

The week that was

- Markets remain very choppy at the moment as mixed economic data and unexpected events, such as US President Trump contracting COVID-19, perplex investors. In the end, the Australian and Japanese share markets closed lower, while the US and European stock markets closed higher, as did most bond yields and the A\$.
- In the US, the ISM manufacturing survey was a little weaker than expected in September but still suggested the sector was recovering at a solid pace. US employment was also weaker than expected although the unemployment rate dropped to 7.9% because fewer people were actively seeking jobs than expected.
- In Australia, building approvals data pointed to solid demand for detached houses but not for high-rise apartments. Retail sales also fell by 4% in August.
- While Australian stocks closed down 2.9% for the week, they rebounded on Monday by 2.6%. US stocks rose 1.5% last week, while European equities leapt 2%. Australian 10-year bond yields rose 3bps to 0.83%.

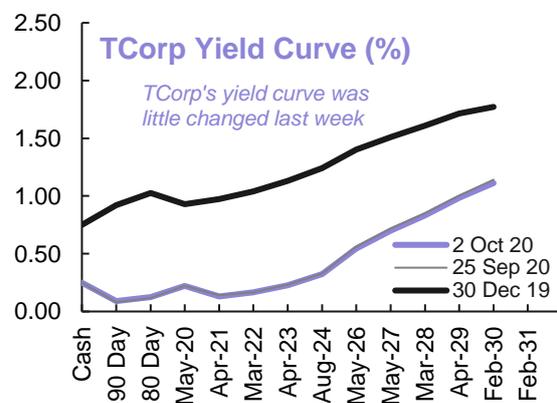
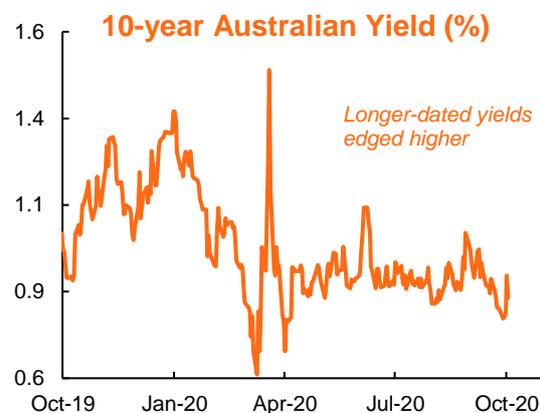
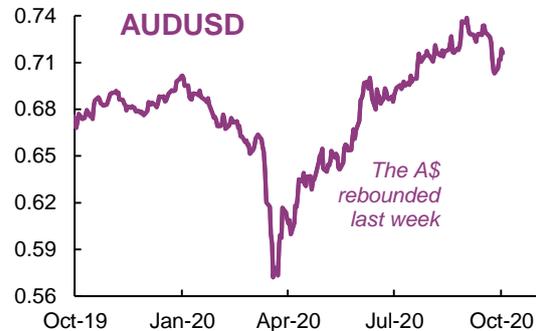
Economic calendar

Monday 5/10	US: ISM Services sector survey, Sep
	EU: Retail sales, Aug
Tuesday 6/10	AU: Commonwealth Budget
	AU: RBA Board meeting
Wednesday 7/10	AU: AIG Services PMI, Aug
	US: FOMC minutes
Thursday 8/10	US: Initial jobless claims
	CH: Caixin Services PMI, Sep
Friday 9/10	AU: Home lending, Aug

The week ahead

- In Australia, investors will focus on the Commonwealth budget. This will reveal a record peace-time budget deficit with increased infrastructure spending and a bring-forward of personal income tax cuts already announced by the Government. The Reserve Bank of Australia will also conduct its monthly Board meeting and while some market economists thought they might ease monetary policy further in a 'Team Australia' moment, recent media commentary suggest that will come at the November Board meeting at the earliest.
- Globally, US political developments will feature prominently. The health of US President Trump, shifts in polling following the first Presidential Election Debate and any progress on a third fiscal stimulus bill will be uppermost on investors' minds. In terms of economic events, the release of the US central bank's policy meeting minutes and the Chinese services PMI will be the highlights.

