

## The week that was

- The Australian economy shrank by 7% in the June quarter – the largest drop in production since quarterly records began in 1959. Despite the large fall in production, company profits and household disposable income both rose due to the government's timely and large fiscal support measures.
- Australian equities actually rose on the day that the economic growth data were released but fell by 2.4% over the week in line with declines in most global share markets. The US S&P500 fell by 2.3% while European shares declined by 1.9%. Japan was one of the few markets to buck the trend, recording a 1.4% gain.
- Globally, economic data generally came in line – or slightly stronger – than expectations. In the US, 1.4 million jobs were created in August and the unemployment rate fell to 8.4%. Purchasing Managers' Indexes showed the services sectors continued to recover in August, although manufacturing production in Europe stabilised.
- The sell-off in equity markets prompted investors to favour bonds, which resulted in a sizeable fall in Australian bond yields, particularly for longer dated maturities. Australian 10-year bond yields fell by 13bps while TCorp's 2030 bond yield dropped by 12bps. The US 10-year bond yield ended the week unchanged, however, following the release of the strong employment release.

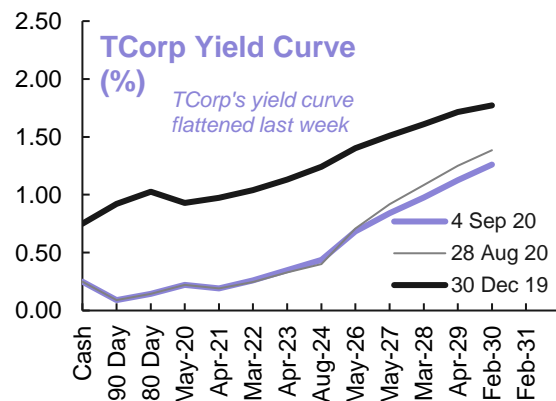
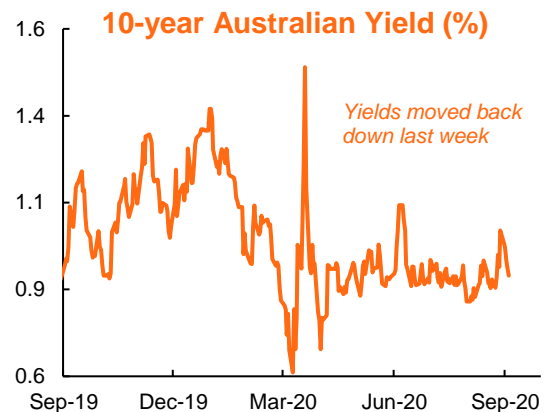
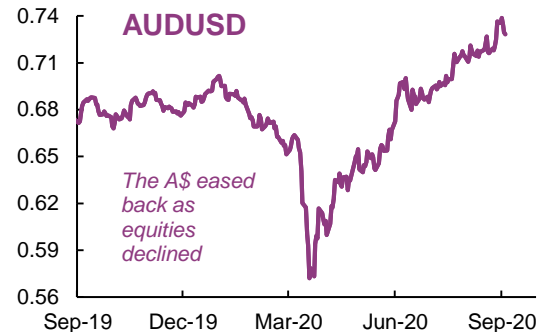
## Economic calendar

<b>Monday</b> 7/09	AU: ANZ job advertisements, Sep
<b>Tuesday</b> 8/09	CH: Trade balance, Aug
<b>Wednesday</b> 9/09	AU: Payrolls
<b>Thursday</b> 10/09	AU: NAB business survey, Aug
<b>Friday</b> 11/09	AU: Consumer sentiment, Sep
	AU: Home loans, Jul
	US: Initial jobless claims
	EU: ECB policy meeting
	GE: Consumer price inflation, Aug
	US: Consumer price inflation, Aug

## The week ahead

- In Australia the main focus will be on surveys of business and consumer confidence. In July, firms reported that trading conditions had improved, but that confidence had dropped sharply following Victoria's reintroduction of restrictions. The key focus will be on whether that pessimism was justified or whether trading conditions proved to be more resilient than feared.
- Globally, it is a quiet week for data. China's trade balance, however, will reveal whether exports have continued to surprise to the upside, while US inflation will also be closely watched by investors.

## Financial markets charts



## Financial markets data: Week ending 4 September 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	—	-50	▼
90-day BBSW	0.09	0	—	-83	▼
3-year Australian Bond Yield	0.26	-1	▼	-65	▼
10-year Australian Bond Yield	0.89	-13	▼	-48	▼
20-year Australian Bond Yield	1.58	-15	▼	-29	▼
10-year Australian Break-Even Inflation	1.33	-6	▼	-8	▼
10-year Australian Real Yield	-0.44	-7	▼	-40	▼
Fed Funds Rate (lower bound)	0.00	0	—	-150	▼
2-year US Treasury Yield	0.14	2	▲	-143	▼
10-year US Treasury Yield	0.72	0	▼	-120	▼
30-year US Treasury Yield	1.47	-3	▼	-92	▼
10-year German Bund Yield	-0.47	-6	▼	-29	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.19	0	▲	-81	▼
6.00% 1 March 2022	0.26	2	▲	-80	▼
4.00% 20 April 2023	0.35	2	▲	-82	▼
1.00% 8 February 2024	0.41	3	▲	-87	▼
5.00% 20 August 2024	0.44	4	▲	-84	▼
4.00% 20 May 2026	0.68	-3	▼	-77	▼
3.00% 20 May 2027	0.84	-8	▼	-73	▼
3.00% 20 March 2028	0.98	-11	▼	-69	▼
3.00% 20 April 2029	1.13	-12	▼	-65	▼
3.00% 20 February 2030	1.26	-12	▼	-58	▼
2.00% 20 March 2031	1.40	-13	▼	-56	▼
2.00% 20 March 2032	1.58	-14	▼	n/a	n/a
2.00% 20 March 2033	1.69	-13	▼	-51	▼
3.75% 20 August 2020 CIB	1.85	5	▲	255	▲
2.75% 20 November 2025 CIB	-0.21	0	▼	-29	▼
2.50% 20 November 2035 CIB	0.40	-13	▼	n/a	n/a
10-year NSW TCorp Bond Yield	1.35	-12	▼	-49	▼
10-year TCV (Victoria) Spread	-0.04	0	—	-2	▼
10-year QTC (Queensland) Spread	-0.01	0	▼	-4	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	5,926	-2.4%	▼	-11.3%	▼
S&P500 (US)	3,427	-2.3%	▼	6.1%	▲
FTSE 100 (UK)	5,799	-2.8%	▼	-23.1%	▼
Euro Stoxx 600 (Europe)	362	-1.9%	▼	-13.0%	▼
Nikkei 225 (Japan)	23,205	1.4%	▲	-1.9%	▼
Shanghai Composite (China)	3,355	-1.4%	▼	10.0%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.728	-1.1%	▼	3.9%	▲
EUR/USD	1.184	-0.5%	▼	5.5%	▲
USD/JPY	106.24	0.8%	▲	-2.1%	▼
GBP/USD	1.33	-0.6%	▼	0.8%	▲
US\$ Index	92.72	0.4%	▲	-3.8%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	42.66	-5.3%	▼	-35.4%	▼
Iron Ore (US\$/t)	127.41	4.0%	▲	39.2%	▲
Coking Coal (US\$/t)	1,226.50	-0.2%	▼	1.6%	▲
Gold (US\$/oz)	1,933.94	-1.6%	▼	27.5%	▲

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