

The week that was

- The minutes of the Reserve Bank of Australia's (RBA) October Board meeting seemed to confirm that the RBA is poised to ease monetary policy further at its November Board meeting. Indeed, RBA Assistant Governor Kent even admitted that bank bill rates – a form of short-term funding for banks – could “pop below zero”. 90-day bank bill rates fell by 2bps to 0.06%.
- While speculation of further RBA action dampened short-term rates, longer-term rates were led higher by a 10bps rise in 10-year US bond yields. This reflected mounting optimism that there will be another US fiscal stimulus package arriving, if not before the US Presidential election, then shortly after it.
- Equity markets were mainly weaker, with Australian stocks falling by 0.2% and US shares declining 0.5%. European equities fell by 1.4% dragged down by concerns about the spread of COVID-19 cases.
- Partly reflecting the re-imposition of restrictions in some European countries, the Purchasing Managers' Index (PMI) for Europe's service-sector fell to 46.2 in October, from 48.0 in September. In contrast, the US services PMI rose to 56.0 in October up from 54.6. Recall that a PMI below 50 implies that production is declining.

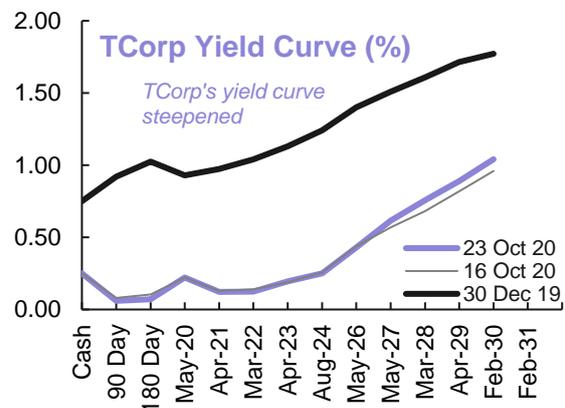
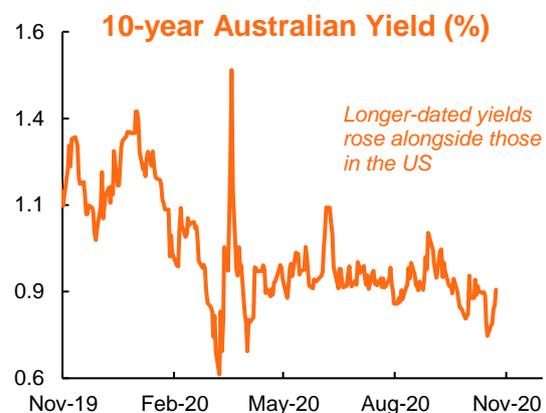
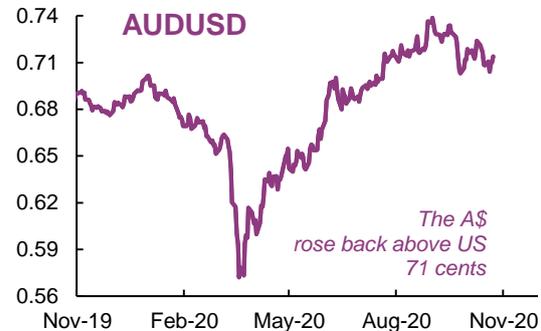
Economic calendar

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|------------------|---|
| Monday | EU: IFO business survey |
| 26/10 | US: Dallas Fed manufacturing index, Oct |
| Tuesday | US: Durable goods, Sep |
| 27/10 | US: Richmond Fed manuf. index, Oct |
| Wednesday | AU: Consumer price index, Q3 |
| 28/10 | CA: Bank of Canada policy decision |
| Thursday | AU: NAB Business Survey, Q3 |
| 29/10 | US: GDP, Q3 |
| Friday | US: Chicago Manufacturing index, Oct |
| 30/10 | EU: GDP, Q3 |

The week ahead

- Europe and the US will reveal the extent to which economic activity bounced back in the September quarter when they release GDP data. PMIs suggest that both economies experienced a sharp improvement although the European recovery appears to be stalling as we enter Q4.
- The US will also release a range of regional manufacturing indexes, although the overall US PMI already suggests that activity improved further in October. In Australia, the quarterly NAB survey will show how various sectors of the economy are weathering the downturn, while consumer price data are likely to be dominated by a rebound in petrol prices and the re-imposition of childcare fees.

