

The week that was

- China and the US reached a truce in their trade war on Friday. The "phase 1" deal will see the US suspend an increase in tariffs on \$250bn of China imports from 25% to 30%. In exchange, China will purchase an additional \$40 to \$50bn of US agricultural goods and take "new steps" on intellectual property, currency and financial services reforms. There was no removal of any existing tariffs or the backlisting of Chinese technology companies.
- The trade war respite boosted risk sentiment across financial markets last week. The S&P500 rose 0.6%. Other major equity markets also rose in anticipation of the trade deal even though they closed before the actual announcement. The FTSE 100 rose 1.3% while stocks were 1.8% higher in Japan and 2.4% higher in Shanghai. The ASX200 was 1.4% higher. Bonds sold off. The US 10-year yield rose 20bps to 1.73% while the Australian 10-year yield gained 13 bps to 1.02%.
- Momentum in the US economy steadied last week. The University of Michigan consumer sentiment index rose to 96 index points, higher than market expectations and the previous month. Consumer inflation was flat in September and rose 1.7% in annual terms, however core CPI excluding volatile items was firmer, rising 0.1% in the month to be 2.4% higher y/y.
- Confidence in the Australian economy continues to fizzle despite a further 25bps cash rate cut from the RBA at the beginning of October. Business confidence dipped to 0 from 1 index point in the previous month while consumer confidence fell to 92.8 index points, its lowest level since July 2015.

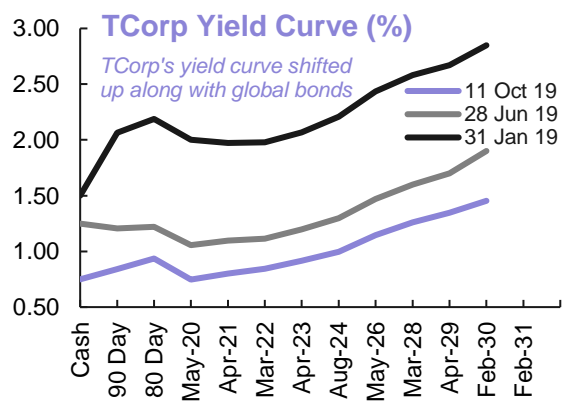
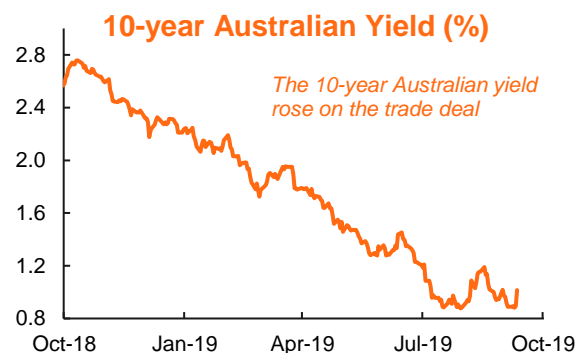
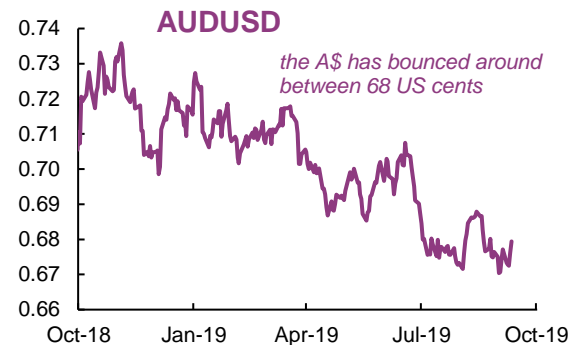
Economic calendar

Tuesday 15/10	AU: RBA minutes GE: ZEW survey
Thursday 17/10	AU: Labour force survey US: Retail sales, Fed Beige Book
Friday 18/10	US: Industrial production CH: GDP, Retail sales/IP/FAI

The week ahead

- It will be a busy week ahead for international investors. China will release both Q3 GDP and the September monthly data dump on Friday, while retail sales and industrial production in the US will gather attention. The US Federal Reserve will also release its Beige Book.
- The RBA meeting minutes and labour market results will be the highlight in Australia this week.

Financial markets charts



Financial markets data: Week ending 11 October 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.75	0	—	-75	▼
90-day BBSW	0.84	1	▲	-125	▼
3-year Australian Bond Yield	0.68	8	▲	-117	▼
10-year Australian Bond Yield	1.02	13	▲	-130	▼
20-year Australian Bond Yield	1.51	13	▲	-117	▼
10-year Australian Break-Even Inflation	1.20	-1	▼	-44	▼
10-year Australian Real Yield	-0.19	14	▲	-87	▼
Fed Funds Rate (lower bound)	1.75	0	—	-50	—
2-year US Treasury Yield	1.59	19	▲	-90	▼
10-year US Treasury Yield	1.73	20	▲	-96	▼
30-year US Treasury Yield	2.19	18	▲	-82	▼
10-year German Bund Yield	-0.44	14	▲	-68	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.75	1	▲	-128	▼
4.00% 8 April 2021	0.80	7	▲	-122	▼
6.00% 1 March 2022	0.85	8	▲	-120	▼
4.00% 20 April 2023	0.92	9	▲	-127	▼
5.00% 20 August 2024	0.99	9	▲	-133	▼
4.00% 20 May 2026	1.14	11	▲	-139	▼
3.00% 20 May 2027	1.26	12	▲	-141	▼
3.00% 20 March 2028	1.35	13	▲	-139	▼
3.00% 20 April 2029	1.45	12	▲	-139	▼
3.00% 20 February 2030	1.50	13	▲	-140	▼
3.75% 20 August 2020 CIB	-0.31	4	▲	-97	▼
2.75% 20 November 2025 CIB	0.04	11	▲	-88	▼
2.50% 20 November 2035 CIB	0.63	21	▲	-60	▼
10-year NSW TCorp Bond Yield	1.50	13	▲	-132	▼
10-year TCV (Victoria) Spread	-0.02	0	▼	2	▲
10-year QTC (Queensland) Spread	0.04	0	▼	-2	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,607	1.4%	▲	17.0%	▲
S&P 500 (US)	2,970	0.6%	▲	18.5%	▲
FTSE 100 (UK)	7,247	1.3%	▲	7.7%	▲
DJ Stoxx 600 (Europe)	392	3.0%	▲	16.0%	▲
Nikkei 225 (Japan)	21,799	1.8%	▲	8.9%	▲
Shanghai Composite (China)	2,974	2.4%	▲	19.2%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.679	0.3%	▲	-3.6%	▼
EUR/USD	1.104	0.6%	▲	-3.7%	▼
USD/JPY	108.29	1.3%	▲	-1.3%	▼
GBP/USD	1.27	2.7%	▲	-0.7%	▼
US\$ Index	98.30	-0.5%	▼	2.2%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	60.51	3.7%	▲	12.5%	▲
Iron Ore (US\$/t)	92.52	0.6%	▲	30.1%	▲
Coking Coal (US\$/t)	1,299.50	0.0%	—	-10.1%	▼
Gold (US\$/oz)	1,489.01	-1.0%	▼	16.1%	▲

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