

## The week that was

- Markets were jolted last week as China's coronavirus spread more rapidly than initially seemed likely. This resulted in governments in China, Hong Kong and Taiwan taking significant action, including closing schools, placing restrictions on public transport and stopping group tours.
- Equity markets were mostly lower with the Chinese market down 3.2% and US stocks falling by 1%. The 'risk-off' tone was also reflected in bond markets, with US yields falling by 14bps, commodity markets (oil fell by 6.4%) and currency markets, with the A\$ dropping by 0.7%.
- In terms of economic data, global Purchasing Manager's Indexes (PMIs) suggested that manufacturing conditions in Europe were improving in January, while in the US, Boeing's troubles may be weighing on sentiment.
- In Australia, the unemployment rate dipped unexpectedly to 5.1% in December which prompted markets to reduce the odds of the Reserve Bank of Australia cutting its policy rate in February from around 50% to 25%.

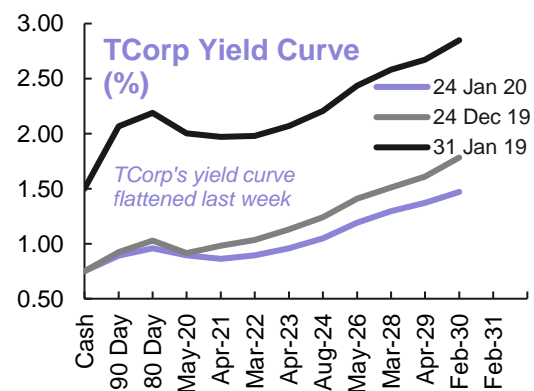
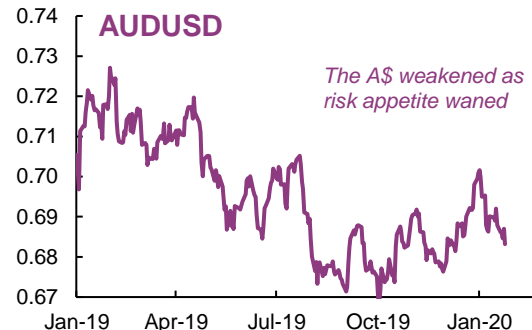
## Economic calendar

|                           |   |
|---------------------------|---|
| <b>Tuesday</b><br>28/12   | US: Durable goods orders<br>AU: NAB business survey |
| <b>Wednesday</b><br>29/12 | US: FOMC meeting<br>AU: Consumer price index        |
| <b>Thursday</b><br>30/12  | UK: Bank of England meeting<br>US: GDP              |
| <b>Friday</b><br>31/12    | US: PCE deflator<br>EU: Consumer inflation          |

## The week ahead

- In Australia, most focus will be on the December quarter inflation data. Most analysts expect core inflation will rise by 0.4%, but a weaker number would likely prompt markets to 'price-in' a February rate cut.
- Globally, investors will look towards the US central bank's policy meeting for guidance while the Bank of England is also meeting and could cut rates this week.
- Besides the economic data and events, markets will pay close attention to the evolving situation surrounding the coronavirus, while US earnings reporting season ramps up with a range of tech firms and also the industrial machinery manufacturer Caterpillar providing updates.

