

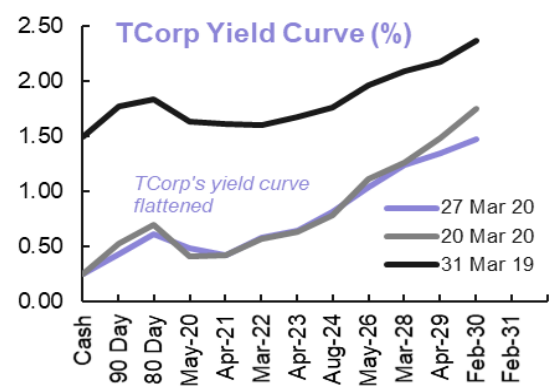
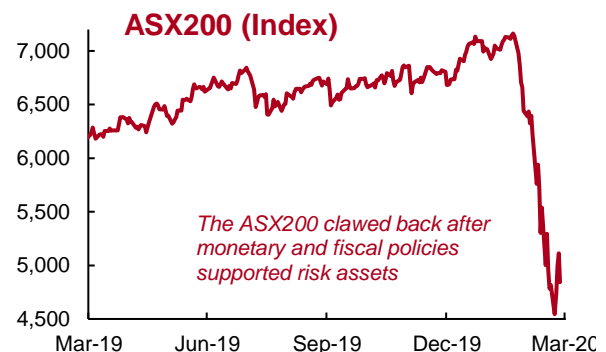
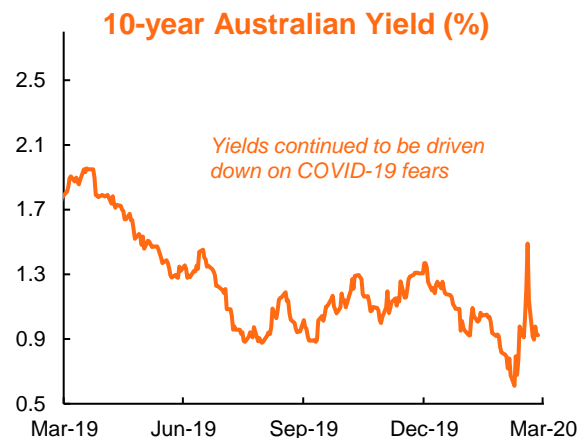
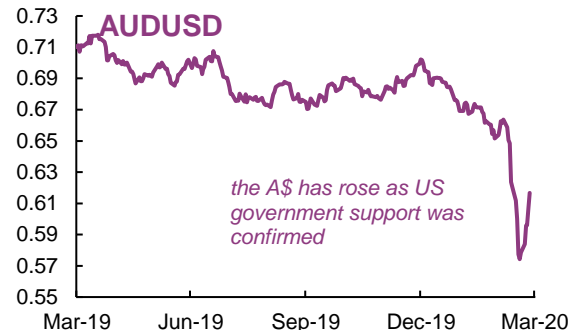
The week that was

- Policy response continued to be the major factor in market moves this week. An announcement by the US Federal Reserve that its quantitative easing program would be limitless in scale, and a massive US fiscal stimulus were key factors supporting a rally in global markets.
- Ultimately the US fiscal package was ratified by the House of Representatives on Friday and signed into law by the President paving the way for an unprecedented USD 2.2 trillion stimulus to flow to the economy.
- Although gains were hampered by continued escalation of COVID-19 cases and deaths, equity markets climbed over the week. In Australia, the ASX200 rose 0.5% and in the US the S&P500 increased 10.3%. European stocks were up 6.1% and the Nikkei surged 17.1%.
- In Australia, the RBA embarked upon its quantitative easing program and, for the first time, purchased \$19bn of government bonds and \$2bn of semi-government bonds (including \$530m of TCorp bonds). This also included the start of yield curve control – keeping the Australian 3-year bond yield close to 0.25%.
- The Australian 3-year bond yield ended the week at 0.26%, marginally higher than the RBA's target. Australia's 10-year bond yield fell 22bps over the week to 0.93% and TCorp's 10-year yield fell by 19bps to 1.61%. The US 10-year bond declined by 17bps to 0.67%.
- A\$ ended the week at US 61.7 cents, up 6.6%. This was, however, more a weakening of the USD which reflected investors' month-end portfolio rebalancing rather than a sign of confidence in the Australian economy.

Economic calendar

Monday 30/03	
Tuesday 31/03	CH: Caixin PMIs, Mar AU: Private sector credit, Feb EU: CPI, Mar
Wednesday 01/04	AU: RBA policy meeting minutes, Mar AU: Building approvals, Feb
Thursday 02/04	US: ISM PMIs, Mar
Friday 03/04	AU: Retail trade, Feb US: Unemployment rate, Mar

