

The week that was

- Australian employment was stronger than expected in August with the unemployment rate falling to 6.8%. This was good news for the Australian economy even though it was driven by an upsurge in 'self-employed' people rather than an increase in hiring by businesses. Australian Treasurer Josh Frydenberg said that the real unemployment rate was probably around 9.3%.
- Chinese economic data was also better than the market expected, with retail sales in August now higher than they were a year ago. That said, the recovery in production has far exceeded the rebound in demand so far. In contrast, US retail sales were slightly weaker than expected.
- The Australian equity market managed to close 0.1% higher over the week, while European stocks edged up by 0.2%. Other equity markets, however, were mostly lower with Japanese stocks declining by 0.2% and the US S&P500 falling 0.6% following a lack of new policy support from the US central bank. The absence of further monetary policy stimulus also contributed to a modest rise in US bond yields while Australian yields edged lower.

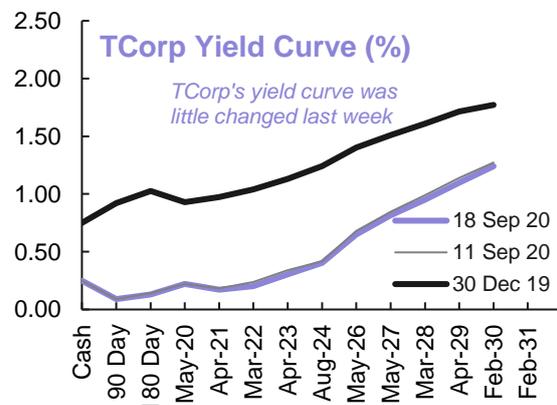
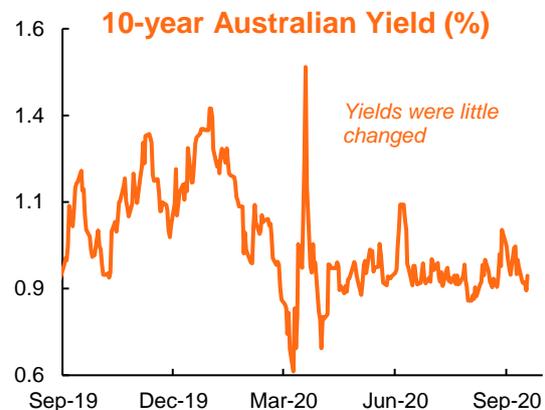
Economic calendar

Monday 21/09	US: Chicago Fed National Activity Index
Tuesday 22/09	AU: RBA deputy Governor Debelle speech AU: Weekly payrolls data
Wednesday 23/09	AU: Preliminary retail sales, Aug Global: PMIs, Sep
Thursday 24/09	EU: German IFO business survey, Sep US: Initial jobless claims
Friday 25/09	AU: Preliminary trade balance, Aug US: Durable goods orders, Aug

The week ahead

- The Reserve Bank of Australia (RBA) has been hinting that it is considering delivering further stimulus to support the recovery in growth in recent weeks. Despite that, markets were disappointed last week as the minutes of the RBA's September policy meeting failed to provide any new information. This week, RBA deputy Governor Debelle will speak on "The Australian economy and monetary policy" which might provide more insights into what the RBA may be considering.
- Globally, the focus will be on the Purchasing Managers' Indexes for both the manufacturing and service sectors. After a strong initial rebound in activity after the economic shutdowns in March and April, momentum has declined more recently. As such, investors will be hoping that these data continue to reflect further improvement in overall conditions in September.