Financial markets charts



Financial markets data: Week ending 23 October 2020

| Interest Rates | Close (%) | 1 Week (bps) | | YTD (bps) | |
|---|-----------|--------------|---|-----------|-----|
| RBA Cash Rate | 0.25 | 0 | – | -50 | ▼ |
| 90-day BBSW | 0.06 | -2 | ▼ | -86 | ▼ |
| 3-year Australian Bond Yield | 0.13 | 1 | ▲ | -78 | ▼ |
| 10-year Australian Bond Yield | 0.86 | 13 | ▲ | -51 | ▼ |
| 20-year Australian Bond Yield | 1.57 | 13 | ▲ | -30 | ▼ |
| 10-year Australian Break-Even Inflation | 1.43 | 2 | ▲ | 2 | ▲ |
| 10-year Australian Real Yield | -0.57 | 11 | ▲ | -54 | ▼ |
| Fed Funds Rate (lower bound) | 0.00 | 0 | – | -150 | ▼ |
| 2-year US Treasury Yield | 0.16 | 1 | ▲ | -141 | ▼ |
| 10-year US Treasury Yield | 0.84 | 10 | ▲ | -107 | ▼ |
| 30-year US Treasury Yield | 1.64 | 11 | ▲ | -75 | ▼ |
| 10-year German Bund Yield | -0.57 | 5 | ▲ | -39 | ▼ |
| NSW TCorp Bonds | Close (%) | 1 Week (bps) | | YTD (bps) | |
| 4.00% 8 April 2021 | 0.12 | -1 | ▼ | -88 | ▼ |
| 6.00% 1 March 2022 | 0.12 | -2 | ▼ | -94 | ▼ |
| 4.00% 20 April 2023 | 0.19 | 1 | ▲ | -97 | ▼ |
| 1.00% 8 February 2024 | 0.23 | 0 | ▼ | -105 | ▼ |
| 5.00% 20 August 2024 | 0.25 | -1 | ▼ | -103 | ▼ |
| 4.00% 20 May 2026 | 0.43 | -1 | ▼ | -102 | ▼ |
| 3.00% 20 May 2027 | 0.62 | 5 | ▲ | -96 | ▼ |
| 3.00% 20 March 2028 | 0.76 | 8 | ▲ | -91 | ▼ |
| 3.00% 20 April 2029 | 0.89 | 7 | ▲ | -89 | ▼ |
| 3.00% 20 February 2030 | 1.04 | 8 | ▲ | -80 | ▼ |
| 2.00% 20 March 2031 | 1.21 | 9 | ▲ | -75 | ▼ |
| 2.00% 20 March 2032 | 1.45 | 11 | ▲ | n/a | n/a |
| 2.00% 20 March 2033 | 1.58 | 11 | ▲ | -62 | ▼ |
| 3.75% 20 August 2020 CIB | 2.07 | 3 | ▲ | 278 | ▲ |
| 2.75% 20 November 2025 CIB | -0.52 | -31 | ▼ | -61 | ▼ |
| 2.50% 20 November 2035 CIB | 0.16 | 12 | ▲ | n/a | n/a |
| 10-year NSW TCorp Bond Yield | 1.17 | 9 | ▲ | -68 | ▼ |
| 10-year TCV (Victoria) Spread | -0.01 | 0 | – | 1 | ▲ |
| 10-year QTC (Queensland) Spread | -0.03 | 0 | ▲ | -6 | ▼ |
| Equities | Close | 1 Week | | YTD | |
| S&P/ASX200 (Australia) | 6,167 | -0.2% | ▼ | -7.7% | ▼ |
| S&P500 (US) | 3,465 | -0.5% | ▼ | 7.3% | ▲ |
| FTSE 100 (UK) | 5,860 | -1.0% | ▼ | -22.3% | ▼ |
| Euro Stoxx 600 (Europe) | 363 | -1.4% | ▼ | -12.8% | ▼ |
| Nikkei 225 (Japan) | 23,517 | 0.5% | ▲ | -0.6% | ▼ |
| Shanghai Composite (China) | 3,278 | -1.7% | ▼ | 7.5% | ▲ |
| Currencies | Close | 1 Week | | YTD | |
| AUD/USD | 0.714 | 0.8% | ▲ | 1.8% | ▲ |
| EUR/USD | 1.186 | 1.2% | ▲ | 5.7% | ▲ |
| USD/JPY | 104.71 | -0.7% | ▼ | -3.5% | ▼ |
| GBP/USD | 1.30 | 1.0% | ▲ | -1.0% | ▼ |
| US\$ Index | 92.77 | -1.0% | ▼ | -3.8% | ▼ |
| Commodities | Close | 1 Week | | YTD | |
| Brent Oil (US\$/bbl) | 41.77 | -2.7% | ▼ | -36.7% | ▼ |
| Iron Ore (US\$/t) | 120.10 | -0.2% | ▼ | 31.2% | ▲ |
| Coking Coal (US\$/t) | 1,329.00 | 1.0% | ▲ | 10.1% | ▲ |
| Gold (US\$/oz) | 1,902.05 | 0.1% | ▲ | 25.4% | ▲ |

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