

The week that was

- The key driver of Australian financial markets last week was a speech by Reserve Bank of Australia (RBA) Governor Lowe. While the RBA Governor didn't pre-commit the Bank to easing policy further at its November Board meeting, he did highlight the need for further easing and why easing policy would be effective. Governor Lowe also revealed that the RBA had changed its policy strategy which will ensure rates will remain lower for even longer.
- The Governor's speech triggered a sharp fall in bond yields, particularly for longer maturities. Australia's 10-year bond yield fell by 13bps to 0.72%, while the yield on TCorp's 2030 bond fell by 16bps to 0.96%.
- Lower yields undermined demand for the A\$ which fell by 2.2% over the week. And the combination of lower interest rates and a weaker currency boosted share prices, which rose by 1.2%.
- Other equity markets were quite mixed last week, with the US S&P500 edging up by 0.2% while European shares fell by 0.8% and the Japanese bourse declined by 0.9%. The weakness in Europe occurred against the backdrop of rising COVID-19 case numbers and the imposition of tighter restrictions.

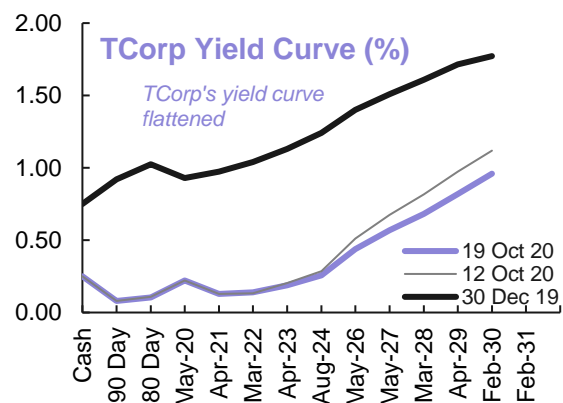
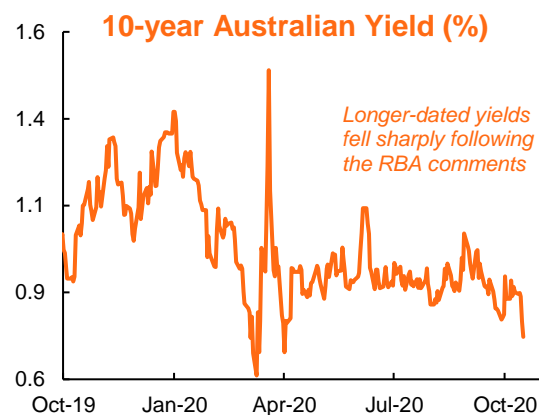
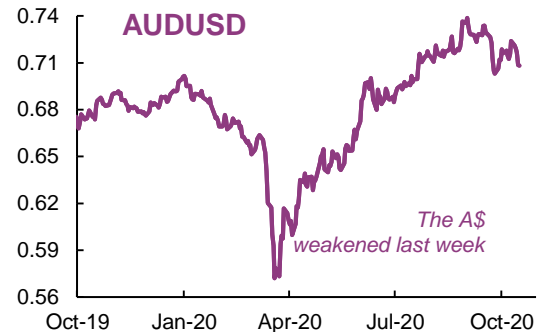
Economic calendar

Monday 19/10	CH: GDP (Q3), Retail sales, Industrial production, Fixed asset investment, Sep
Tuesday 20/10	AU: Payroll jobs
Wednesday 21/10	AU: RBA Board meeting minutes
Thursday 22/10	AU: Preliminary retail sales, Sep
Friday 23/10	US: Initial jobless claims
	AU: RBA Deputy Governor Debelle speech
	Global: Purchasing Managers' Indexes, Oct

The week ahead

- The key focus this week will be on the release of Purchasing Managers' Indexes which will provide the first glimpse of activity in October. As mentioned earlier, this will reveal whether the second wave of COVID-19 in the northern hemisphere is beginning to take a toll on economic activity.
- China will also reveal how strongly the economy grew in the September quarter as well as a range of indicators for the month of September. Analysts remain optimistic that the Chinese economy will continue to recover rapidly from its recession at the start of 2020.
- In Australia, the minutes of the October RBA policy meeting might reveal further insights into RBA thinking while payrolls data and preliminary retail sales are the highlights of the data calendar.

Financial markets charts



Financial markets data: Week ending 16 October 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	—	-50	▼
90-day BBSW	0.08	0	—	-84	▼
3-year Australian Bond Yield	0.12	-2	▼	-78	▼
10-year Australian Bond Yield	0.72	-13	▼	-65	▼
20-year Australian Bond Yield	1.44	-11	▼	-43	▼
10-year Australian Break-Even Inflation	1.41	3	▲	0	—
10-year Australian Real Yield	-0.68	-16	▼	-65	▼
Fed Funds Rate (lower bound)	0.00	0	—	-150	▼
2-year US Treasury Yield	0.14	-1	▼	-143	▼
10-year US Treasury Yield	0.75	-3	▼	-117	▼
30-year US Treasury Yield	1.53	-4	▼	-86	▼
10-year German Bund Yield	-0.62	-10	▼	-44	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.13	0	▲	-87	▼
6.00% 1 March 2022	0.14	0	▼	-92	▼
4.00% 20 April 2023	0.19	-2	▼	-98	▼
1.00% 8 February 2024	0.23	-3	▼	-105	▼
5.00% 20 August 2024	0.26	-3	▼	-102	▼
4.00% 20 May 2026	0.44	-8	▼	-102	▼
3.00% 20 May 2027	0.57	-11	▼	-100	▼
3.00% 20 March 2028	0.68	-14	▼	-99	▼
3.00% 20 April 2029	0.82	-16	▼	-96	▼
3.00% 20 February 2030	0.96	-16	▼	-88	▼
2.00% 20 March 2031	1.12	-16	▼	-84	▼
2.00% 20 March 2032	1.33	-15	▼	n/a	n/a
2.00% 20 March 2033	1.47	-14	▼	-73	▼
3.75% 20 August 2020 CIB	2.05	1	▲	275	▲
2.75% 20 November 2025 CIB	-0.47	-26	▼	-56	▼
2.50% 20 November 2035 CIB	0.04	-20	▼	n/a	n/a
10-year NSW TCorp Bond Yield	1.08	-17	▼	-77	▼
10-year TCV (Victoria) Spread	-0.01	1	▲	1	▲
10-year QTC (Queensland) Spread	-0.03	-1	▼	-6	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	6,177	1.2%	▲	-7.6%	▼
S&P500 (US)	3,484	0.2%	▲	7.8%	▲
FTSE 100 (UK)	5,920	-1.6%	▼	-21.5%	▼
Euro Stoxx 600 (Europe)	367	-0.8%	▼	-11.6%	▼
Nikkei 225 (Japan)	23,411	-0.9%	▼	-1.0%	▼
Shanghai Composite (China)	3,336	2.0%	▲	9.4%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.708	-2.2%	▼	1.0%	▲
EUR/USD	1.172	-0.9%	▼	4.5%	▲
USD/JPY	105.40	-0.2%	▼	-2.9%	▼
GBP/USD	1.29	-0.9%	▼	-2.0%	▼
US\$ Index	93.68	0.7%	▲	-2.8%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	42.93	0.2%	▲	-35.0%	▼
Iron Ore (US\$/t)	120.37	-3.5%	▼	31.5%	▲
Coking Coal (US\$/t)	1,315.50	0.0%	—	9.0%	▲
Gold (US\$/oz)	1,899.29	-1.6%	▼	25.2%	▲

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