

The week that was

- Australian employment was essentially flat in June as the unemployment rate remained at 5.2%. While the unemployment rate is still well above the 4.5% level that the Reserve Bank of Australia is targeting, policymakers will be relieved that it didn't rise any further in the month.
- In the US, retail sales were again strong and consumer sentiment improved further which illustrates that US households remain the key driver of the US economy.
- Despite that, the President of the New York Federal Reserve Bank, who helps set US interest rates, sent markets scurrying last week when he suggested that central banks need to cut rates aggressively when the level of interest rates is low and they perceive some risks to the growth outlook.
- US bond yields fell sharply following the speech, although the NY Fed later denied that the remarks were directed at the Fed's upcoming policy meeting. Over the week, US 10-year yields fell by 7bps, while those in Australia declined by 9bps. Equities were mixed, with those in Australia edging up 0.1% while US stocks fell by 1.2%.

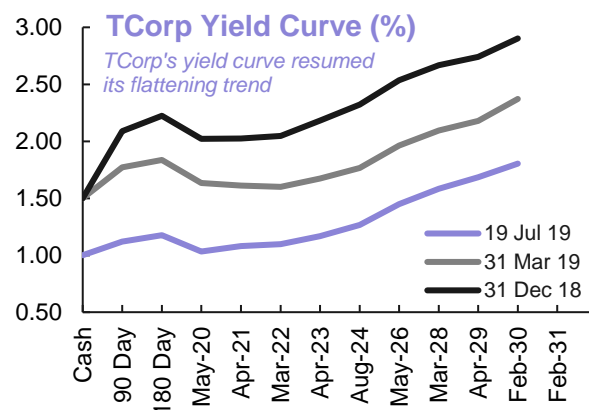
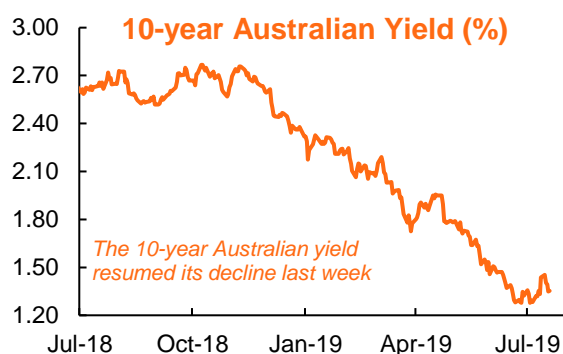
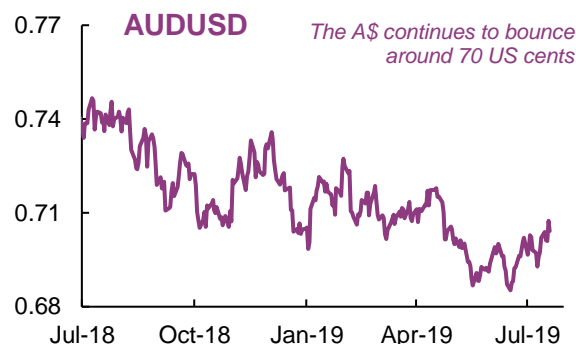
Economic calendar

Wednesday 24/07 Global: Manufacturing PMIs
Thursday 25/07 AU: RBA Governor speech
 EU: ECB Policy Meeting
Friday 26/07 US: GDP

The week ahead

- Data releases are scant this week, with global manufacturing PMIs and US GDP data the only key indicators. That said, there are a couple of events that will ensure global monetary policy remains uppermost on minds of investors.
- First, the European Central Bank is likely to cut interest rates further into negative territory at its policy meeting this week.
- Second, the Reserve Bank of Australia Governor, Dr Lowe, will speak on "Inflation Targeting and Economic Welfare". Investors will be keen to hear if the RBA Governor hints that he is considering cutting rates again in the next few months. We think, however, that Dr Lowe will attempt to defend the RBA's inflation target in the wake of some criticism that it has become outdated and that monetary policy is now ineffective.

Financial markets charts



Financial markets data: Week ending 19 July 2019

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.00	0	—	-50	▼
90-day BBSW	1.12	-1	▼	-97	▼
3-year Australian Bond Yield	0.94	-4	▼	-91	▼
10-year Australian Bond Yield	1.35	-9	▼	-97	▼
20-year Australian Bond Yield	1.80	-9	▼	-89	▼
10-year Australian Break-Even Inflation	1.35	-2	▼	-29	▼
10-year Australian Real Yield	0.01	-6	▼	-68	▼
Fed Funds Rate (lower bound)	2.25	0	—	0	—
2-year US Treasury Yield	1.82	-3	▼	-67	▼
10-year US Treasury Yield	2.06	-7	▼	-63	▼
30-year US Treasury Yield	2.58	-7	▼	-44	▼
10-year German Bund Yield	-0.32	-11	▼	-57	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	1.03	-1	▼	-99	▼
4.00% 8 April 2021	1.08	-3	▼	-94	▼
6.00% 1 March 2022	1.10	-3	▼	-95	▼
4.00% 20 April 2023	1.17	-4	▼	-102	▼
5.00% 20 August 2024	1.27	-4	▼	-106	▼
4.00% 20 May 2026	1.45	-7	▼	-109	▼
3.00% 20 May 2027	1.58	-8	▼	-108	▼
3.00% 20 March 2028	1.69	-7	▼	-106	▼
3.00% 20 April 2029	1.80	-8	▼	-104	▼
3.00% 20 February 2030	1.88	-8	▼	-102	▼
3.75% 20 August 2020 CIB	0.08	-2	▼	-58	▼
2.75% 20 November 2025 CIB	0.24	-2	▼	-68	▼
2.50% 20 November 2035 CIB	0.70	-9	▼	-54	▼
10-year NSW TCorp Bond Yield	1.85	-7	▼	-97	▼
10-year TCV (Victoria) Spread	-0.03	0	▼	1	▲
10-year QTC (Queensland) Spread	0.02	0	▼	-4	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,700	0.1%	▲	18.7%	▲
S&P 500 (US)	2,977	-1.2%	▼	18.7%	▲
FTSE 100 (UK)	7,509	0.0%	▲	11.6%	▲
DJ Stoxx 600 (Europe)	387	0.1%	▲	14.7%	▲
Nikkei 225 (Japan)	21,467	-1.0%	▼	7.3%	▲
Shanghai Composite (China)	2,924	-0.2%	▼	17.3%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.704	0.3%	▲	-0.1%	▼
EUR/USD	1.122	-0.4%	▼	-2.1%	▼
USD/JPY	107.71	-0.2%	▼	-1.8%	▼
GBP/USD	1.25	-0.6%	▼	-2.0%	▼
US\$ Index	97.15	0.4%	▲	1.0%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	62.47	-6.4%	▼	16.1%	▲
Iron Ore (US\$/t)	120.87	0.8%	▲	70.0%	▲
Coking Coal (US\$/t)	1,430.00	2.3%	▲	-1.0%	▼
Gold (US\$/oz)	1,425.37	0.7%	▲	11.1%	▲

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