## Financial markets charts



## Financial markets data: Week ending 24 January 2020

| Interest Rates                          | Close (%) | 1 Week (bps) |   | YTD (bps) |   |
|---|-----------|--------------|---|-----------|---|
| RBA Cash Rate                           | 0.75      | 0            | — | 0         | — |
| 90-day BBSW                             | 0.89      | 2            | ▲ | -3        | ▼ |
| 3-year Australian Bond Yield            | 0.73      | -2           | ▼ | -18       | ▼ |
| 10-year Australian Bond Yield           | 1.09      | -9           | ▼ | -28       | ▼ |
| 20-year Australian Bond Yield           | 1.58      | -11          | ▼ | -29       | ▼ |
| 10-year Australian Break-Even Inflation | 1.47      | 3            | ▲ | 6         | ▲ |
| 10-year Australian Real Yield           | -0.38     | -12          | ▼ | -34       | ▼ |
| Fed Funds Rate (lower bound)            | 1.50      | 0            | — | 0         | — |
| 2-year US Treasury Yield                | 1.49      | -6           | ▼ | -7        | ▼ |
| 10-year US Treasury Yield               | 1.68      | -14          | ▼ | -23       | ▼ |
| 30-year US Treasury Yield               | 2.13      | -15          | ▼ | -26       | ▼ |
| 10-year German Bund Yield               | -0.34     | -12          | ▼ | -15       | ▼ |
| NSW TCorp Bonds                         | Close (%) | 1 Week (bps) |   | YTD (bps) |   |
| 6.00% 1 May 2020                        | 0.89      | 0            | ▼ | -4        | ▼ |
| 4.00% 8 April 2021                      | 0.86      | 1            | ▲ | -14       | ▼ |
| 6.00% 1 March 2022                      | 0.89      | -3           | ▼ | -17       | ▼ |
| 4.00% 20 April 2023                     | 0.96      | -4           | ▼ | -21       | ▼ |
| 5.00% 20 August 2024                    | 1.05      | -4           | ▼ | -23       | ▼ |
| 4.00% 20 May 2026                       | 1.19      | -7           | ▼ | -26       | ▼ |
| 3.00% 20 May 2027                       | 1.29      | -8           | ▼ | -28       | ▼ |
| 3.00% 20 March 2028                     | 1.37      | -9           | ▼ | -30       | ▼ |
| 3.00% 20 April 2029                     | 1.47      | -9           | ▼ | -31       | ▼ |
| 3.00% 20 February 2030                  | 1.52      | -10          | ▼ | -32       | ▼ |
| 3.75% 20 August 2020 CIB                | -0.91     | -4           | ▼ | -23       | ▼ |
| 2.75% 20 November 2025 CIB              | -0.20     | -8           | ▼ | -30       | ▼ |
| 2.50% 20 November 2035 CIB              | 0.44      | -12          | ▼ | -28       | ▼ |
| 10-year NSW TCorp Bond Yield            | 1.54      | -11          | ▼ | -31       | ▼ |
| 10-year TCV (Victoria) Spread           | -0.02     | 1            | ▲ | 0         | ▲ |
| 10-year QTC (Queensland) Spread         | 0.03      | 0            | ▼ | 0         | ▲ |
| Equities                                | Close     | 1 Week       |   | YTD       |   |
| S&P/ASX 200 (Australia)                 | 7,091     | 0.4%         | ▲ | 6.1%      | ▲ |
| S&P 500 (US)                            | 3,295     | -1.0%        | ▼ | 2.0%      | ▲ |
| FTSE 100 (UK)                           | 7,586     | -1.2%        | ▼ | 0.6%      | ▲ |
| DJ Stoxx 600 (Europe)                   | 424       | -0.2%        | ▼ | 1.9%      | ▲ |
| Nikkei 225 (Japan)                      | 23,827    | -0.9%        | ▼ | 0.7%      | ▲ |
| Shanghai Composite (China)              | 2,977     | -3.2%        | ▼ | -2.4%     | ▼ |
| Currencies                              | Close     | 1 Week       |   | YTD       |   |
| AUD/USD                                 | 0.683     | -0.7%        | ▼ | -2.5%     | ▼ |
| EUR/USD                                 | 1.103     | -0.6%        | ▼ | -1.7%     | ▼ |
| USD/JPY                                 | 109.28    | -0.8%        | ▼ | 0.7%      | ▲ |
| GBP/USD                                 | 1.31      | 0.4%         | ▲ | -0.8%     | ▼ |
| US\$ Index                              | 97.85     | 0.3%         | ▲ | 1.5%      | ▲ |
| Commodities                             | Close     | 1 Week       |   | YTD       |   |
| Brent Oil (US\$/bbl)                    | 60.69     | -6.4%        | ▼ | -8.0%     | ▼ |
| Iron Ore (US\$/t)                       | 94.37     | -0.7%        | ▼ | 3.1%      | ▲ |
| Coking Coal (US\$/t)                    | 1,273.00  | 2.2%         | ▲ | 5.5%      | ▲ |
| Gold (US\$/oz)                          | 1,571.53  | 0.9%         | ▲ | 3.6%      | ▲ |

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