

The week that was

- The trade war between China and the US escalated further last week. On Friday, China announced it would impose additional tariffs on \$75 billion of US imports. President Trump retaliated by raising by 5% all existing and proposed tariffs on imports from China. Later he also ordered US companies to move their production out of China.
- The S&P500 was the worst performer among equities last week, falling 1.4%. Stock markets were mostly higher elsewhere, although they closed before the trade war escalated on Friday. US 10-year bond yields fell 2bps to 1.54% while Australian 10-year bond yields rose 9bps to 0.97%. Gold was up 0.9% and US dollar dropped 0.5%.
- US Federal Reserve Chair Powell didn't disappoint market expectations in his speech at the Jackson Hole conference. He noted that risks had increased since the Fed's last meeting and the challenge to monetary policy frameworks from ongoing trade uncertainty. On Sunday, RBA Governor Lowe stated that monetary policy - by itself - couldn't deliver healthy growth.
- Surveys of global purchasing managers suggested consumers are still relatively resilient while the manufacturing sector continues to struggle in most advanced economies.

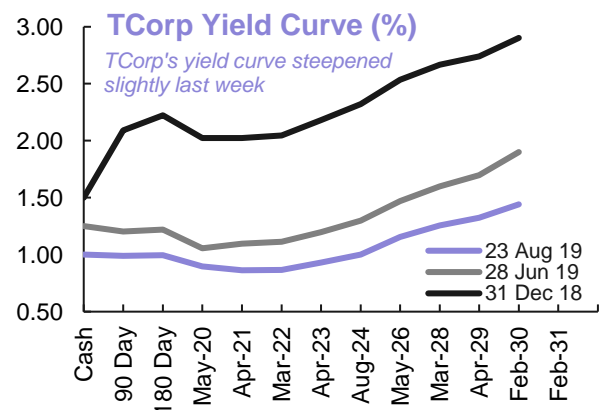
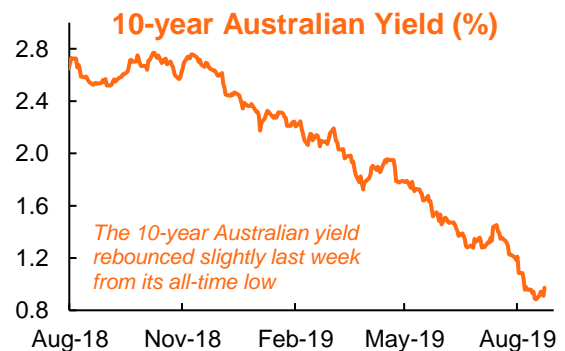
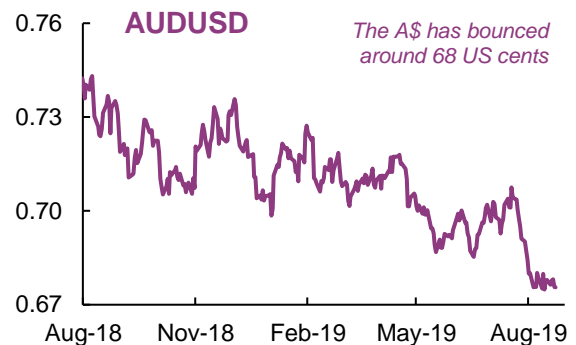
Economic calendar

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|------------------------|--|
| Tuesday 27/08 | AU: RBA Deputy Governor Debelle speech |
| Wednesday 28/08 | CH: Construction work done GE: CPI |
| Thursday 29/08 | AU: Business investment |
| Friday 30/08 | AU: Building approvals China: Manufacturing PMI |

The week ahead

- This will be a busy week in Australia. The Private Capex survey will shed light on business investment over Q2 2019. It is also an important building block for GDP. Investors will also gauge developments in the housing market from construction and building approvals data. RBA Deputy Governor Debelle will also give a speech.
- In the rest of the world it is relatively light on economic data. The trade war escalation will put greater focus on China's official manufacturing PMI result this weekend.

