

The week that was

- Purchasing Managers' Indexes pointed to divergent conditions in the US and Europe in August. Conditions in the US were stronger than expected, with the composite PMI – which includes both the manufacturing and services sectors – rising from 50.3 to 54.7, where an index level of 50 indicates stable activity.
- In contrast, the European composite PMI fell from 54.9 in August back to 51.6. Australian activity also moderated in August, with the composite PMI falling from 57.8 to 48.8. These data once again suggest that the economic recovery will be bumpy.
- Equity markets broadly moved in line with the varying economic data last week. The US equity market rose by 0.7% while Chinese stocks increased by 0.6%. Australian shares fell by 0.2% while European stocks declined by 0.8%.
- Bond yields declined last week, particularly for longer-dated maturities. US 10-year yields fell by 8bps to 0.63% while Australian 10-year yields fell by 5bps to 0.88%. The minutes of the US central bank's recent policy meeting disappointed investors who were looking for some clues regarding what additional easing measures the central bank might pursue. The lack of additional guidance, however, only temporarily slowed the rally.

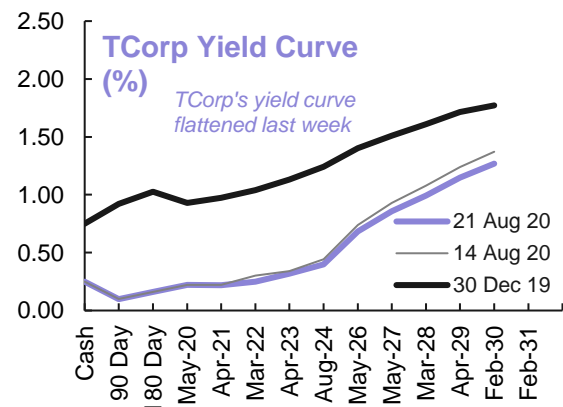
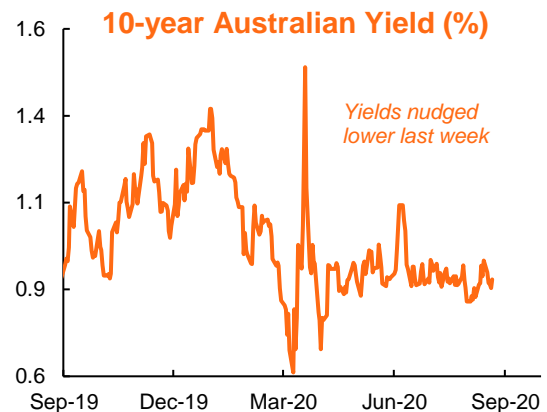
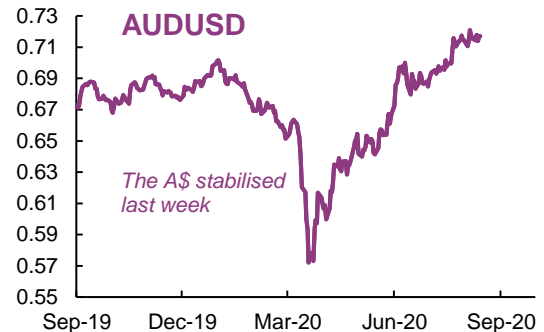
Economic calendar

Monday 24/08	NZ: Retail sales
Tuesday 25/08	AU: Payrolls EU: IFO business survey
Wednesday 26/08	AU: Construction work done, Q2 US: Durable goods orders, July
Thursday 27/08	US: Federal Reserve Policy Symposium AU: Private business investment, Q2
Friday 28/08	US: Consumption deflator, Jul US: Consumer sentiment, August

The week ahead

- The US Federal Reserve's annual Monetary Policy Symposium will take place this week. The Symposium is usually held at the Jackson Hole ski resort although with COVID-19 restrictions in place, it will be held virtually this year. In the past, Fed policymakers have used this forum to announce significant policy changes, and so investors will follow this event closely.
- In Australia, construction work done and business investment data for the June quarter will be released and will reveal the impact of the shutdowns on activity.

Financial markets charts



Financial markets data: Week ending 21 August 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	—	-50	▼
90-day BBSW	0.10	0	▼	-82	▼
3-year Australian Bond Yield	0.26	0	▲	-65	▼
10-year Australian Bond Yield	0.88	-5	▼	-49	▼
20-year Australian Bond Yield	1.56	-7	▼	-31	▼
10-year Australian Break-Even Inflation	1.32	-14	▼	-8	▼
10-year Australian Real Yield	-0.45	9	▲	-41	▼
Fed Funds Rate (lower bound)	0.00	0	—	-150	▼
2-year US Treasury Yield	0.14	0	▼	-143	▼
10-year US Treasury Yield	0.63	-8	▼	-129	▼
30-year US Treasury Yield	1.34	-11	▼	-105	▼
10-year German Bund Yield	-0.51	-9	▼	-32	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.22	0	▼	-78	▼
6.00% 1 March 2022	0.25	-5	▼	-81	▼
4.00% 20 April 2023	0.32	-2	▼	-85	▼
1.00% 8 February 2024	0.36	-4	▼	-92	▼
5.00% 20 August 2024	0.40	-5	▼	-88	▼
4.00% 20 May 2026	0.68	-6	▼	-77	▼
3.00% 20 May 2027	0.86	-7	▼	-72	▼
3.00% 20 March 2028	0.99	-8	▼	-67	▼
3.00% 20 April 2029	1.15	-9	▼	-63	▼
3.00% 20 February 2030	1.27	-10	▼	-57	▼
2.00% 20 March 2031	1.41	-10	▼	-55	▼
2.00% 20 March 2032	1.60	-11	▼	n/a	n/a
2.00% 20 March 2033	1.70	-9	▼	-50	▼
3.75% 20 August 2020 CIB	1.82	25	▲	252	▲
2.75% 20 November 2025 CIB	-0.20	6	▲	-28	▼
2.50% 20 November 2035 CIB	0.40	1	▲	n/a	n/a
10-year NSW TCorp Bond Yield	1.35	-9	▼	-49	▼
10-year TCV (Victoria) Spread	-0.04	-3	▼	-3	▼
10-year QTC (Queensland) Spread	-0.01	0	▲	-4	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,111	-0.2%	▼	-8.6%	▼
S&P 500 (US)	3,397	0.7%	▲	5.1%	▲
FTSE 100 (UK)	6,002	-1.4%	▼	-20.4%	▼
Euro Stoxx 600 (Europe)	365	-0.8%	▼	-12.2%	▼
Nikkei 225 (Japan)	22,920	-1.6%	▼	-3.1%	▼
Shanghai Composite (China)	3,381	0.6%	▲	10.8%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.716	-0.1%	▼	2.2%	▲
EUR/USD	1.180	-0.4%	▼	5.2%	▲
USD/JPY	105.80	-0.8%	▼	-2.5%	▼
GBP/USD	1.31	0.0%	▲	-0.6%	▼
US\$ Index	93.25	0.2%	▲	-3.3%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	44.35	-1.0%	▼	-32.8%	▼
Iron Ore (US\$/t)	123.43	2.7%	▲	34.9%	▲
Coking Coal (US\$/t)	1,213.00	-3.3%	▼	0.5%	▲
Gold (US\$/oz)	1,940.48	-0.2%	▼	27.9%	▲

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/

