

The week that was

- Extraordinary swings in economic data continue to buffet financial markets.
- In Australia, consumer prices plunged by 1.9% in the June quarter which was the largest decline in prices recorded in the 72-year history of the data. This, however, mainly reflected the temporary reduction in childcare and pre-school fees as well as lower petrol prices. Prices are likely to rebound by around 1½% in the September quarter.
- Offshore, the US economy shrank by 9.5% in the June quarter, while European activity contracted by 12.1%. While activity has improved more recently, there are also some signs that the improvement in employment has plateaued.
- Most equity markets weakened as a result, with Australian stocks falling 1.6%. The US stock market rose 1.7%, however, underpinned by strong earnings reports from technology firms.
- Bond yields also fell in response to the data as investors bet that central banks will keep rates very low for an extended period. The Australian 10-year yield fell by 5bps to 82bps.

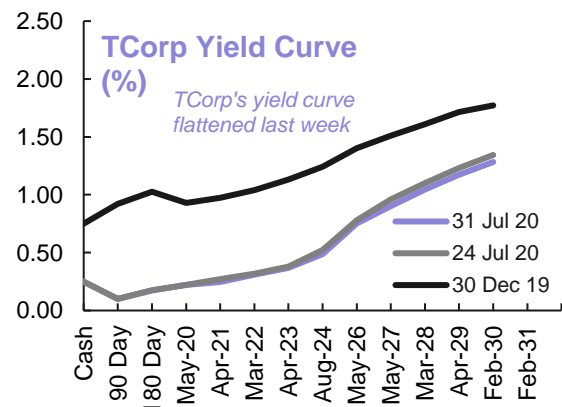
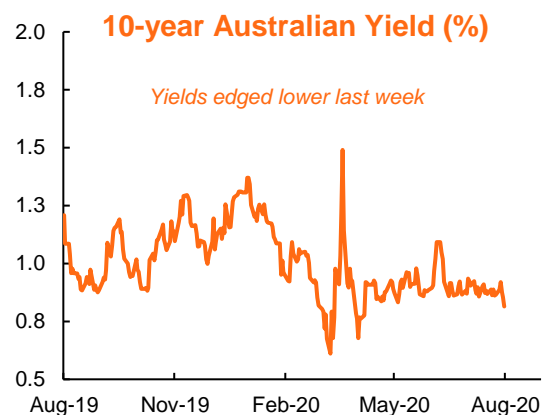
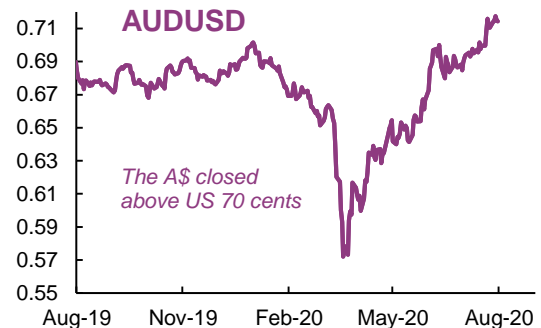
Economic calendar

Monday 3/08	Global: Manufacturing PMI, July
Tuesday 4/08	US: Manufacturing ISM, July
Wednesday 5/08	AU: RBA Monetary Policy meeting
Thursday 6/08	AU: Retail sales, Q2
Friday 7/08	Global: Services PMI, July
	US: Services ISM, July
	UK: Bank of England Policy decision
	US: Initial jobless claims
	AU: RBA Statement on Monetary Policy
	US: Non-farm Payrolls, July

The week ahead

- In Australia, the Reserve Bank of Australia will review monetary policy but is unlikely to surprise markets with any changes. More interest will focus on the release of the RBA's quarterly Statement on Monetary Policy which will provide their updated view on the path of the economy in the next 2 years.
- Globally, the release of Purchasing Managers' Indexes for both the manufacturing and services sectors will provide a timely update about how economies are recovering from the sharp fall in output in Q2. US payrolls data will also be closely watched given some other indicators suggest that the labour market took a turn for the worse in July. Markets will also be looking for some signs that US politicians will agree to extend fiscal stimulus.

Financial markets charts



Financial markets data: Week ending 31 July 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	0.27	0	▲	-64	▼
10-year Australian Bond Yield	0.82	-5	▼	-56	▼
20-year Australian Bond Yield	1.53	-7	▼	-34	▼
10-year Australian Break-Even Inflation	1.37	18	▲	-3	▼
10-year Australian Real Yield	-0.56	-23	▼	-52	▼
Fed Funds Rate (lower bound)	0.00	0	—	-150	▼
2-year US Treasury Yield	0.11	-4	▼	-146	▼
10-year US Treasury Yield	0.53	-6	▼	-139	▼
30-year US Treasury Yield	1.19	-4	▼	-120	▼
10-year German Bund Yield	-0.52	-8	▼	-34	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.25	-3	▼	-75	▼
6.00% 1 March 2022	0.31	-1	▼	-75	▼
4.00% 20 April 2023	0.37	-1	▼	-80	▼
1.00% 8 February 2024	0.44	-4	▼	-84	▼
5.00% 20 August 2024	0.49	-4	▼	-79	▼
4.00% 20 May 2026	0.75	-3	▼	-70	▼
3.00% 20 May 2027	0.90	-6	▼	-67	▼
3.00% 20 March 2028	1.05	-6	▼	-62	▼
3.00% 20 April 2029	1.17	-6	▼	-61	▼
3.00% 20 February 2030	1.28	-6	▼	-56	▼
2.00% 20 March 2031	1.43	-5	▼	-53	▼
2.00% 20 March 2032	1.64	-6	▼	n/a	n/a
2.00% 20 March 2033	1.74	-5	▼	-46	▼
3.75% 20 August 2020 CIB	1.24	92	▲	192	▲
2.75% 20 November 2025 CIB	0.01	-11	▼	-8	▼
2.50% 20 November 2035 CIB	0.33	-24	▼	n/a	n/a
10-year NSW TCorp Bond Yield	1.36	-1	▼	-48	▼
10-year TCV (Victoria) Spread	-0.01	6	▲	1	▲
10-year QTC (Queensland) Spread	-0.01	0	▼	-4	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	5,928	-1.6%	▼	-11.3%	▼
S&P 500 (US)	3,271	1.7%	▲	1.2%	▲
FTSE 100 (UK)	5,898	-3.7%	▼	-21.8%	▼
Euro Stoxx 600 (Europe)	356	-3.0%	▼	-14.3%	▼
Nikkei 225 (Japan)	21,710	-4.6%	▼	-8.2%	▼
Shanghai Composite (China)	3,310	3.5%	▲	8.5%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.714	0.5%	▲	1.9%	▲
EUR/USD	1.178	1.0%	▲	5.0%	▲
USD/JPY	105.83	-0.3%	▼	-2.5%	▼
GBP/USD	1.31	2.3%	▲	-0.7%	▼
US\$ Index	93.35	-1.1%	▼	-3.2%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	43.30	-0.1%	▼	-34.4%	▼
Iron Ore (US\$/t)	108.05	0.3%	▲	18.0%	▲
Coking Coal (US\$/t)	1,286.50	-0.8%	▼	6.6%	▲
Gold (US\$/oz)	1,975.86	3.9%	▲	30.2%	▲

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