

The week that was

- A string of softer US data releases has cast doubt on its economic resilience in the face of the global trade slowdown. On Tuesday, the US ISM Manufacturing PMI dropped to a surprising low of 47.8 index points, the weakest reading since the GFC in 2009. The Services sector also showed signs of weakness. The non-farm payrolls data later in the week showed US employment gaining 136k in September, below expectations. The unemployment rate, however, fell to a new low of 3.5%.
- Fear of a faltering US economy drove global investors to safe-haven assets. All major equity markets fell with the S&P500 down 0.3%. The ASX200 dropped 3% while stock indices were down 3.6% in the UK, 2.1% in Japan and 0.9% in China. Bond prices continued to rally. The US 10-year yield fell 15bps to 1.53% while the Australian 10-year yield fell 6 bps to 0.89%.
- As expected, the Reserve Bank of Australia (RBA) cut interest rates by 25bps at its October policy meeting. Governor Lowe did not rule out further rate cuts in his post-meeting speech.
- Economic data in Australia were disappointing last week. Building approvals continued to free fall, down another 1.1% in August and 21.5% lower than a year ago. Retail sales also came in weaker than expected, growing 0.4% m/m.

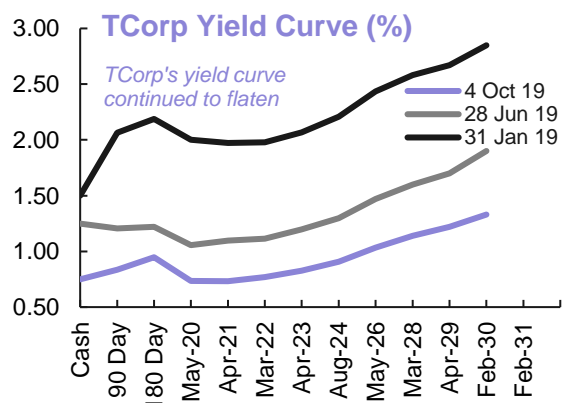
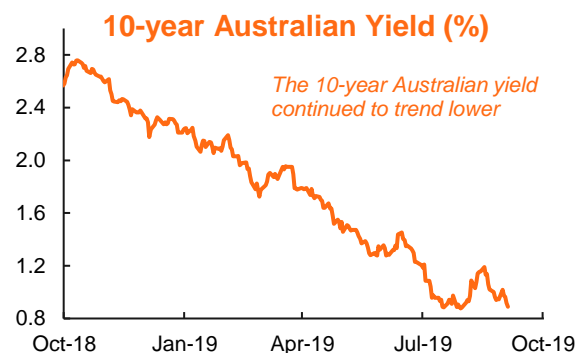
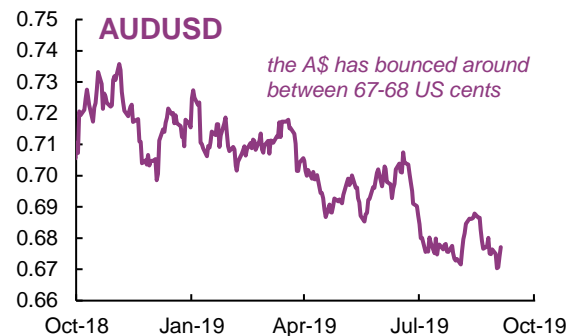
Economic calendar

Tuesday 08/10	AU: NAB Monthly Business Survey CH: Caixin Services PMI
Wednesday 09/10	AU: Consumer Sentiment
Thursday 10/10	Global: US-China trade negotiation US: CPI

The week ahead

- Global investors will focus on the US and China trade negotiations in Washington later this week. The private-sector Caixin Services PMI in China and CPI results from the US will also be of interest.
- A short and quiet week lies ahead in Australia after the long weekend. Monthly consumer and business confidence surveys will be the only economic releases this week.

Financial markets charts



Financial markets data: Week ending 4 October 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.75	-25	▼	-75	▼
90-day BBSW	0.84	-11	▼	-125	▼
3-year Australian Bond Yield	0.59	-11	▼	-126	▼
10-year Australian Bond Yield	0.89	-6	▼	-143	▼
20-year Australian Bond Yield	1.39	3	▲	-129	▼
10-year Australian Break-Even Inflation	1.21	-4	▼	-43	▼
10-year Australian Real Yield	-0.32	-2	▼	-100	▼
Fed Funds Rate (lower bound)	1.75	0	—	-50	—
2-year US Treasury Yield	1.40	-23	▼	-108	▼
10-year US Treasury Yield	1.53	-15	▼	-116	▼
30-year US Treasury Yield	2.02	-11	▼	-100	▼
10-year German Bund Yield	-0.59	-1	▼	-83	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.74	-13	▼	-129	▼
4.00% 8 April 2021	0.73	-10	▼	-129	▼
6.00% 1 March 2022	0.77	-11	▼	-128	▼
4.00% 20 April 2023	0.83	-11	▼	-136	▼
5.00% 20 August 2024	0.91	-11	▼	-142	▼
4.00% 20 May 2026	1.03	-9	▼	-150	▼
3.00% 20 May 2027	1.14	-8	▼	-153	▼
3.00% 20 March 2028	1.22	-7	▼	-152	▼
3.00% 20 April 2029	1.33	-6	▼	-152	▼
3.00% 20 February 2030	1.38	-6	▼	-153	▼
3.75% 20 August 2020 CIB	-0.35	-8	▼	-100	▼
2.75% 20 November 2025 CIB	-0.07	-3	▼	-100	▼
2.50% 20 November 2035 CIB	0.42	-2	▼	-82	▼
10-year NSW TCorp Bond Yield	1.38	-6	▼	-144	▼
10-year TCV (Victoria) Spread	-0.02	0	▼	2	▲
10-year QTC (Queensland) Spread	0.04	0	▼	-2	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,517	-3.0%	▼	15.4%	▲
S&P 500 (US)	2,952	-0.3%	▼	17.8%	▲
FTSE 100 (UK)	7,155	-3.6%	▼	6.4%	▲
DJ Stoxx 600 (Europe)	380	-3.0%	▼	12.6%	▲
Nikkei 225 (Japan)	21,410	-2.1%	▼	7.0%	▲
Shanghai Composite (China)	2,905	-0.9%	▼	16.5%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.677	0.1%	▲	-3.9%	▼
EUR/USD	1.098	0.4%	▲	-4.3%	▼
USD/JPY	106.94	-0.9%	▼	-2.5%	▼
GBP/USD	1.23	0.3%	▲	-3.3%	▼
US\$ Index	98.81	-0.3%	▼	2.7%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	58.37	-5.7%	▼	8.5%	▲
Iron Ore (US\$/t)	91.98	-0.9%	▼	29.3%	▲
Coking Coal (US\$/t)	1,299.50	0.0%	—	-10.1%	▼
Gold (US\$/oz)	1,504.66	0.5%	▲	17.3%	▲

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