

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.

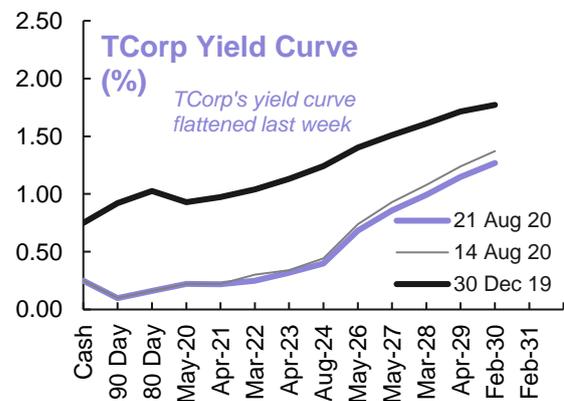
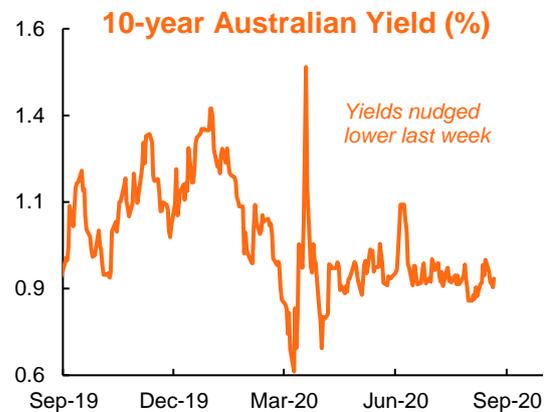
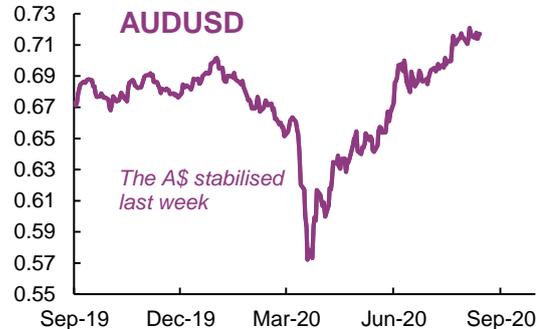
Economic calendar

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%	▲

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