Financial markets charts



Financial markets data: Week ending 18 September 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	–	-50	▼
90-day BBSW	0.09	0	–	-83	▼
3-year Australian Bond Yield	0.23	-2	▼	-67	▼
10-year Australian Bond Yield	0.89	-2	▼	-48	▼
20-year Australian Bond Yield	1.62	-1	▼	-25	▼
10-year Australian Break-Even Inflation	1.29	-2	▼	-12	▼
10-year Australian Real Yield	-0.40	-1	▼	-37	▼
Fed Funds Rate (lower bound)	0.00	0	–	-150	▼
2-year US Treasury Yield	0.14	1	▲	-143	▼
10-year US Treasury Yield	0.69	3	▲	-122	▼
30-year US Treasury Yield	1.45	4	▲	-94	▼
10-year German Bund Yield	-0.49	0	▼	-30	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.17	-1	▼	-83	▼
6.00% 1 March 2022	0.20	-4	▼	-86	▼
4.00% 20 April 2023	0.31	-3	▼	-86	▼
1.00% 8 February 2024	0.39	0	▼	-89	▼
5.00% 20 August 2024	0.40	-1	▼	-88	▼
4.00% 20 May 2026	0.65	-3	▼	-80	▼
3.00% 20 May 2027	0.82	-3	▼	-76	▼
3.00% 20 March 2028	0.95	-4	▼	-72	▼
3.00% 20 April 2029	1.10	-4	▼	-68	▼
3.00% 20 February 2030	1.24	-3	▼	-60	▼
2.00% 20 March 2031	1.39	-2	▼	-57	▼
2.00% 20 March 2032	1.58	-2	▼	n/a	n/a
2.00% 20 March 2033	1.70	-2	▼	-49	▼
3.75% 20 August 2020 CIB	2.04	19	▲	274	▲
2.75% 20 November 2025 CIB	-0.21	-1	▼	-29	▼
2.50% 20 November 2035 CIB	0.48	0	–	n/a	n/a
10-year NSW TCorp Bond Yield	1.34	-3	▼	-50	▼
10-year TCV (Victoria) Spread	-0.03	0	–	-1	▼
10-year QTC (Queensland) Spread	-0.02	-1	▼	-5	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	5,865	0.1%	▲	-12.3%	▼
S&P500 (US)	3,319	-0.6%	▼	2.7%	▲
FTSE 100 (UK)	6,007	-0.4%	▼	-20.4%	▼
Euro Stoxx 600 (Europe)	369	0.2%	▲	-11.3%	▼
Nikkei 225 (Japan)	23,360	-0.2%	▼	-1.3%	▼
Shanghai Composite (China)	3,338	2.4%	▲	9.4%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.729	0.1%	▲	4.0%	▲
EUR/USD	1.184	-0.1%	▼	5.6%	▲
USD/JPY	104.57	-1.5%	▼	-3.7%	▼
GBP/USD	1.29	0.9%	▲	-2.0%	▼
US\$ Index	92.93	-0.4%	▼	-3.6%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	43.15	8.3%	▲	-34.6%	▼
Iron Ore (US\$/t)	126.42	-0.9%	▼	38.1%	▲
Coking Coal (US\$/t)	1,281.00	4.5%	▲	6.1%	▲
Gold (US\$/oz)	1,950.86	0.5%	▲	28.6%	▲

Brian Redican

Chief Economist

brian.redican@tcorp.nsw.gov.au

This material has been prepared by New South Wales Treasury Corporation ABN 99 095 235 825 (TCorp), a statutory corporation of New South Wales.

This material is of a general nature only and does not take into account your investment objectives, financial situation or needs. This material does not constitute investment advice. It should not be relied upon in determining whether to invest in a TCorpIM Fund. TCorp recommends you seek your own legal and financial advice before proceeding with any investment decision.

While this material has been formulated with all due care, TCorp does not warrant or represent that the material is free from errors or omissions, or that it is exhaustive. TCorp takes no responsibility for the accuracy, adequacy, currency or completeness of any information included in the material provided by third parties. Except where contrary to law, TCorp will not be liable for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of the use of, or reliance on, the information contained in this material.

This material is not intended to forecast or predict future events. Past performance is not a guarantee or a reliable indicator of future performance. The material is subject to change without notice and TCorp is not under any obligation to update the information or correct any inaccuracy which may become apparent at a later date.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2020. All rights reserved.

About New South Wales Treasury Corporation (TCorp)

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$103 billion of assets under management, TCorp is a top five Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$99 billion. It is rated AAA by S&P and Aaa by Moody's.

TCorp

Level 7, Deutsche Bank Place,
126 Phillip Street, Sydney, NSW 2000

Tel: +61 2 9325 9325
www.tcorp.nsw.gov.au

www.linkedin.com/company/tcorp-nswtreasurycorporation/

