

The week that was

- The US Federal Reserve reduced its key policy rate by 25bps at its October policy meeting in an effort to ensure that the US economy continues to grow at a decent clip in the face of global risks.
- The ISM manufacturing survey – a key barometer of US economic activity -- was weaker than expected in October. Even so, there were glimmers of light with a strong improvement in export orders. Employment was also solid.
- While manufacturing activity has been very weak, GDP data showed that the US economy grew by 1.9% over the past year, while European activity rose by 1.1%. Both of these outcomes are in line with trend growth rates, and were supported by strong consumer spending.
- Finally, in the ongoing saga of Brexit negotiations, the UK's two main political parties have agreed to hold an election on 12 December.
- Markets reacted in disparate ways to this range of developments. US bond yields fell, while Australian yields climbed. And while the US equity market ended higher, the Australian market weakened. The A\$ did, however, climb back to US 69 cents.

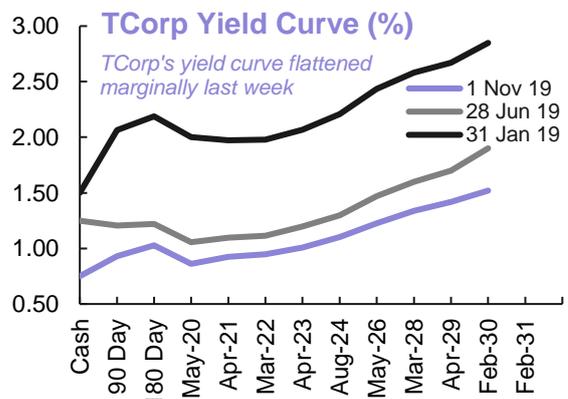
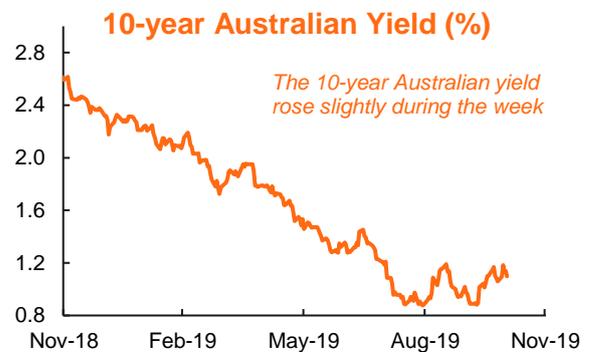
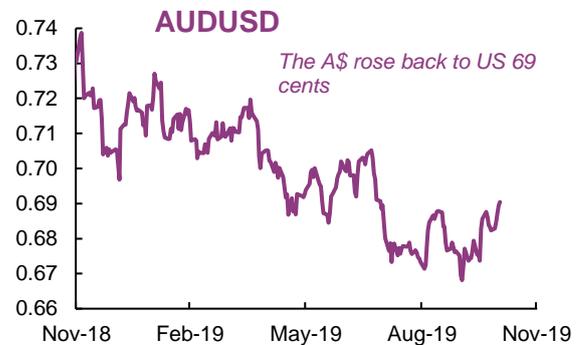
Economic calendar

Monday 4/11	US: Factory orders AU: Retail sales
Tuesday 5/11	AU: RBA Policy Meeting US: ISM services index CH: Caixin services PMI
Thursday 7/11	UK: BoE Policy Meeting
Friday 8/11	AU: RBA Statement on Monetary Policy AU: Trade balance

The week ahead

- The Reserve Bank of Australia (RBA) will review its policy settings this week, although markets are confident that it won't adjust policy rates. The key question, however, is what will the RBA say about the outlook for policy in the year ahead. While the RBA has effectively ruled out higher rates in the foreseeable future, if it sounds too upbeat on growth, markets will price-out any further rate cuts. And that could result in the A\$ rising back up through US 70 cents.
- In offshore markets, the main focus will be on the release of business surveys of the services sectors. While manufacturing activity has been flattened by the trade wars, the service sectors have remained relatively more resilient and investors will be hoping that this remained the case in October.

Financial markets charts



Financial markets data: Week ending 1 November 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.75	0	–	-75	▼
90-day BBSW	0.93	5	▲	-116	▼
3-year Australian Bond Yield	0.78	7	▲	-107	▼
10-year Australian Bond Yield	1.10	4	▲	-122	▼
20-year Australian Bond Yield	1.57	2	▲	-111	▼
10-year Australian Break-Even Inflation	1.31	2	▲	-33	▼
10-year Australian Real Yield	-0.22	2	▲	-90	▼
Fed Funds Rate (lower bound)	1.50	-25	▼	-75	▼
2-year US Treasury Yield	1.55	-7	▼	-94	▼
10-year US Treasury Yield	1.71	-8	▼	-97	▼
30-year US Treasury Yield	2.19	-10	▼	-82	▼
10-year German Bund Yield	-0.38	-2	▼	-62	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.86	3	▲	-116	▼
4.00% 8 April 2021	0.93	7	▲	-109	▼
6.00% 1 March 2022	0.95	7	▲	-109	▼
4.00% 20 April 2023	1.01	7	▲	-117	▼
5.00% 20 August 2024	1.11	7	▲	-121	▼
4.00% 20 May 2026	1.23	5	▲	-131	▼
3.00% 20 May 2027	1.34	4	▲	-132	▼
3.00% 20 March 2028	1.42	4	▲	-132	▼
3.00% 20 April 2029	1.53	4	▲	-132	▼
3.00% 20 February 2030	1.56	3	▲	-134	▼
3.75% 20 August 2020 CIB	-0.58	-15	▼	-123	▼
2.75% 20 November 2025 CIB	0.05	4	▲	-87	▼
2.50% 20 November 2035 CIB	0.60	1	▲	-64	▼
10-year NSW TCorp Bond Yield	1.57	4	▲	-124	▼
10-year TCV (Victoria) Spread	-0.01	0	▲	3	▲
10-year QTC (Queensland) Spread	0.05	1	▲	-2	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,669	-1.0%	▼	18.1%	▲
S&P 500 (US)	3,067	1.5%	▲	22.3%	▲
FTSE 100 (UK)	7,302	-0.3%	▼	8.5%	▲
DJ Stoxx 600 (Europe)	399	0.4%	▲	18.3%	▲
Nikkei 225 (Japan)	22,851	0.2%	▲	14.2%	▲
Shanghai Composite (China)	2,958	0.1%	▲	18.6%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.690	1.2%	▲	-2.1%	▼
EUR/USD	1.117	0.8%	▲	-2.5%	▼
USD/JPY	108.19	-0.4%	▼	-1.7%	▼
GBP/USD	1.29	0.9%	▲	1.6%	▲
US\$ Index	97.24	-0.6%	▼	1.1%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	61.69	-0.5%	▼	14.7%	▲
Iron Ore (US\$/t)	84.20	-6.1%	▼	18.4%	▲
Coking Coal (US\$/t)	1,296.00	0.0%	–	-10.3%	▼
Gold (US\$/oz)	1,514.34	0.6%	▲	18.1%	▲

Brian Redican
Chief Economist
brian.redican@tcorp.nsw.gov.au

Kevin Ge
Economist
kevin.ge@tcorp.nsw.gov.au