Financial markets charts



Financial markets data: Week ending 23 August 2019

| Interest Rates | Close (%) | 1 Week (bps) | | YTD (bps) | |
|---|-----------|--------------|---|-----------|---|
| RBA Cash Rate | 1.00 | 0 | — | -50 | ▼ |
| 90-day BBSW | 0.99 | 2 | ▲ | -110 | ▼ |
| 3-year Australian Bond Yield | 0.71 | 4 | ▲ | -114 | ▼ |
| 10-year Australian Bond Yield | 0.97 | 9 | ▲ | -135 | ▼ |
| 20-year Australian Bond Yield | 1.41 | 16 | ▲ | -128 | ▼ |
| 10-year Australian Break-Even Inflation | 1.14 | 3 | ▲ | -50 | ▼ |
| 10-year Australian Real Yield | -0.17 | 6 | ▲ | -85 | ▼ |
| Fed Funds Rate (lower bound) | 2.00 | 0 | — | -25 | — |
| 2-year US Treasury Yield | 1.53 | 6 | ▲ | -95 | ▼ |
| 10-year US Treasury Yield | 1.54 | -2 | ▼ | -115 | ▼ |
| 30-year US Treasury Yield | 2.03 | -1 | ▼ | -99 | ▼ |
| 10-year German Bund Yield | -0.68 | 1 | ▲ | -92 | ▼ |
| NSW TCorp Bonds | Close (%) | 1 Week (bps) | | YTD (bps) | |
| 6.00% 1 May 2020 | 0.90 | 1 | ▲ | -113 | ▼ |
| 4.00% 8 April 2021 | 0.86 | 3 | ▲ | -116 | ▼ |
| 6.00% 1 March 2022 | 0.87 | 4 | ▲ | -118 | ▼ |
| 4.00% 20 April 2023 | 0.93 | 5 | ▲ | -125 | ▼ |
| 5.00% 20 August 2024 | 1.00 | 5 | ▲ | -132 | ▼ |
| 4.00% 20 May 2026 | 1.16 | 10 | ▲ | -138 | ▼ |
| 3.00% 20 May 2027 | 1.26 | 9 | ▲ | -141 | ▼ |
| 3.00% 20 March 2028 | 1.32 | 9 | ▲ | -142 | ▼ |
| 3.00% 20 April 2029 | 1.44 | 9 | ▲ | -141 | ▼ |
| 3.00% 20 February 2030 | 1.52 | 9 | ▲ | -138 | ▼ |
| 3.75% 20 August 2020 CIB | -0.12 | -1 | ▼ | -77 | ▼ |
| 2.75% 20 November 2025 CIB | 0.04 | 3 | ▲ | -88 | ▼ |
| 2.50% 20 November 2035 CIB | 0.51 | 2 | ▲ | -73 | ▼ |
| 10-year NSW TCorp Bond Yield | 1.40 | -7 | ▼ | -142 | ▼ |
| 10-year TCV (Victoria) Spread | -0.04 | 0 | ▲ | 1 | ▲ |
| 10-year QTC (Queensland) Spread | 0.02 | 0 | ▲ | -5 | ▼ |
| Equities | Close | 1 Week | | YTD | |
| S&P/ASX 200 (Australia) | 6,523 | 1.8% | ▲ | 15.5% | ▲ |
| S&P 500 (US) | 2,847 | -1.4% | ▼ | 13.6% | ▲ |
| FTSE 100 (UK) | 7,095 | -0.3% | ▼ | 5.5% | ▲ |
| DJ Stoxx 600 (Europe) | 371 | 0.5% | ▲ | 10.0% | ▲ |
| Nikkei 225 (Japan) | 20,711 | 1.4% | ▲ | 3.5% | ▲ |
| Shanghai Composite (China) | 2,897 | 2.6% | ▲ | 16.2% | ▲ |
| Currencies | Close | 1 Week | | YTD | |
| AUD/USD | 0.676 | -0.3% | ▼ | -4.2% | ▼ |
| EUR/USD | 1.114 | 0.5% | ▲ | -2.8% | ▼ |
| USD/JPY | 105.39 | -0.9% | ▼ | -3.9% | ▼ |
| GBP/USD | 1.23 | 1.0% | ▲ | -3.8% | ▼ |
| US\$ Index | 97.64 | -0.5% | ▼ | 1.5% | ▲ |
| Commodities | Close | 1 Week | | YTD | |
| Brent Oil (US\$/bbl) | 59.34 | 1.2% | ▲ | 10.3% | ▲ |
| Iron Ore (US\$/t) | 91.96 | -0.9% | ▼ | 29.3% | ▲ |
| Coking Coal (US\$/t) | 1,403.50 | 0.3% | ▲ | -2.9% | ▼ |
| Gold (US\$/oz) | 1,526.96 | 0.9% | ▲ | 19.1% | ▲ |

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