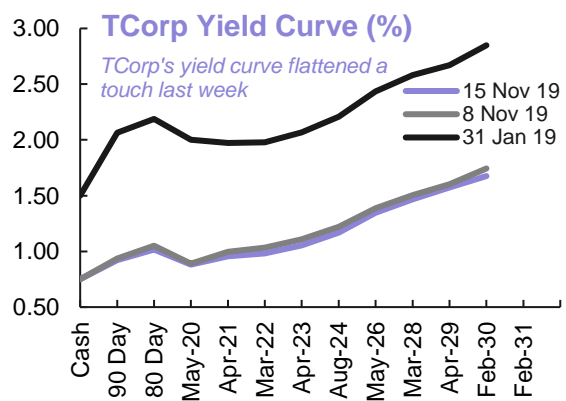
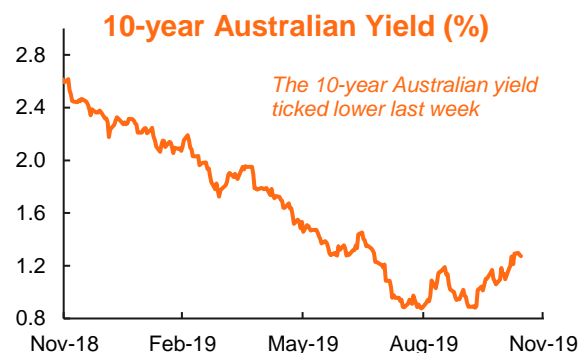
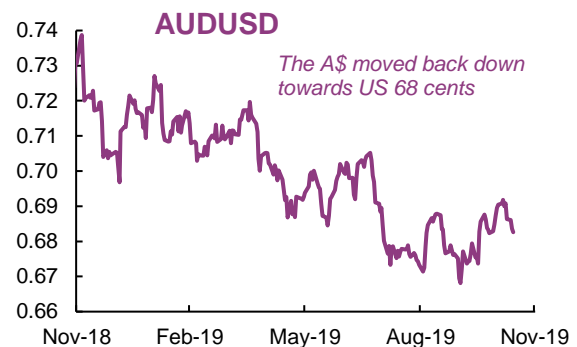
Economic calendar

Tuesday 19/11	AU: RBA Policy Meeting minutes US: Housing starts
Wednesday 20/11	US: Fed Policy Meeting minutes
Friday 22/11	Global: Manufacturing PMIs

The week ahead

- Markets are reaching an interesting juncture. While the trade war has taken a toll on global business investment, manufacturing activity and trade, investors appear increasingly confident that we have seen the worst and that conditions will improve in 2020. In October, there were preliminary signs that activity had stabilised and investors will be hoping for further positive signs in the November PMIs.
- Those same signs of stabilisation that investors have reacted to with such alacrity also appear to have been enough for central bankers to take a pause from adding further policy stimulus.
- This week, minutes from the most recent Australian and US central bank policy meeting will be released. And while the economies are in very different positions, we expect the message will be the same: policymakers are prepared to cut rates further if needed, but do not see any need at present.

Financial markets charts



Financial markets data: Week ending 15 November 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.75	0	—	-75	▼
90-day BBSW	0.89	-4	▼	-120	▼
3-year Australian Bond Yield	0.75	-13	▼	-110	▼
10-year Australian Bond Yield	1.16	-13	▼	-116	▼
20-year Australian Bond Yield	1.68	-10	▼	-100	▼
10-year Australian Break-Even Inflation	1.36	-6	▼	-28	▼
10-year Australian Real Yield	-0.20	-7	▼	-88	▼
Fed Funds Rate (lower bound)	1.50	0	—	-75	—
2-year US Treasury Yield	1.61	-6	▼	-88	▼
10-year US Treasury Yield	1.83	-11	▼	-85	▼
30-year US Treasury Yield	2.30	-12	▼	-71	▼
10-year German Bund Yield	-0.33	-7	▼	-58	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.87	-2	▼	-115	▼
4.00% 8 April 2021	0.90	-10	▼	-112	▼
6.00% 1 March 2022	0.92	-12	▼	-113	▼
4.00% 20 April 2023	0.98	-13	▼	-120	▼
5.00% 20 August 2024	1.09	-13	▼	-123	▼
4.00% 20 May 2026	1.25	-14	▼	-129	▼
3.00% 20 May 2027	1.35	-15	▼	-131	▼
3.00% 20 March 2028	1.46	-14	▼	-128	▼
3.00% 20 April 2029	1.56	-14	▼	-128	▼
3.00% 20 February 2030	1.59	-15	▼	-131	▼
3.75% 20 August 2020 CIB	-0.71	-6	▼	-136	▼
2.75% 20 November 2025 CIB	0.03	-7	▼	-90	▼
2.50% 20 November 2035 CIB	0.58	-10	▼	-66	▼
10-year NSW TCorp Bond Yield	1.61	-13	▼	-121	▼
10-year TCV (Victoria) Spread	0.00	1	▲	4	▲
10-year QTC (Queensland) Spread	0.05	0	▲	-1	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,794	1.0%	▲	20.3%	▲
S&P 500 (US)	3,120	0.9%	▲	24.5%	▲
FTSE 100 (UK)	7,303	-0.8%	▼	8.5%	▲
DJ Stoxx 600 (Europe)	406	0.2%	▲	20.3%	▲
Nikkei 225 (Japan)	23,303	-0.4%	▼	16.4%	▲
Shanghai Composite (China)	2,891	-2.5%	▼	15.9%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.682	-0.7%	▼	-3.4%	▼
EUR/USD	1.105	0.3%	▲	-3.5%	▼
USD/JPY	108.80	-0.4%	▼	-1.1%	▼
GBP/USD	1.29	1.0%	▲	1.2%	▲
US\$ Index	98.00	-0.4%	▼	1.9%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	63.30	1.3%	▲	17.7%	▲
Iron Ore (US\$/t)	83.37	4.1%	▲	17.2%	▲
Coking Coal (US\$/t)	1,285.50	2.0%	▲	-11.0%	▼
Gold (US\$/oz)	1,468.21	0.6%	▲	14.5%	▲

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