

## The week that was

- The highly anticipated signing of the Phase 1 US-China trade deal met expectations. China committed to stronger laws on intellectual property rights, currency flexibility and the purchase of an additional US\$200bn of imports from the US. The US will partially roll back tariffs that were placed on Chinese imports. Phase 2 talks are not expected to begin anytime soon.
- US inflation came in slightly softer than expected at +0.2% (exp +0.3%). Weak inflation leaves the door open for a potential Fed rate cut later in 2020. December retail sales rose by 0.3%, and the 'control measure' which feeds into GDP rose by 0.5%. However, October and November readings were revised down by 0.5% (collectively).
- UK CPI was the weakest in three years with core inflation at +1.4% y/y against +1.7% expected. This increases the likelihood that the Bank of England will cut rates later this month.
- Australian housing finance rose in November (+1.8%). Mortgage approvals were up for both owner-occupiers (+1.6%) and investors (+2.2%).
- Chinese trade data was stronger than expected for both imports (+16.3%) and exports (+7.6%). December quarter GDP came in at +6%, industrial output was stronger than expected at +6.9% and retail sales at +8.0% all pointing towards a stabilisation in the Chinese economy

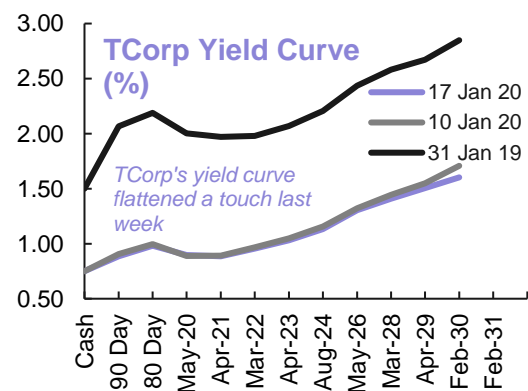
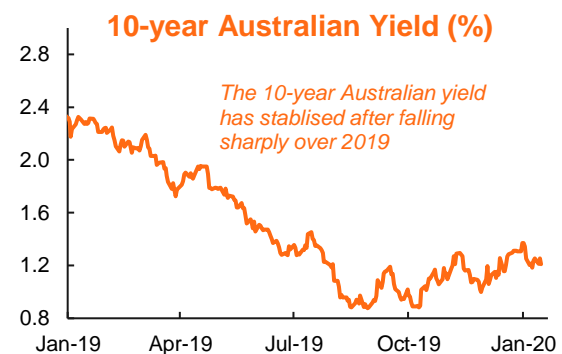
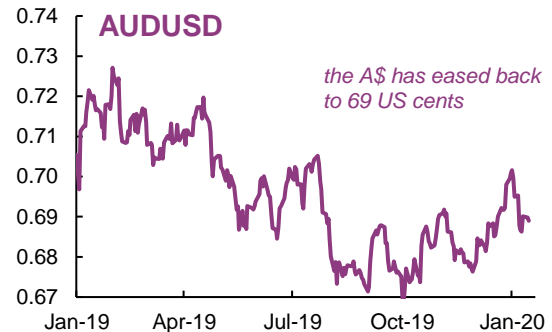
## Economic calendar

<b>Monday</b> 20/12	US: Martin Luther King Jr Public Holiday
<b>Tuesday</b> 21/12	JP: BOJ Policy Meeting
<b>Thursday</b> 23/12	AU: Unemployment Rate EU: ECB Policy Meeting
<b>Friday</b> 24/12	NZ: CPI Global: Manufacturing Indexes

## The week ahead

- The economic calendar is fairly quiet this week. Neither the European Central Bank nor the Bank of Japan are expected to alter policy when they meet this week. There will, however, be some interest in the manufacturing Purchasing Manager's Indexes (PMIs) which should confirm that activity has stabilised
- In Australia, the main focus will be on the labour market data. Markets are unsure whether the Reserve Bank will cut interest rates at its February policy meeting. But if the unemployment rate ticks higher it would likely seal the case for a cut.

## Financial markets charts



## Financial markets data: Week ending 17 January 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.75	0	—	-75	▼
90-day BBSW	0.87	-3	▼	-122	▼
3-year Australian Bond Yield	0.75	-5	▼	-110	▼
10-year Australian Bond Yield	1.18	-8	▼	-114	▼
20-year Australian Bond Yield	1.69	-9	▼	-100	▼
10-year Australian Break-Even Inflation	1.44	1	▲	-20	▼
10-year Australian Real Yield	-0.26	-9	▼	-94	▼
Fed Funds Rate (lower bound)	1.50	0	—	-75	—
2-year US Treasury Yield	1.56	-1	▼	-93	▼
10-year US Treasury Yield	1.82	0	▲	-86	▼
30-year US Treasury Yield	2.28	0	▲	-73	▼
10-year German Bund Yield	-0.22	-2	▼	-46	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.89	1	▲	-113	▼
4.00% 8 April 2021	0.86	-3	▼	-117	▼
6.00% 1 March 2022	0.92	-5	▼	-113	▼
4.00% 20 April 2023	1.00	-5	▼	-119	▼
5.00% 20 August 2024	1.09	-6	▼	-123	▼
4.00% 20 May 2026	1.26	-6	▼	-127	▼
3.00% 20 May 2027	1.38	-7	▼	-129	▼
3.00% 20 March 2028	1.46	-9	▼	-128	▼
3.00% 20 April 2029	1.56	-9	▼	-128	▼
3.00% 20 February 2030	1.62	-8	▼	-128	▼
3.75% 20 August 2020 CIB	-0.87	-6	▼	-152	▼
2.75% 20 November 2025 CIB	-0.12	-10	▼	-105	▼
2.50% 20 November 2035 CIB	0.56	-7	▼	-68	▼
10-year NSW TCorp Bond Yield	1.64	-8	▼	-118	▼
10-year TCV (Victoria) Spread	-0.02	-1	▼	2	▲
10-year QTC (Queensland) Spread	0.03	-1	▼	-3	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	7,064	1.9%	▲	25.1%	▲
S&P 500 (US)	3,330	2.0%	▲	32.8%	▲
FTSE 100 (UK)	7,675	1.1%	▲	14.1%	▲
DJ Stoxx 600 (Europe)	425	1.3%	▲	25.7%	▲
Nikkei 225 (Japan)	24,041	0.8%	▲	20.1%	▲
Shanghai Composite (China)	3,075	-0.5%	▼	23.3%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.688	-0.3%	▼	-2.5%	▼
EUR/USD	1.109	-0.3%	▼	-3.1%	▼
USD/JPY	110.14	0.6%	▲	0.1%	▲
GBP/USD	1.30	-0.4%	▼	2.2%	▲
US\$ Index	97.61	0.3%	▲	1.5%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	64.85	-0.2%	▼	20.5%	▲
Iron Ore (US\$/t)	95.00	1.9%	▲	33.6%	▲
Coking Coal (US\$/t)	1,245.00	-0.7%	▼	-13.8%	▼
Gold (US\$/oz)	1,557.24	-0.3%	▼	21.4%	▲

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