

The week that was

- The spread of the coronavirus continued to be a dominant driver of markets with sentiment waxing and waning as the news flow variously suggested that the impacts would be contained or might be significant.
- As a result, the Australian equity market fell 1%, the US market was down 2%, while European stock fell by 3%. Bond yields also fell sharply with US 10-year yields dropping 18 bps and Australian 10-year yields declining by 14bps.
- Australia's Q419 core inflation rate met expectations at +0.4% indicating an annual rate of 1.6%. This remains below the RBA's inflation target. Headline inflation was slightly ahead of consensus at +0.7%, boosted by the drought pushing up food prices, increased excise tax on tobacco and higher petrol prices. Following the inflation data, markets halved the odds of a February rate cut from the RBA.
- The US FOMC meeting left rates on hold at 1.75% and provided no changes to policy. Chair Powell did, however, emphasise that 2% is not a ceiling to inflation. The Bank of England also decided to leave rates on hold at their policy meeting.

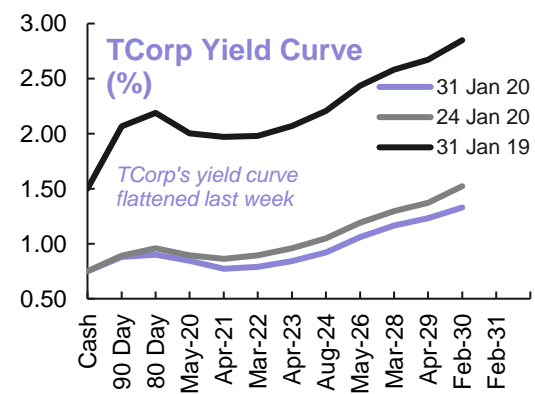
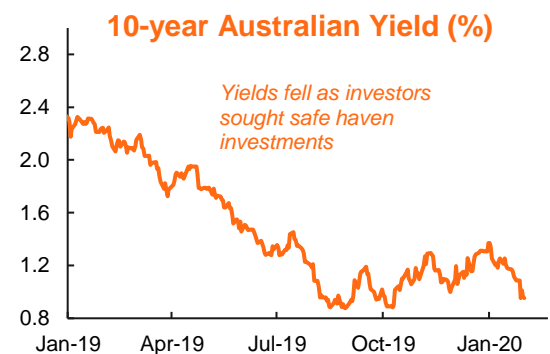
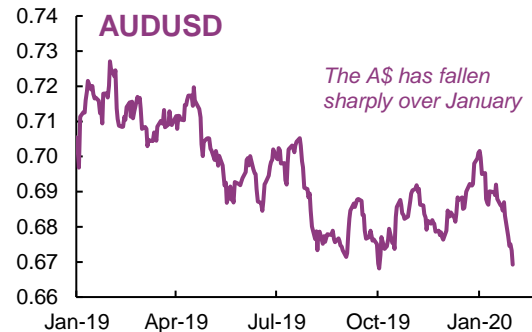
Economic calendar

Monday	AU: Building approvals
03/02	CH: Caixin China PMI manufacturing
Tuesday	AU: RBA policy meeting
04/02	US: ISM manufacturing
Wednesday	AU: Speech by RBA Governor Lowe
05/02	CH: Caixin China PMI services
Thursday	US: Employment change
06/02	US: ISM non-manufacturing index
Friday	AU: Statement on Monetary Policy
07/02	US: Unemployment rate

The week ahead

- While the market has 'priced out' the likelihood of an RBA rate cut, there is a chance the RBA will prefer to move early to offset the impact that the bushfires and the coronavirus outbreak may have on consumer sentiment and growth forecasts.
- RBA Governor Philip Lowe will also give a speech at the National Press Club just after the policy decision which could reveal the RBA's thoughts about unconventional policy measures. And the RBA's quarterly Statement on Monetary Policy will provide updated forecasts for GDP.
- Globally, markets will look at gauges of manufacturing activity in the US and China, while US employment data will also be closely scrutinised.

Financial markets charts



Financial markets data: Week ending 31 January 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.75	0	—	0	—
90-day BBSW	0.88	-1	▼	-4	▼
3-year Australian Bond Yield	0.62	-11	▼	-29	▼
10-year Australian Bond Yield	0.95	-14	▼	-42	▼
20-year Australian Bond Yield	1.44	-14	▼	-43	▼
10-year Australian Break-Even Inflation	1.38	-9	▼	-3	▼
10-year Australian Real Yield	-0.43	-5	▼	-39	▼
Fed Funds Rate (lower bound)	1.50	0	—	0	—
2-year US Treasury Yield	1.31	-18	▼	-26	▼
10-year US Treasury Yield	1.51	-18	▼	-41	▼
30-year US Treasury Yield	2.00	-13	▼	-39	▼
10-year German Bund Yield	-0.43	-10	▼	-25	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.84	-5	▼	-9	▼
4.00% 8 April 2021	0.77	-9	▼	-23	▼
6.00% 1 March 2022	0.79	-11	▼	-27	▼
4.00% 20 April 2023	0.84	-12	▼	-33	▼
5.00% 20 August 2024	0.92	-13	▼	-36	▼
4.00% 20 May 2026	1.06	-13	▼	-39	▼
3.00% 20 May 2027	1.16	-13	▼	-41	▼
3.00% 20 March 2028	1.23	-14	▼	-44	▼
3.00% 20 April 2029	1.33	-14	▼	-45	▼
3.00% 20 February 2030	1.38	-14	▼	-46	▼
3.75% 20 August 2020 CIB	-1.03	-12	▼	-35	▼
2.75% 20 November 2025 CIB	-0.28	-7	▼	-37	▼
2.50% 20 November 2035 CIB	0.35	-9	▼	-37	▼
10-year NSW TCorp Bond Yield	1.40	-13	▼	-44	▼
10-year TCV (Victoria) Spread	-0.02	-1	▼	0	▼
10-year QTC (Queensland) Spread	0.02	-1	▼	-1	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	7,017	-1.0%	▼	5.0%	▲
S&P 500 (US)	3,226	-2.1%	▼	-0.2%	▼
FTSE 100 (UK)	7,286	-4.0%	▼	-3.4%	▼
DJ Stoxx 600 (Europe)	411	-3.1%	▼	-1.2%	▼
Nikkei 225 (Japan)	23,205	-2.6%	▼	-1.9%	▼
Shanghai Composite (China)	7,017	-1.0%	▼	5.0%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.669	-2.0%	▼	-4.5%	▼
EUR/USD	1.109	0.6%	▲	-1.1%	▼
USD/JPY	108.35	-0.9%	▼	-0.2%	▼
GBP/USD	1.32	1.0%	▲	0.2%	▲
US\$ Index	97.39	-0.5%	▼	1.0%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	58.16	-4.2%	▼	-11.9%	▼
Iron Ore (US\$/t)	92.44	-2.0%	▼	1.0%	▲
Coking Coal (US\$/t)	1,273.00	0.0%	—	5.5%	▲
Gold (US\$/oz)	1,589.16	1.1%	▲	4.7%	▲

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