

The week that was

- The relentless escalation of trade tensions between China and the US finally took a pause last week. On Thursday, China indicated it wouldn't immediately retaliate against the latest tariff increase from the US. This is the first time China hasn't retaliated immediately against the US since 2018. Although previously announced tariffs came into effect as scheduled from both sides on Friday.
- The temporary détente in the trade war saw sentiment improving across equity markets. The S&P500 was up 2.8% while Europe (2.2%) and UK (1.2%) closed higher as well. US 10-year bond yields fell 4bps to end up at 1.5%, which is the same as US 2-year bond yields. The ASX200 was up 1.2% while Australian 10-year bond yields fell 9bps to 0.89%.
- Partial indicators released last week suggested Australian Q2 GDP would likely be soft. Business capital expenditure showed some positive contributions from equipment and machinery investment. It wasn't enough, however, to offset the surprisingly weak construction work done.
- Globally, various data suggest the US economy is still relatively resilient. Although China and Germany continue to feel the impact from trade uncertainty. China's official manufacturing PMI remained below 50 at 49.5 and Germany's IFO business sentiment fell to its lowest level since the GFC.

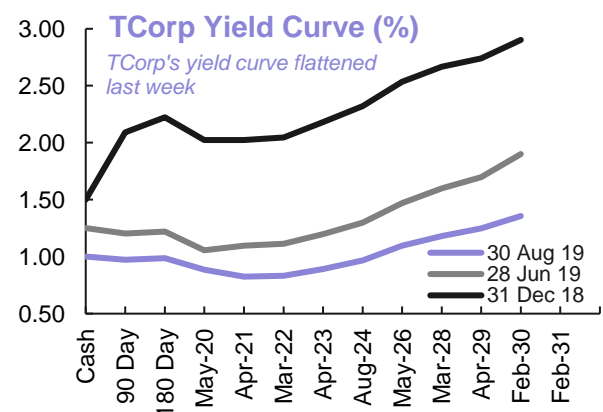
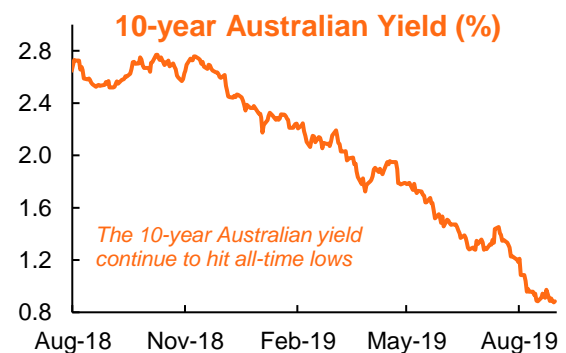
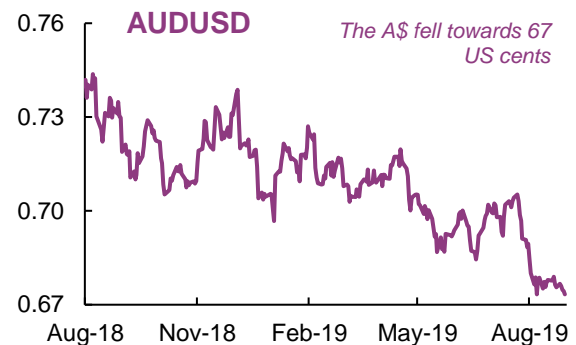
Economic calendar

Tuesday 03/09	AU: RBA policy meeting, Retail sales CH: Caixin manufacturing PMI
Wednesday 04/09	AU: GDP US: Manufacturing PMI
Thursday 05/09	GE: Factory orders US: Factory orders
Friday 06/09	GE: Industrial production US: Non-farm payrolls

The week ahead

- It will be a bustling week ahead in both domestic and international markets. On Wednesday Q2 GDP growth will be the main economic release in Australia after a few more building blocks are released at the start of the week. Retail sales on Friday will provide investors the first read on household consumption in the new financial year. The RBA will also hold their monthly monetary policy meeting.
- Internationally US non-farm payrolls will be the highlight at the end of the week. Investors will also pay close attention to manufacturing PMIs and factory orders around the globe.

Financial markets charts



Financial markets data: Week ending 30 August 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.00	0	—	-50	▼
90-day BBSW	0.97	-2	▼	-112	▼
3-year Australian Bond Yield	0.67	-4	▼	-118	▼
10-year Australian Bond Yield	0.89	-9	▼	-143	▼
20-year Australian Bond Yield	1.29	-12	▼	-139	▼
10-year Australian Break-Even Inflation	1.14	-1	▼	-50	▼
10-year Australian Real Yield	-0.25	-8	▼	-93	▼
Fed Funds Rate (lower bound)	2.00	0	—	-25	—
2-year US Treasury Yield	1.50	-3	▼	-98	▼
10-year US Treasury Yield	1.50	-4	▼	-119	▼
30-year US Treasury Yield	1.96	-6	▼	-105	▼
10-year German Bund Yield	-0.70	-2	▼	-94	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.89	-1	▼	-114	▼
4.00% 8 April 2021	0.82	-4	▼	-120	▼
6.00% 1 March 2022	0.83	-3	▼	-121	▼
4.00% 20 April 2023	0.89	-4	▼	-129	▼
5.00% 20 August 2024	0.97	-3	▼	-135	▼
4.00% 20 May 2026	1.10	-6	▼	-144	▼
3.00% 20 May 2027	1.18	-8	▼	-149	▼
3.00% 20 March 2028	1.25	-8	▼	-149	▼
3.00% 20 April 2029	1.36	-8	▼	-149	▼
3.00% 20 February 2030	1.43	-9	▼	-148	▼
3.75% 20 August 2020 CIB	-0.12	0	▼	-78	▼
2.75% 20 November 2025 CIB	0.00	-5	▼	-93	▼
2.50% 20 November 2035 CIB	0.52	1	▲	-72	▼
10-year NSW TCorp Bond Yield	1.41	-9	▼	-141	▼
10-year TCV (Victoria) Spread	-0.03	1	▲	1	▲
10-year QTC (Queensland) Spread	0.02	0	▼	-5	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,604	1.2%	▲	17.0%	▲
S&P 500 (US)	2,926	2.8%	▲	16.7%	▲
FTSE 100 (UK)	7,207	1.6%	▲	7.1%	▲
DJ Stoxx 600 (Europe)	379	2.2%	▲	12.4%	▲
Nikkei 225 (Japan)	20,704	0.0%	▼	3.4%	▲
Shanghai Composite (China)	2,886	-0.4%	▼	15.7%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.673	-0.3%	▼	-4.5%	▼
EUR/USD	1.098	-1.5%	▼	-4.2%	▼
USD/JPY	106.28	0.8%	▲	-3.1%	▼
GBP/USD	1.22	-0.9%	▼	-4.7%	▼
US\$ Index	98.92	1.3%	▲	2.9%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	60.43	1.8%	▲	12.3%	▲
Iron Ore (US\$/t)	90.91	-1.1%	▼	27.8%	▲
Coking Coal (US\$/t)	1,419.50	1.1%	▲	-1.8%	▼
Gold (US\$/oz)	1,520.38	-0.4%	▼	18.5%	▲

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