

## The week that was

- News from the US dominated markets last week. As expected, the US Federal Reserve (Fed) cut interest rates by 25 bps at its July policy meeting on Wednesday. While Fed Chair Powell didn't rule out further rate cuts, he described the decision as a tweak to current policy settings rather than the beginning of a long rate cutting cycle.
- The following day, US President Trump announced a 10% tariff on US\$300 billion of imports from China starting on 1 September. The abrupt announcement dampened risk sentiment. Global equity markets fell heavily, with S&P500 finishing 3.1% lower over the last week. The US 10-year yield fell 23bps to 1.85%. Investors priced in two to three more cuts to the Fed rate by the end of 2019. ASX200 finished the week 0.4% lower, as the A\$ fell to a decade low of 68 US cents.
- Australian Q2 inflation was higher than expected at 0.6% q/q and 1.6% y/y. Higher petrol prices and a lower A\$ were the main drivers of the headline result. Underlying inflation also strengthened from Q1 to be at 1.6% y/y. The housing market also appears to be stabilising, with prices recording the first positive monthly growth in almost two years.

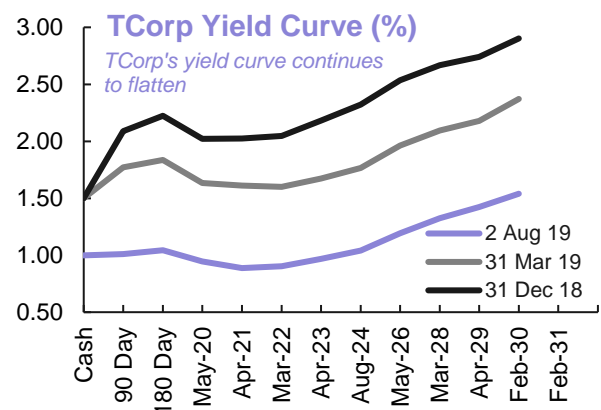
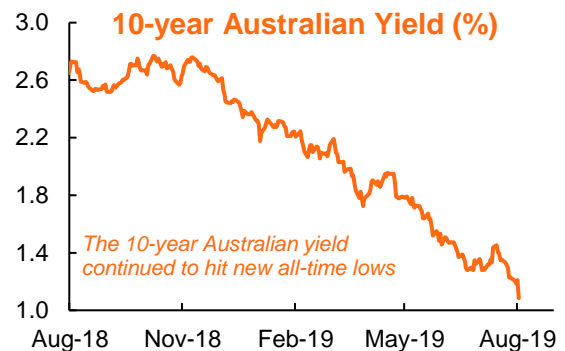
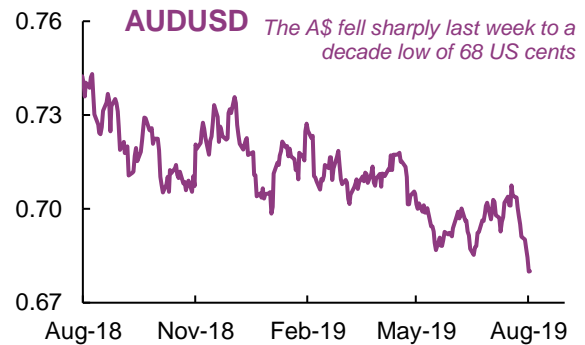
## Economic calendar

|                      |                                                                                 |
|----------------------|---------------------------------------------------------------------------------|
| <b>Monday 05/08</b>  | Global: Services PMIs                                                           |
| <b>Tuesday 06/08</b> | AU: RBA policy meeting                                                          |
| <b>Friday 26/07</b>  | AU: RBA Statement of Monetary Policy and the Governor's parliamentary testimony |

## The week ahead

- After a bustling week, investors can catch their breath this week. Purchasing Manager Indexes for the services sector will be the key release, and will provide a timely health check on whether the trade woes are spreading from the manufacturing sector.
- In Australia, attention will again focus on the RBA. While the RBA will likely keep rates unchanged at its August policy meeting, markets will look to the Bank's quarterly Statement of Monetary Policy to see whether they will downgrade their growth and inflation forecasts. A significant downgrade could signal future monetary easing.
- RBA Governor Lowe will also front the House of Representative's Standing Committee on Economics. Investors will look for clues about future policy moves in the Q&A session that follows the Governor's opening remarks.

