

The week that was

- The European Central Bank disappointed markets last week when President Mario Draghi said that policymakers didn't consider easing policy at its July policy meeting. He did, however, indicate that a rate cut was on the cards at the September policy meeting, and also suggested that it would be accompanied by the return of quantitative easing.
- The shift of central banks towards easier monetary policy was also reinforced in a speech by the RBA Governor, Phillip Lowe, who confirmed that the RBA was willing to cut interest rates if needed. That said, the Governor did not suggest that further easing was needed at this stage, and was hopeful that activity would pick up in response to recent rate cuts.
- The US economy grew at an above-trend 2.1% pace in the June quarter. This was driven by strong consumer spending, which reflects the combination of low borrowing costs, a healthy labour market and high levels of consumer sentiment.

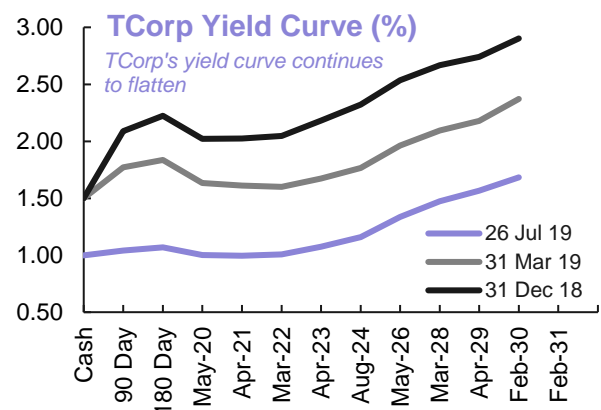
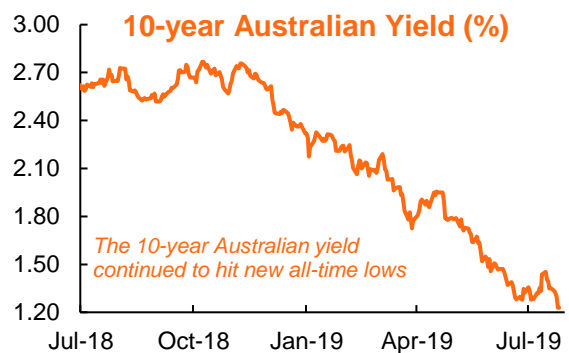
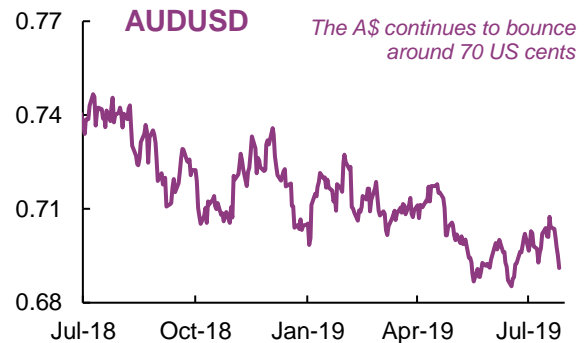
Economic calendar

Wednesday	AU: Consumer price inflation
24/07	US: FOMC meeting
Thursday	US: ISM manufacturing index
25/07	CH: Caixin manufacturing PMI
Friday	US: Non-farm payrolls
26/07	

The week ahead

- There are a lot of economic events and data released this week. The key event is the US Federal Reserve's FOMC policy meeting. The US central bank is widely expected to cut its key policy rate by 25bps this week which will be the first rate cut it has delivered in about 10 years.
- If the Fed does cut rates, it will likely be described as an "insurance" rate cut, as US growth remains solid. US employment data released Friday are also expected to point to a healthy economy. The rationale for taking out some 'insurance', however, may become apparent when the ISM report is released on Thursday, which could show a slowdown in the manufacturing sector.
- In Australia, the June quarter inflation data will be the highlight. The inability of the RBA to achieve its inflation target is one of the key factors driving the RBA's recent rate cuts. If inflation decelerates even further, then some analysts think the RBA might be forced to cut rates towards zero. We suspect, however, that while inflation will remain weak, it didn't fall further in the June quarter.

Financial markets charts



Financial markets data: Week ending 26 July 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.00	0	—	-50	▼
90-day BBSW	1.04	-8	▼	-105	▼
3-year Australian Bond Yield	0.85	-10	▼	-100	▼
10-year Australian Bond Yield	1.23	-12	▼	-109	▼
20-year Australian Bond Yield	1.69	-11	▼	-100	▼
10-year Australian Break-Even Inflation	1.36	1	▲	-28	▼
10-year Australian Real Yield	-0.13	-14	▼	-81	▼
Fed Funds Rate (lower bound)	2.25	0	—	0	—
2-year US Treasury Yield	1.85	3	▲	-64	▼
10-year US Treasury Yield	2.07	2	▲	-61	▼
30-year US Treasury Yield	2.59	1	▲	-42	▼
10-year German Bund Yield	-0.38	-5	▼	-62	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	1.00	-3	▼	-102	▼
4.00% 8 April 2021	1.00	-8	▼	-103	▼
6.00% 1 March 2022	1.01	-9	▼	-104	▼
4.00% 20 April 2023	1.07	-9	▼	-111	▼
5.00% 20 August 2024	1.16	-11	▼	-116	▼
4.00% 20 May 2026	1.33	-11	▼	-120	▼
3.00% 20 May 2027	1.47	-11	▼	-119	▼
3.00% 20 March 2028	1.57	-12	▼	-117	▼
3.00% 20 April 2029	1.68	-12	▼	-117	▼
3.00% 20 February 2030	1.76	-11	▼	-114	▼
3.75% 20 August 2020 CIB	-0.01	-8	▼	-66	▼
2.75% 20 November 2025 CIB	0.12	-12	▼	-80	▼
2.50% 20 November 2035 CIB	0.58	-12	▼	-66	▼
10-year NSW TCorp Bond Yield	1.73	-12	▼	-109	▼
10-year TCV (Victoria) Spread	-0.03	0	▼	1	▲
10-year QTC (Queensland) Spread	0.02	0	▼	-5	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,793	1.4%	▲	20.3%	▲
S&P 500 (US)	3,026	1.7%	▲	20.7%	▲
FTSE 100 (UK)	7,549	0.5%	▲	12.2%	▲
DJ Stoxx 600 (Europe)	391	0.9%	▲	15.7%	▲
Nikkei 225 (Japan)	21,658	0.9%	▲	8.2%	▲
Shanghai Composite (China)	2,945	0.7%	▲	18.1%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.691	-1.9%	▼	-2.0%	▼
EUR/USD	1.113	-0.8%	▼	-3.0%	▼
USD/JPY	108.68	0.9%	▲	-0.9%	▼
GBP/USD	1.24	-0.9%	▼	-2.9%	▼
US\$ Index	98.01	0.9%	▲	1.9%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	63.46	1.6%	▲	18.0%	▲
Iron Ore (US\$/t)	120.16	-0.6%	▼	69.0%	▲
Coking Coal (US\$/t)	1,466.50	2.6%	▲	1.5%	▲
Gold (US\$/oz)	1,418.90	-0.5%	▼	10.6%	▲

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