

The week that was

- Financial markets were volatile last week as a widely watched recession indicator unnerved investors in the US. In the past, US 10-year bond yields have fallen below 2-year yields (labelled an inverted yield curve) 1-3 years ahead of US recessions. While this occurred briefly last week, 2-year yields finished the week comfortably lower (1.48%) than 10-year yields (1.55%).
- The S&P500 fell 1.0% last week, while stocks in Japan (down 1.3%) and the UK (down 1.9%) were even weaker. Australian stocks fell 2.7% while the Australian 10-year bond yield dropped 8bps to 0.88%. Gold and the Japanese Yen rose 1.1% and 0.7% as investors sought safe havens.
- China's monthly economic data disappointed. Industrial production grew 4.8% in July, its slowest pace since 2002. In Europe, the German economy shrank by 0.1% in Q2 which could mean that the economy is experiencing a shallow recession. Economic data were mixed in the US. Retail sales grew a strong 0.7% in July while consumer sentiment eased in August. Inflation was also slightly higher than expected.
- Australian employment grew by 41,100 in July. The unemployment rate remained steady at 5.2% as more people sought work. Meanwhile, wages continued to grow at a 2.3% pace, although this result was underpinned by a strong increase in wages for Victorian nursing staff.

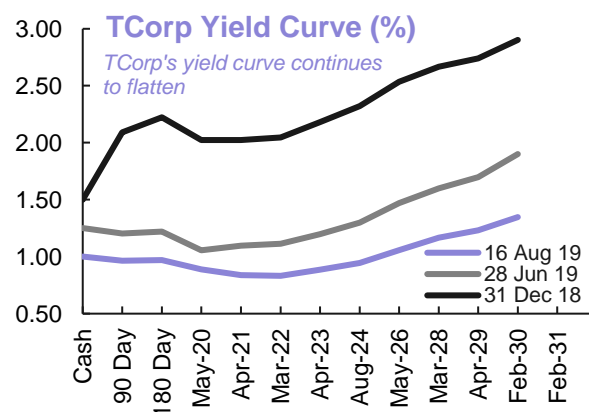
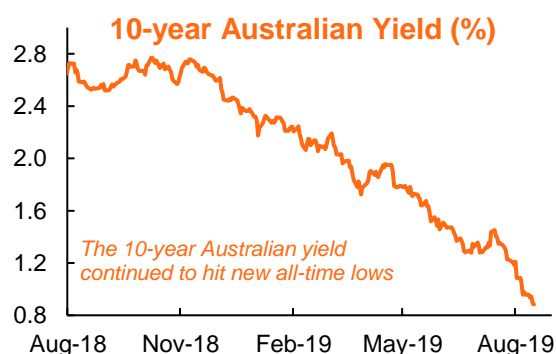
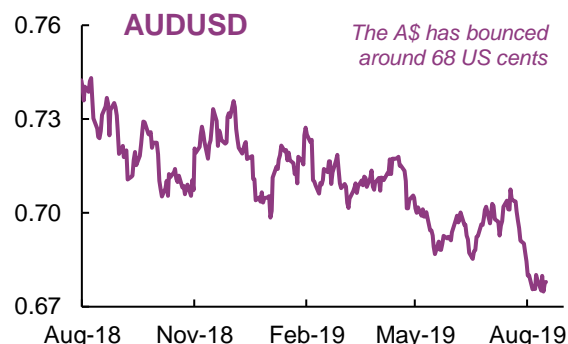
Economic calendar

Tuesday 20/08	AU: RBA Policy Meeting Minutes
Thursday 22/08	Global: Manufacturing PMIs
	US: FOMC Policy Meeting Minutes
Thur-Sat 22-24/08	Global: Jackson Hole Symposium

The week ahead

- Central banks will be in focus in an otherwise quiet week for data. Both the Reserve Bank of Australia (RBA) and the US Federal Reserve (FED) will publish their policy meeting minutes.
- In the US, RBA Governor Lowe will speak at the US Federal Reserve's annual Policy Symposium which is held at Jackson Hole. The topic of this year's conference is "Challenges for Monetary Policy" and the Fed Chair Powell will also be addressing the conference.

Financial markets charts



Financial markets data: Week ending 16 August 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.00	0	—	-50	▼
90-day BBSW	0.97	0	▼	-113	▼
3-year Australian Bond Yield	0.67	0	▼	-118	▼
10-year Australian Bond Yield	0.88	-8	▼	-144	▼
20-year Australian Bond Yield	1.25	-15	▼	-143	▼
10-year Australian Break-Even Inflation	1.11	-11	▼	-52	▼
10-year Australian Real Yield	-0.23	3	▲	-91	▼
Fed Funds Rate (lower bound)	2.00	0	—	-25	—
2-year US Treasury Yield	1.48	-17	▼	-101	▼
10-year US Treasury Yield	1.55	-19	▼	-113	▼
30-year US Treasury Yield	2.03	-22	▼	-98	▼
10-year German Bund Yield	-0.69	-11	▼	-93	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.89	1	▲	-113	▼
4.00% 8 April 2021	0.84	1	▲	-119	▼
6.00% 1 March 2022	0.83	0	▼	-121	▼
4.00% 20 April 2023	0.89	-1	▼	-130	▼
5.00% 20 August 2024	0.95	0	▲	-138	▼
4.00% 20 May 2026	1.06	-3	▼	-148	▼
3.00% 20 May 2027	1.17	-5	▼	-150	▼
3.00% 20 March 2028	1.23	-6	▼	-151	▼
3.00% 20 April 2029	1.35	-7	▼	-150	▼
3.00% 20 February 2030	1.43	-7	▼	-147	▼
3.75% 20 August 2020 CIB	-0.11	4	▲	-76	▼
2.75% 20 November 2025 CIB	0.02	4	▲	-91	▼
2.50% 20 November 2035 CIB	0.48	-3	▼	-76	▼
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)	6,406	-2.7%	▼	13.4%	▲
S&P 500 (US)	2,889	-1.0%	▼	15.2%	▲
FTSE 100 (UK)	7,117	-1.9%	▼	5.8%	▲
DJ Stoxx 600 (Europe)	370	-0.5%	▼	9.5%	▲
Nikkei 225 (Japan)	20,419	-1.3%	▼	2.0%	▲
Shanghai Composite (China)	2,824	1.8%	▲	13.2%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.678	-0.1%	▼	-3.8%	▼
EUR/USD	1.109	-1.0%	▼	-3.3%	▼
USD/JPY	106.38	0.7%	▲	-3.0%	▼
GBP/USD	1.21	1.0%	▲	-4.7%	▼
US\$ Index	98.14	0.7%	▲	2.0%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	58.64	0.2%	▲	9.0%	▲
Iron Ore (US\$/t)	92.84	-1.6%	▼	30.5%	▲
Coking Coal (US\$/t)	1,399.50	-4.6%	▼	-3.1%	▼
Gold (US\$/oz)	1,513.52	1.1%	▲	18.0%	▲

Brian Redican
Chief Economist
brian.redican@tcorp.nsw.gov.au

Kevin Ge
Economist
kevin.ge@tcorp.nsw.gov.au