Financial markets charts



Financial markets data: Week ending 2 October 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	–	-50	▼
90-day BBSW	0.09	1	▲	-83	▼
3-year Australian Bond Yield	0.16	0	▲	-74	▼
10-year Australian Bond Yield	0.83	3	▲	-54	▼
20-year Australian Bond Yield	1.51	-1	▼	-36	▼
10-year Australian Break-Even Inflation	1.35	9	▲	-6	▼
10-year Australian Real Yield	-0.52	-6	▼	-48	▼
Fed Funds Rate (lower bound)	0.00	0	–	-150	▼
2-year US Treasury Yield	0.13	0	–	-144	▼
10-year US Treasury Yield	0.70	5	▲	-122	▼
30-year US Treasury Yield	1.49	9	▲	-90	▼
10-year German Bund Yield	-0.54	-1	▼	-35	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.13	-1	▼	-87	▼
6.00% 1 March 2022	0.17	0	▲	-90	▼
4.00% 20 April 2023	0.23	-1	▼	-94	▼
1.00% 8 February 2024	0.30	-1	▼	-98	▼
5.00% 20 August 2024	0.32	-1	▼	-96	▼
4.00% 20 May 2026	0.54	-2	▼	-91	▼
3.00% 20 May 2027	0.70	-2	▼	-87	▼
3.00% 20 March 2028	0.83	-2	▼	-84	▼
3.00% 20 April 2029	0.99	-2	▼	-79	▼
3.00% 20 February 2030	1.11	-3	▼	-73	▼
2.00% 20 March 2031	1.27	-2	▼	-69	▼
2.00% 20 March 2032	1.47	-1	▼	n/a	n/a
2.00% 20 March 2033	1.59	-1	▼	-60	▼
3.75% 20 August 2020 CIB	1.84	-1	▼	254	▲
2.75% 20 November 2025 CIB	-0.33	-12	▼	-42	▼
2.50% 20 November 2035 CIB	0.40	0	–	n/a	n/a
10-year NSW TCorp Bond Yield	1.23	-2	▼	-61	▼
10-year TCV (Victoria) Spread	-0.01	1	▲	0	▲
10-year QTC (Queensland) Spread	-0.02	-1	▼	-5	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	5,792	-2.9%	▼	-13.4%	▼
S&P 500 (US)	3,348	1.5%	▲	3.6%	▲
FTSE 100 (UK)	5,902	1.0%	▲	-21.7%	▼
Euro Stoxx 600 (Europe)	363	2.0%	▲	-12.8%	▼
Nikkei 225 (Japan)	23,030	-0.8%	▼	-2.6%	▼
Shanghai Composite (China)	3,218	0.0%	▼	5.5%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.716	1.8%	▲	2.2%	▲
EUR/USD	1.172	0.7%	▲	4.4%	▲
USD/JPY	105.29	-0.3%	▼	-3.0%	▼
GBP/USD	1.29	1.5%	▲	-1.8%	▼
US\$ Index	93.84	-0.8%	▼	-2.6%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	39.27	-6.3%	▼	-40.5%	▼
Iron Ore (US\$/t)	120.31	-2.5%	▼	31.4%	▲
Coking Coal (US\$/t)	1,315.50	2.5%	▲	9.0%	▲
Gold (US\$/oz)	1,899.84	2.1%	▲	25.2%	▲

Brian Redican

Chief Economist

brian.redican@tcorp.nsw.gov.au

This material has been prepared by New South Wales Treasury Corporation ABN 99 095 235 825 (TCorp), a statutory corporation of New South Wales.

This material is of a general nature only and does not take into account your investment objectives, financial situation or needs. This material does not constitute investment advice. It should not be relied upon in determining whether to invest in a TCorpIM Fund. TCorp recommends you seek your own legal and financial advice before proceeding with any investment decision.

While this material has been formulated with all due care, TCorp does not warrant or represent that the material is free from errors or omissions, or that it is exhaustive. TCorp takes no responsibility for the accuracy, adequacy, currency or completeness of any information included in the material provided by third parties. Except where contrary to law, TCorp will not be liable for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of the use of, or reliance on, the information contained in this material.

This material is not intended to forecast or predict future events. Past performance is not a guarantee or a reliable indicator of future performance. The material is subject to change without notice and TCorp is not under any obligation to update the information or correct any inaccuracy which may become apparent at a later date.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2020. All rights reserved.

About New South Wales Treasury Corporation (TCorp)

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$103 billion of assets under management, TCorp is a top five Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$99 billion. It is rated AAA by S&P and Aaa by Moody's.

TCorp

Level 7, Deutsche Bank Place,
126 Phillip Street, Sydney, NSW 2000

Tel: +61 2 9325 9325
www.tcorp.nsw.gov.au

www.linkedin.com/company/tcorp-nswtreasurycorporation/