Financial markets charts



- As more countries and regions enter the lockdown phase to contain the virus, the demand for oil continues to drop. In addition, the US has deferred plans to purchase additional oil for its strategic reserve.
- With no curb in production currently planned, and OPEC not scheduled to meet again until June, the price of oil remains under pressure ending the week 7.6% down at \$24.93 a barrel.
- India, the UK and New Zealand fell into countrywide lockdowns, as other regions, including Australia, brought in tough social distancing measures and the Tokyo Olympics was postponed. Meanwhile, China has announced Wuhan will exit lockdown on 8 April.
- As March economic data begins to roll in, the magnitude of disruption to economies globally as a result of COVID-19 is starting to take shape.
- Dismal readings for Eurozone, UK and US PMIs were released – including some of the lowest ever scores recorded. Europe plummeted from 51.6 to 31.4, UK from 53 to 37.1 and the US from 49.6 to 40.5. These readings are deep in the contractionary zone (<50) and well below levels generally consistent with recession.
- Key themes across all the PMI data sets were the service sector being heavily impacted as lockdowns and other social distancing restrictions were implemented, new orders were down, employment was down and future output looks bleak.
- In the US, new jobless claims ballooned to 3.28m in the week, versus an expected outcome of 1m. In the prior week, initial jobless claims were 282,000. This is four times higher than any other week recorded.
- ANZ's consumer confidence survey for March printed at 106. This is a decline of 16 points from the prior month. Notably though, Stage 2 restrictions were implemented at the end of the survey period, and further restrictions came into effect later in the month, so further deterioration is expected.
- Ratings agency Fitch downgraded Britain's sovereign debt rating to AA-. The cut being based on the expected increase in government debt to provide fiscal support in the fight against COVID-19.

The week ahead

- Minutes from the RBA's emergency meeting in March, in which it cut rates to 25bps to the effective lower bound, will be released.
- A third wave of government support has been announced, in the form of a direct wage subsidy for businesses. We should see details in the coming days.
- The Chinese Caixin PMI will provide a gauge of the initial recovery of manufacturing in China.
- After the staggering new jobless claims number in the US last week, this week's unemployment rate is expected to rise dramatically.

Financial markets data: Week ending 27 March 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	—	-50	▼
90-day BBSW	0.43	-9	▼	-49	▼
3-year Australian Bond Yield	0.26	-2	▼	-64	▼
10-year Australian Bond Yield	0.93	-22	▼	-45	▼
20-year Australian Bond Yield	1.73	-16	▼	-14	▼
10-year Australian Break-Even Inflation	0.63	42	▲	-78	▼
10-year Australian Real Yield	0.30	-64	▼	33	▲
Fed Funds Rate (lower bound)	0.00	0	—	-150	—
2-year US Treasury Yield	0.24	-7	▼	-133	▼
10-year US Treasury Yield	0.67	-17	▼	-124	▼
30-year US Treasury Yield	1.26	-15	▼	-113	▼
10-year German Bund Yield	-0.47	-15	▼	-29	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.48	8	▲	-46	▼
4.00% 8 April 2021	0.42	0	▼	-58	▼
6.00% 1 March 2022	0.57	0	▲	-49	▼
4.00% 20 April 2023	0.64	1	▲	-52	▼
1.00% 8 February 2024	0.82	4	▲	-46	▼
5.00% 20 August 2024	0.81	3	▲	-47	▼
4.00% 20 May 2026	1.04	-7	▼	-41	▼
3.00% 20 May 2027	1.24	-2	▼	-34	▼
3.00% 20 March 2028	1.34	-14	▼	-32	▼
3.00% 20 April 2029	1.47	-19	▼	-31	▼
3.00% 20 February 2030	1.59	-17	▼	-25	▼
2.00% 20 March 2031	1.75	-12	▼	-21	▼
2.00% 20 March 2032	1.97	-13	▼	n/a	n/a
2.00% 20 March 2033	2.00	-21	▼	-20	▼
3.75% 20 August 2020 CIB	-0.85	-4	▼	-17	▼
2.75% 20 November 2025 CIB	0.68	-36	▼	59	▲
2.50% 20 November 2035 CIB	1.47	-35	▼	75	▲
10-year NSW TCorp Bond Yield	1.61	-19	▼	-24	▼
10-year TCV (Victoria) Spread	-0.03	-1	▼	-1	▼
10-year QTC (Queensland) Spread	-0.01	0	—	-4	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	4,842	0.5%	▲	-27.6%	▼
S&P 500 (US)	2,541	10.3%	▲	-21.3%	▼
FTSE 100 (UK)	5,510	6.2%	▲	-26.9%	▼
DJ Stoxx 600 (Europe)	311	6.1%	▲	-25.2%	▼
Nikkei 225 (Japan)	19,389	17.1%	▲	-18.0%	▼
Shanghai Composite (China)	2,772	1.0%	▲	-9.1%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.617	6.6%	▲	-12.1%	▼
EUR/USD	1.114	4.2%	▲	-0.6%	▼
USD/JPY	107.94	-2.7%	▼	-0.6%	▼
GBP/USD	1.25	7.1%	▲	-6.0%	▼
US\$ Index	98.37	-4.3%	▼	2.1%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	24.93	-7.6%	▼	-62.2%	▼
Iron Ore (US\$/t)	88.29	-0.9%	▼	-3.5%	▼
Coking Coal (US\$/t)	1,261.50	0.9%	▲	4.5%	▲
Gold (US\$/oz)	1,628.16	8.6%	▲	7.3%	▲

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