

The week that was

- As the rate of new COVID-19 cases outside of China accelerated, the World Health Organisation announced the virus has “pandemic potential”. Concerns of flow-on effects to global growth undermined equity markets which fell heavily.
- Australian shares fell by 9.8% and equities in the US and Europe plummeted more than 11%. Bond yields also fell sharply with US 10-years down 32bps to 1.15%. The A\$ also reached 10-year lows.
- In a bid to allay investor fears, the US Federal Reserve released a statement on Friday indicating that they were willing to take steps to support US growth. Markets expect a Fed rate cut this month.
- Construction work done fell 3% in the December quarter. Public works increased by 0.7%, however private construction was much weaker than expected, dropping 4.2%. This weakness was driven by housing construction. Business investment also failed to meet consensus declining 2.8% (expected +0.5%).
- On Saturday, official Chinese Purchasing Manager's Indexes were released showing a collapse in economic activity in February.

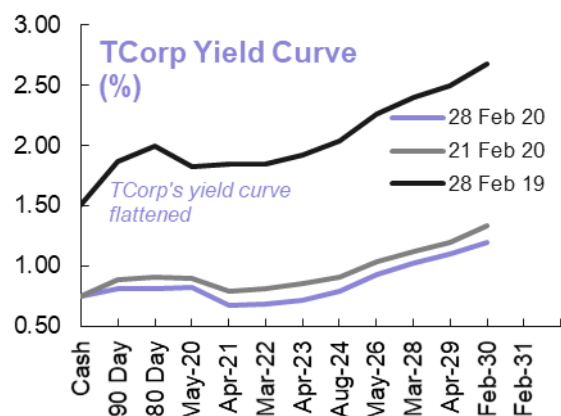
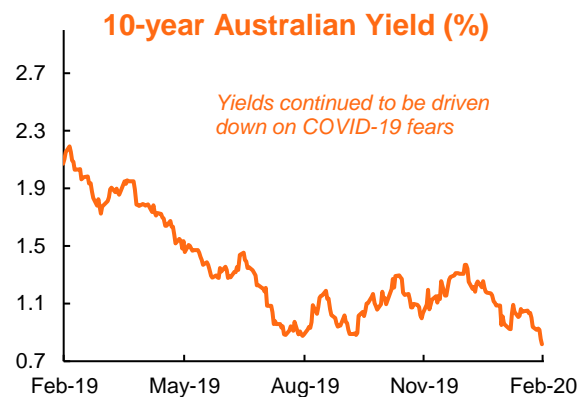
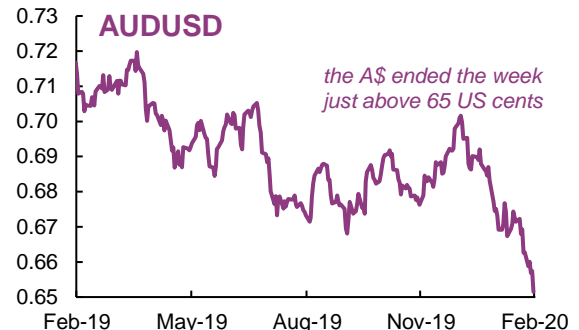
Economic calendar

Monday 02/03	AU: Inventories, Q4 AU: Company Profits, Q4 CH: Caixin PMI Manufacturing, Feb
Tuesday 03/03	AU: RBA Policy Meeting, Feb AU: Net Exports of GDP, Q4 AU: Building Approvals, Jan
Wednesday 04/03	AU: GDP Q4 CH: Caixin PMI Services, Feb
Thursday 05/03	AU: Trade Balance, Jan
Friday 06/03	AU: Retail Sales, Jan US: Unemployment Rate and non-farm payrolls, Feb

The week ahead

- The RBA meets this week to review its policy interest rate. Following the sharp fall in equity markets, investors now expect that the RBA will be forced to cut interest rates this week. Besides the RBA meeting, Q4 GDP data and retail sales will also be released.
- Global PMI data for February will be keenly watched as markets look to see if the weakness apparent in the Chinese economy is flowing around the world. It is possible, however, that it takes a couple of months before the impact on other regions becomes fully apparent.

Financial markets charts



Financial markets data: Week ending 28 February 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.75	0	—	0	—
90-day BBSW	0.81	-8	▼	-11	▼
3-year Australian Bond Yield	0.50	-14	▼	-40	▼
10-year Australian Bond Yield	0.82	-12	▼	-55	▼
20-year Australian Bond Yield	1.30	-12	▼	-57	▼
10-year Australian Break-Even Inflation	1.23	-6	▼	-18	▼
10-year Australian Real Yield	-0.41	-6	▼	-38	▼
Fed Funds Rate (lower bound)	1.50	0	—	0	—
2-year US Treasury Yield	0.91	-44	▼	-66	▼
10-year US Treasury Yield	1.15	-32	▼	-77	▼
30-year US Treasury Yield	1.68	-24	▼	-71	▼
10-year German Bund Yield	-0.61	-18	▼	-42	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.83	-7	▼	-11	▼
4.00% 8 April 2021	0.68	-11	▼	-33	▼
6.00% 1 March 2022	0.68	-13	▼	-38	▼
4.00% 20 April 2023	0.72	-13	▼	-45	▼
1.00% 8 February 2024	0.78	-12	▼	-50	▼
5.00% 20 August 2024	0.79	-12	▼	-49	▼
4.00% 20 May 2026	0.93	-11	▼	-53	▼
3.00% 20 May 2027	1.02	-9	▼	-55	▼
3.00% 20 March 2028	1.10	-9	▼	-57	▼
3.00% 20 April 2029	1.20	-9	▼	-58	▼
3.00% 20 February 2030	1.24	-9	▼	-60	▼
2.00% 20 March 2031	1.37	-9	▼	-59	▼
3.75% 20 August 2020 CIB2	-1.05	-5	▼	-38	▼
2.75% 20 November 2025 CIB	-0.18	0	▼	-27	▼
2.50% 20 November 2035 CIB	0.32	-15	▼	-40	▼
10-year NSW TCorp Bond Yield	1.28	-8	▼	-56	▼
10-year TCV (Victoria) Spread	-0.02	-1	▼	-1	▼
10-year QTC (Queensland) Spread	0.00	-1	▼	-3	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,441	-9.8%	▼	-3.6%	▼
S&P 500 (US)	2,954	-11.5%	▼	-8.6%	▼
FTSE 100 (UK)	6,581	-11.1%	▼	-12.8%	▼
DJ Stoxx 600 (Europe)	376	-12.2%	▼	-9.7%	▼
Nikkei 225 (Japan)	21,143	-9.6%	▼	-10.6%	▼
Shanghai Composite (China)	2,880	-5.2%	▼	-5.6%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.652	-1.7%	▼	-7.1%	▼
EUR/USD	1.103	1.7%	▲	-1.7%	▼
USD/JPY	107.89	-3.3%	▼	-0.6%	▼
GBP/USD	1.28	-1.1%	▼	-2.7%	▼
US\$ Index	98.13	-1.1%	▼	1.8%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	50.52	-13.6%	▼	-23.5%	▼
Iron Ore (US\$/t)	86.46	-1.0%	▼	-5.5%	▼
Coking Coal (US\$/t)	1,292.00	3.7%	▲	7.0%	▲
Gold (US\$/oz)	1,585.69	-3.5%	▼	4.5%	▲

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