

The week that was

- US consumer price inflation was stronger than expected in June, allaying fears that firms were losing pricing power. Despite that, the Chairman of the US central bank, Jerome Powell, indicated that he was still willing to cut interest rates to support growth during his Congressional testimony last week.
- In Australia, surveys of business and consumer sentiment suggest that the RBA's rate cuts have failed to boost confidence. Indeed, it is possible that consumers have interpreted the decision of the RBA to cut rates to all-time lows as confirmation that the economic outlook is grim. On a more positive note, while business confidence slipped in June, firms reported a small improvement in activity.
- US stocks reached new all-time highs last week with the S&P500 closing above the 3,000 mark for the first time. Most other stock markets, however, were weaker. Long-term bond yields were sharply higher last week, led by the US. While it would be tempting to blame the stronger-than-expected inflation data as triggering the bond sell-off, in reality it may just have been some profit-taking by investors after the strong gains in recent weeks.

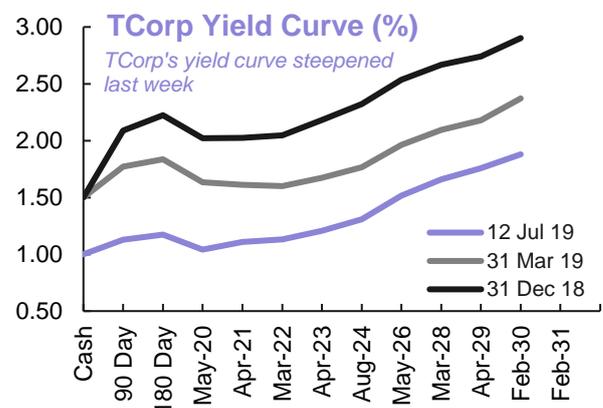
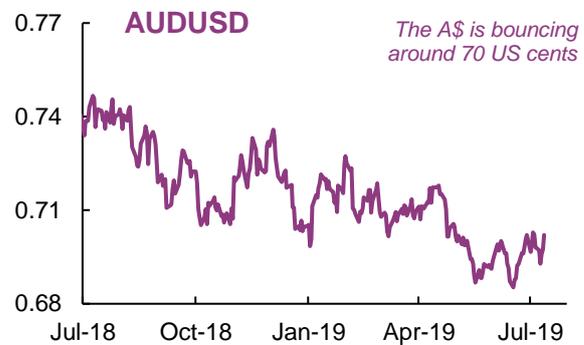
Economic calendar

Monday 15/07	CH: GDP, Industrial production, Retail sales
Tuesday 16/07	AU: RBA Policy Meeting Minutes
Wednesday 17/07	US: Retail sales, industrial production
Thursday 18/07	US: Fed Beige Book
	AU: Employment

The week ahead

- Australian employment data will be the key local focus this week. With the RBA suggesting that the unemployment rate needs to fall below 4.5% before wages growth will accelerate, some analysts think that any rise in the unemployment rate from its current level will precipitate another RBA rate cut. In our view, however, the RBA will prefer to wait to see the impact of its recent rate cuts before acting again.
- While the ongoing trade wars are weighing on the manufacturing sector, the US economic outlook has been underpinned by solid consumer spending. US retail sales data released this week will highlight whether that strength has persisted to the middle of the year. There is also a swathe of Chinese economic data which will show how its economy is coping with the tariffs on its export sector, while US earnings reporting season also kicks off.

Financial markets charts



Financial markets data: Week ending 12 July 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.00	0	–	-50	▼
90-day BBSW	1.13	0	▲	-96	▼
3-year Australian Bond Yield	0.98	5	▲	-87	▼
10-year Australian Bond Yield	1.44	16	▲	-88	▼
20-year Australian Bond Yield	1.88	16	▲	-80	▼
10-year Australian Break-Even Inflation	1.37	2	▲	-27	▼
10-year Australian Real Yield	0.07	14	▲	-61	▼
Fed Funds Rate (lower bound)	2.25	0	–	0	–
2-year US Treasury Yield	1.85	-1	▼	-64	▼
10-year US Treasury Yield	2.12	9	▲	-56	▼
30-year US Treasury Yield	2.65	10	▲	-37	▼
10-year German Bund Yield	-0.21	15	▲	-45	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	1.04	2	▲	-98	▼
4.00% 8 April 2021	1.11	5	▲	-92	▼
6.00% 1 March 2022	1.13	5	▲	-92	▼
4.00% 20 April 2023	1.21	6	▲	-98	▼
5.00% 20 August 2024	1.31	6	▲	-101	▼
4.00% 20 May 2026	1.52	11	▲	-102	▼
3.00% 20 May 2027	1.66	13	▲	-101	▼
3.00% 20 March 2028	1.76	13	▲	-98	▼
3.00% 20 April 2029	1.88	14	▲	-97	▼
3.00% 20 February 2030	1.96	13	▲	-94	▼
3.75% 20 August 2020 CIB	0.10	2	▲	-56	▼
2.75% 20 November 2025 CIB	0.26	9	▲	-66	▼
2.50% 20 November 2035 CIB	0.79	7	▲	-45	▼
10-year NSW TCorp Bond Yield	1.92	13	▲	-90	▼
10-year TCV (Victoria) Spread	-0.03	0	▲	1	▲
10-year QTC (Queensland) Spread	0.02	-1	▼	-4	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,697	-0.8%	▼	18.6%	▲
S&P 500 (US)	3,014	0.8%	▲	20.2%	▲
FTSE 100 (UK)	7,506	-0.6%	▼	11.6%	▲
DJ Stoxx 600 (Europe)	387	-0.8%	▼	14.6%	▲
Nikkei 225 (Japan)	21,686	-0.3%	▼	8.3%	▲
Shanghai Composite (China)	2,931	-2.7%	▼	17.5%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.702	0.6%	▲	-0.4%	▼
EUR/USD	1.127	0.4%	▲	-1.7%	▼
USD/JPY	107.91	-0.5%	▼	-1.6%	▼
GBP/USD	1.26	0.4%	▲	-1.4%	▼
US\$ Index	96.81	-0.5%	▼	0.7%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	66.72	3.9%	▲	24.0%	▲
Iron Ore (US\$/t)	119.88	3.5%	▲	68.6%	▲
Coking Coal (US\$/t)	1,397.50	2.6%	▲	-3.3%	▼
Gold (US\$/oz)	1,415.75	1.2%	▲	10.4%	▲

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