

The week that was

- As expected, the US Federal Reserve (Fed) cut interest rates by 25 bps at its September policy meeting last Wednesday. Fed Chair Powell continued to describe the cut as one of these “modest adjustments” to provide “insurance against ongoing risks” rather than the start of an extensive series of rate cuts.
- Several other central banks also met last week. The Bank of England and the Bank of Japan both kept monetary policy steady, with the latter hinting that it might ease policy in October. In contrast, Norway’s central bank surprised markets by raising interest rates by 25 bps to 1.5%.
- Minutes from the Reserve Bank of Australia’s (RBA) September meeting were slightly more dovish than expected. Together with a small rise in Australia’s unemployment rate – to 5.3% -- this prompted markets to think the RBA will cut rates at its October meeting.
- Financial markets recorded mixed performances last week. The S&P500 didn’t like the “hawkish cut” by the Fed and fell 0.5%, while the ASX200 gained 0.9%. Other equity markets were mixed as well with Japan’s market ending higher (+0.4%), but stocks in both the UK (-0.3%) and Shanghai (-0.8%) declined. Bond yields were lower across the board after a couple of strong weeks, with the US 10-year yield falling 17bps while the Australian 10-year yield fell 14bps.
- Monthly data showed China’s economic slowdown continued in August, with retail sales, industrial production and investment all weaker than expected.

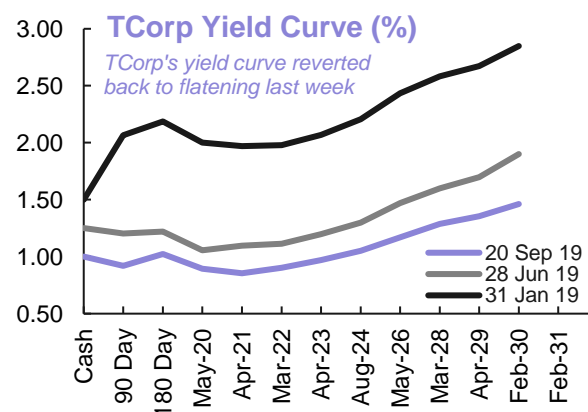
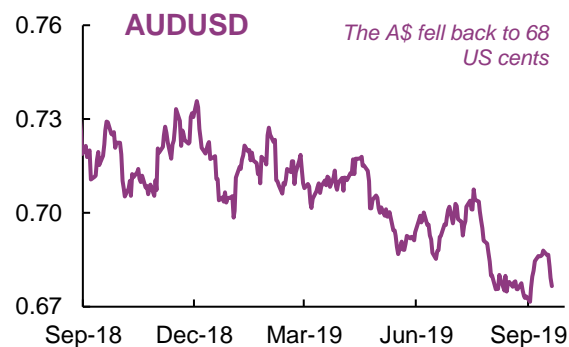
Economic calendar

Monday 23/09	GE: Manufacturing/Services PMI
Tuesday 24/09	US: Manufacturing/Services PMI
Wednesday 25/09	AU: RBA Governor Lowe speech
	NZ: RBNZ policy meeting

The week ahead

- This week will be quiet in Australia with no major economic data releases. RBA Governor Phil Lowe will give a speech on Tuesday. If the Governor is uncomfortable with the market’s expectation of an October rate cut, this is the occasion for him to set the record straight.
- Globally, PMIs in Germany and the US will be the focus for investors.

Financial markets charts



Financial markets data: Week ending 20 September 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.00	0	—	-50	▼
90-day BBSW	0.92	-11	▼	-117	▼
3-year Australian Bond Yield	0.74	-15	▼	-111	▼
10-year Australian Bond Yield	1.02	-14	▼	-130	▼
20-year Australian Bond Yield	1.42	-13	▼	-126	▼
10-year Australian Break-Even Inflation	1.22	3	▲	-42	▼
10-year Australian Real Yield	-0.20	-17	▼	-88	▼
Fed Funds Rate (lower bound)	1.75	-25	▼	-50	▼
2-year US Treasury Yield	1.68	-12	▼	-80	▼
10-year US Treasury Yield	1.72	-17	▼	-96	▼
30-year US Treasury Yield	2.16	-21	▼	-85	▼
10-year German Bund Yield	-0.52	-7	▼	-76	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.90	-3	▼	-113	▼
4.00% 8 April 2021	0.85	-16	▼	-117	▼
6.00% 1 March 2022	0.90	-14	▼	-114	▼
4.00% 20 April 2023	0.97	-14	▼	-121	▼
5.00% 20 August 2024	1.05	-13	▼	-127	▼
4.00% 20 May 2026	1.17	-14	▼	-137	▼
3.00% 20 May 2027	1.29	-13	▼	-138	▼
3.00% 20 March 2028	1.35	-13	▼	-139	▼
3.00% 20 April 2029	1.46	-13	▼	-139	▼
3.00% 20 February 2030	1.52	-13	▼	-139	▼
3.75% 20 August 2020 CIB	-0.21	-9	▼	-87	▼
2.75% 20 November 2025 CIB	0.02	-15	▼	-91	▼
2.50% 20 November 2035 CIB	0.52	-18	▼	-72	▼
10-year NSW TCorp Bond Yield	1.51	-13	▼	-131	▼
10-year TCV (Victoria) Spread	-0.01	0	▲	3	▲
10-year QTC (Queensland) Spread	0.04	1	▲	-3	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,731	0.9%	▲	19.2%	▲
S&P 500 (US)	2,992	-0.5%	▼	19.4%	▲
FTSE 100 (UK)	7,345	-0.3%	▼	9.2%	▲
DJ Stoxx 600 (Europe)	393	0.3%	▲	16.4%	▲
Nikkei 225 (Japan)	22,079	0.4%	▲	10.3%	▲
Shanghai Composite (China)	3,006	-0.8%	▼	20.6%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.677	-1.6%	▼	-4.0%	▼
EUR/USD	1.102	-0.5%	▼	-3.9%	▼
USD/JPY	107.56	-0.5%	▼	-1.9%	▼
GBP/USD	1.25	-0.2%	▼	-2.2%	▼
US\$ Index	98.51	0.3%	▲	2.4%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	64.28	6.7%	▲	19.5%	▲
Iron Ore (US\$/t)	92.90	-3.8%	▼	30.6%	▲
Coking Coal (US\$/t)	1,387.00	-17.3%	▼	-4.0%	▼
Gold (US\$/oz)	1,516.90	1.9%	▲	18.3%	▲

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