

## The week that was

- Outbreaks of coronavirus outside of China – particularly in South Korea, the Middle East and Italy – drove equity markets lower. The US S&P500 fell 1.3% and European stocks were down 0.6%. The risk off mood was also reflected in bond markets as yields fell over the week.
- The Australian unemployment rate for January jumped up to 5.3%. Employment increased by 13,500 with over 46,000 increase in full-time jobs (offset by a decline in part-time). The participation rate also grew to 66.1%. If the increase in unemployment becomes a trend over the next few months, the RBA will have a strong case to cut rates further.
- December quarter wages rose 0.5%. Annual growth of 2.2% is well below the level required for driving inflation back to the RBA's target and, given the weaker H219 results, will slow further if the next quarterly growth reading doesn't pick up.
- European PMIs surprised to the upside with France (51.9), Germany (51.1), the Eurozone (51.6) and UK (53.3) data all beating expectations and remaining in the expansionary zone. In contrast, US data was unexpectedly weak dropping below 50 to 49.6.

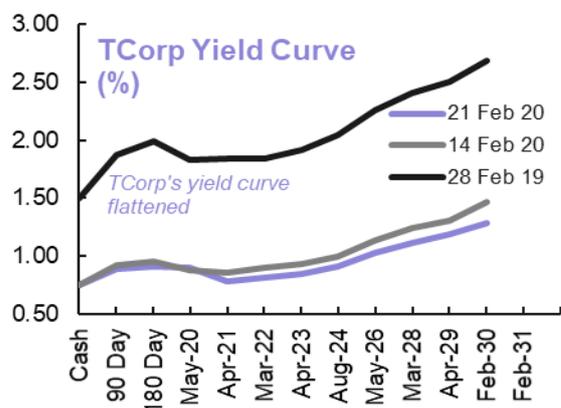
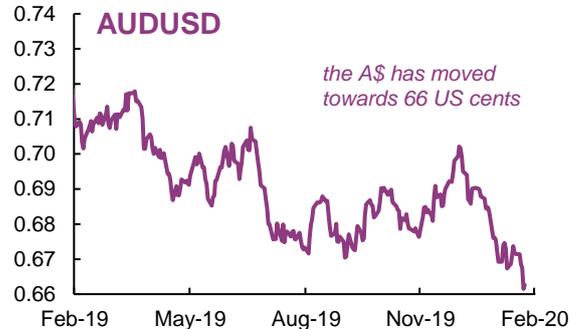
## Economic calendar

<b>Monday</b> 24/02	GE: IFO Business Climate
<b>Tuesday</b> 25/02	GE: GDP
<b>Wednesday</b> 26/02	<b>AU: Construction Work Done</b> US: Conf. Board Consumer Confidence US: MBA Mortgage Applications
<b>Thursday</b> 27/02	<b>AU: Private CAPEX</b> US: New Home Sales EC: Consumer Confidence
<b>Friday</b> 28/02	EC: CPI Estimate <b>US: PCE Core</b>

## The week ahead

- Key building blocks for Australian Q4 GDP will be released next week – private construction work done and machinery and equipment capital spending.
- The US Core PCE deflator is the Fed's preferred measure of inflation, and as such, the release later in the week will be keenly watched to see if US inflation is tracking towards the Fed's 2% target.

## Financial markets charts



## Financial markets data: Week ending 21 February 2020

<b>Interest Rates</b>	<b>Close (%)</b>	<b>1 Week (bps)</b>		<b>YTD (bps)</b>	
RBA Cash Rate	0.75	0	–	0	–
90-day BBSW	0.89	-3	▼	-4	▼
3-year Australian Bond Yield	0.64	-8	▼	-27	▼
10-year Australian Bond Yield	0.94	-11	▼	-43	▼
20-year Australian Bond Yield	1.42	-13	▼	-45	▼
10-year Australian Break-Even Inflation	1.29	-6	▼	-12	▼
10-year Australian Real Yield	-0.35	-5	▼	-32	▼
Fed Funds Rate (lower bound)	1.50	0	–	0	–
2-year US Treasury Yield	1.35	-7	▼	-21	▼
10-year US Treasury Yield	1.47	-11	▼	-45	▼
30-year US Treasury Yield	1.91	-12	▼	-47	▼
10-year German Bund Yield	-0.43	-3	▼	-25	▼
<b>NSW TCorp Bonds</b>	<b>Close (%)</b>	<b>1 Week (bps)</b>		<b>YTD (bps)</b>	
6.00% 1 May 2020	0.90	2	▲	-4	▼
4.00% 8 April 2021	0.79	-8	▼	-21	▼
6.00% 1 March 2022	0.81	-9	▼	-25	▼
4.00% 20 April 2023	0.85	-9	▼	-32	▼
1.00% 8 February 2024	0.90	-9	▼	-38	▼
5.00% 20 August 2024	0.91	-9	▼	-37	▼
4.00% 20 May 2026	1.03	-10	▼	-42	▼
3.00% 20 May 2027	1.12	-12	▼	-46	▼
3.00% 20 March 2028	1.19	-11	▼	-48	▼
3.00% 20 April 2029	1.28	-12	▼	-49	▼
3.00% 20 February 2030	1.33	-14	▼	-51	▼
2.00% 20 March 2031	1.46	-14	▼	-50	▼
3.75% 20 August 2020 CIB	-1.00	-4	▼	-32	▼
2.75% 20 November 2025 CIB	-0.17	-3	▼	-27	▼
2.50% 20 November 2035 CIB	0.47	-4	▼	-25	▼
10-year NSW TCorp Bond Yield	1.36	-13	▼	-48	▼
10-year TCV (Victoria) Spread	-0.02	0	▼	0	▲
10-year QTC (Queensland) Spread	0.01	0	▼	-2	▼
<b>Equities</b>	<b>Close</b>	<b>1 Week</b>		<b>YTD</b>	
S&P/ASX 200 (Australia)	7,139	0.1%	▲	6.8%	▲
S&P 500 (US)	3,338	-1.3%	▼	3.3%	▲
FTSE 100 (UK)	7,404	-0.1%	▼	-1.8%	▼
DJ Stoxx 600 (Europe)	428	-0.6%	▼	2.9%	▲
Nikkei 225 (Japan)	23,387	-1.3%	▼	-1.1%	▼
Shanghai Composite (China)	3,040	4.2%	▲	-0.3%	▼
<b>Currencies</b>	<b>Close</b>	<b>1 Week</b>		<b>YTD</b>	
AUD/USD	0.663	-1.3%	▼	-5.6%	▼
EUR/USD	1.085	0.1%	▲	-3.3%	▼
USD/JPY	111.61	1.7%	▲	2.8%	▲
GBP/USD	1.30	-0.6%	▼	-2.2%	▼
US\$ Index	99.26	0.1%	▲	3.0%	▲
<b>Commodities</b>	<b>Close</b>	<b>1 Week</b>		<b>YTD</b>	
Brent Oil (US\$/bbl)	58.50	2.1%	▲	-11.4%	▼
Iron Ore (US\$/t)	87.36	1.9%	▲	-4.6%	▼
Coking Coal (US\$/t)	1,246.50	-3.1%	▼	3.3%	▲
Gold (US\$/oz)	1,643.41	3.7%	▲	8.3%	▲

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