## Financial markets charts



## Financial markets data: Week ending 2 August 2019

| Interest Rates                          | Close (%) | 1 Week (bps) |   | YTD (bps) |   |
|-----------------------------------------|-----------|--------------|---|-----------|---|
| RBA Cash Rate                           | 1.00      | 0            | — | -50       | ▼ |
| 90-day BBSW                             | 1.01      | -3           | ▼ | -108      | ▼ |
| 3-year Australian Bond Yield            | 0.74      | -10          | ▼ | -111      | ▼ |
| 10-year Australian Bond Yield           | 1.09      | -14          | ▼ | -123      | ▼ |
| 20-year Australian Bond Yield           | 1.54      | -14          | ▼ | -114      | ▼ |
| 10-year Australian Break-Even Inflation | 1.30      | -6           | ▼ | -34       | ▼ |
| 10-year Australian Real Yield           | -0.22     | -8           | ▼ | -90       | ▼ |
| Fed Funds Rate (lower bound)            | 2.00      | -25          | ▼ | -25       | ▼ |
| 2-year US Treasury Yield                | 1.71      | -14          | ▼ | -78       | ▼ |
| 10-year US Treasury Yield               | 1.85      | -23          | ▼ | -84       | ▼ |
| 30-year US Treasury Yield               | 2.38      | -21          | ▼ | -63       | ▼ |
| 10-year German Bund Yield               | -0.50     | -12          | ▼ | -74       | ▼ |
| NSW TCorp Bonds                         | Close (%) | 1 Week (bps) |   | YTD (bps) |   |
| 6.00% 1 May 2020                        | 0.95      | -6           | ▼ | -108      | ▼ |
| 4.00% 8 April 2021                      | 0.89      | -11          | ▼ | -114      | ▼ |
| 6.00% 1 March 2022                      | 0.90      | -10          | ▼ | -114      | ▼ |
| 4.00% 20 April 2023                     | 0.97      | -11          | ▼ | -121      | ▼ |
| 5.00% 20 August 2024                    | 1.04      | -12          | ▼ | -128      | ▼ |
| 4.00% 20 May 2026                       | 1.19      | -14          | ▼ | -134      | ▼ |
| 3.00% 20 May 2027                       | 1.32      | -15          | ▼ | -134      | ▼ |
| 3.00% 20 March 2028                     | 1.42      | -14          | ▼ | -132      | ▼ |
| 3.00% 20 April 2029                     | 1.54      | -14          | ▼ | -131      | ▼ |
| 3.00% 20 February 2030                  | 1.61      | -15          | ▼ | -129      | ▼ |
| 3.75% 20 August 2020 CIB                | -0.14     | -13          | ▼ | -79       | ▼ |
| 2.75% 20 November 2025 CIB              | 0.05      | -8           | ▼ | -88       | ▼ |
| 2.50% 20 November 2035 CIB              | 0.50      | -9           | ▼ | -74       | ▼ |
| 10-year NSW TCorp Bond Yield            | 1.59      | -14          | ▼ | -123      | ▼ |
| 10-year TCV (Victoria) Spread           | -0.04     | -1           | ▼ | 0         | ▲ |
| 10-year QTC (Queensland) Spread         | 0.02      | 0            | ▲ | -5        | ▼ |
| Equities                                | Close     | 1 Week       |   | YTD       |   |
| S&P/ASX 200 (Australia)                 | 6,769     | -0.4%        | ▼ | 19.9%     | ▲ |
| S&P 500 (US)                            | 2,932     | -3.1%        | ▼ | 17.0%     | ▲ |
| FTSE 100 (UK)                           | 7,407     | -1.9%        | ▼ | 10.1%     | ▲ |
| DJ Stoxx 600 (Europe)                   | 378       | -3.2%        | ▼ | 12.0%     | ▲ |
| Nikkei 225 (Japan)                      | 21,087    | -2.6%        | ▼ | 5.4%      | ▲ |
| Shanghai Composite (China)              | 2,868     | -2.6%        | ▼ | 15.0%     | ▲ |
| Currencies                              | Close     | 1 Week       |   | YTD       |   |
| AUD/USD                                 | 0.680     | -1.6%        | ▼ | -3.5%     | ▼ |
| EUR/USD                                 | 1.111     | -0.2%        | ▼ | -3.1%     | ▼ |
| USD/JPY                                 | 106.59    | -1.9%        | ▼ | -2.8%     | ▼ |
| GBP/USD                                 | 1.22      | -1.8%        | ▼ | -4.6%     | ▼ |
| US\$ Index                              | 98.07     | 0.1%         | ▲ | 2.0%      | ▲ |
| Commodities                             | Close     | 1 Week       |   | YTD       |   |
| Brent Oil (US\$/bbl)                    | 61.89     | -2.5%        | ▼ | 15.0%     | ▲ |
| Iron Ore (US\$/t)                       | 107.08    | -10.9%       | ▼ | 50.6%     | ▲ |
| Coking Coal (US\$/t)                    | 1,466.50  | 0.0%         | — | 1.5%      | ▲ |
| Gold (US\$/oz)                          | 1,440.83  | 1.5%         | ▲ | 12.3%     | ▲ |

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