

## The week that was

- Escalating trade tensions continued to drive markets last week. On Monday, the People's Bank of China (PBOC) allowed the Chinese Renminbi (CNY) to weaken beyond the symbolic level of 7, which triggered investor fears that the US and China were engaging in a currency war as well as the trade dispute.
- Risk appetite tumbled across markets. The S&P500 ended the week 0.5% lower while stocks in Japan (down 1.9%) and Australia (down 2.7%) were even weaker. The US 10-year yield fell 10bps to 1.74% while the Australian 10-year yield dropped 13 bps to 0.96%. Oil fell 5.4% and iron ore was 11.9% lower.
- Highlighting the risk to global economies from the trade tensions, German industrial production fell 1.5% in June. UK GDP was also lower than expected, contracting 0.2% in Q2. This said, surveys of global service-sector activity suggest consumer-related activity has been relatively resilient.
- As expected, the Reserve Bank of Australia (RBA) kept interest rates on hold at its August policy meeting. Some other central banks, however, surprised markets by cutting rates aggressively to counter the trade risk. Most notably, the Reserve Bank of New Zealand (RBNZ) cut interest rates by 50bps to 1.00%.
- On Friday, the RBA's Statement on Monetary Policy downgraded its growth and inflation forecasts and raised its unemployment forecast. The forecasts also assume that the cash rate falls another 50bps, which is in line with market pricing. The RBA Governor, however, suggested that the Australian economy had reached "a gentle turning point".

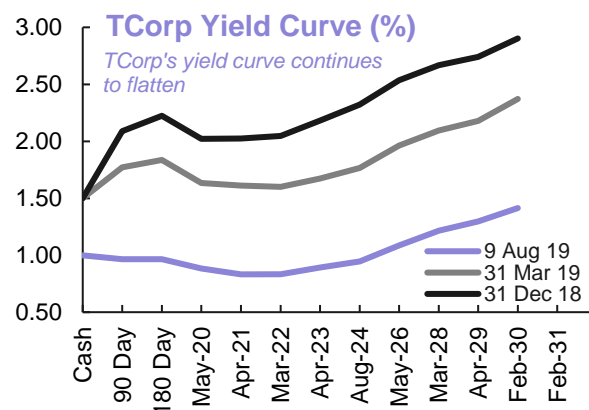
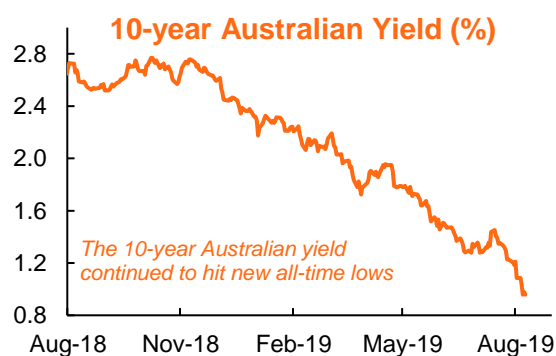
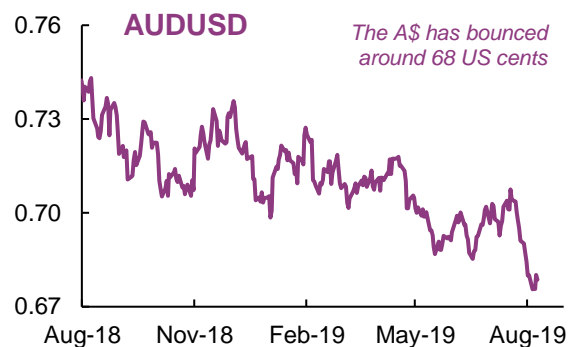
## Economic calendar

<b>Tuesday</b> <b>13/08</b>	AU: NAB Business Survey US: CPI
<b>Wednesday</b> <b>14/08</b>	AU: WPI CH: Retail sales/IP/FAI
<b>Thursday</b> <b>15/07</b>	AU: Labour force survey, RBA speech US: Retail sales

## The week ahead

- Investors will use China's monthly data download to gauge the effect of the ongoing trade war on its economy. In the US, inflation and retail sales will be the highlights. Domestically, investors expect both wage and employment data to rise in line with recent trends, while the RBA deputy Governor Guy Debelle will also speak this week.

## Financial markets charts



## Financial markets data: Week ending 9 August 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.00	0	—	-50	▼
90-day BBSW	0.97	-4	▼	-112	▼
3-year Australian Bond Yield	0.67	-7	▼	-118	▼
10-year Australian Bond Yield	0.96	-13	▼	-136	▼
20-year Australian Bond Yield	1.40	-15	▼	-128	▼
10-year Australian Break-Even Inflation	1.22	-8	▼	-42	▼
10-year Australian Real Yield	-0.26	-5	▼	-94	▼
Fed Funds Rate (lower bound)	2.00	0	—	-25	—
2-year US Treasury Yield	1.65	-7	▼	-84	▼
10-year US Treasury Yield	1.74	-10	▼	-94	▼
30-year US Treasury Yield	2.26	-12	▼	-76	▼
10-year German Bund Yield	-0.58	-8	▼	-82	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.88	-6	▼	-114	▼
4.00% 8 April 2021	0.83	-6	▼	-119	▼
6.00% 1 March 2022	0.83	-7	▼	-121	▼
4.00% 20 April 2023	0.89	-8	▼	-129	▼
5.00% 20 August 2024	0.95	-10	▼	-138	▼
4.00% 20 May 2026	1.09	-11	▼	-145	▼
3.00% 20 May 2027	1.21	-11	▼	-145	▼
3.00% 20 March 2028	1.30	-13	▼	-144	▼
3.00% 20 April 2029	1.41	-13	▼	-143	▼
3.00% 20 February 2030	1.50	-11	▼	-141	▼
3.75% 20 August 2020 CIB	-0.14	-1	▼	-80	▼
2.75% 20 November 2025 CIB	-0.02	-6	▼	-95	▼
2.50% 20 November 2035 CIB	0.52	2	▲	-72	▼
10-year NSW TCorp Bond Yield	1.47	-12	▼	-135	▼
10-year TCV (Victoria) Spread	-0.04	0	▼	0	▲
10-year QTC (Queensland) Spread	0.02	0	▼	-5	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,584	-2.7%	▼	16.6%	▲
S&P 500 (US)	2,919	-0.5%	▼	16.4%	▲
FTSE 100 (UK)	7,254	-2.1%	▼	7.8%	▲
DJ Stoxx 600 (Europe)	372	-1.7%	▼	10.0%	▲
Nikkei 225 (Japan)	20,685	-1.9%	▼	3.3%	▲
Shanghai Composite (China)	2,775	-3.2%	▼	11.3%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.679	-0.2%	▼	-3.7%	▼
EUR/USD	1.120	0.8%	▲	-2.3%	▼
USD/JPY	105.69	-0.8%	▼	-3.6%	▼
GBP/USD	1.20	-1.1%	▼	-5.7%	▼
US\$ Index	97.49	-0.6%	▼	1.4%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	58.53	-5.4%	▼	8.8%	▲
Iron Ore (US\$/t)	94.35	-11.9%	▼	32.7%	▲
Coking Coal (US\$/t)	1,466.50	0.0%	—	1.5%	▲
Gold (US\$/oz)	1,496.95	3.9%	▲	16.7%	▲

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