

## Financial Market Conditions

Global financial markets saw some volatility over the past month as doubts about a US-China trade deal resurfaced.

Positive sentiments around a US-China trade deal faded in November as Chinese negotiators stated that the removal of existing tariffs and not just planned tariffs needed to be part of the deal. The US is poised to impose an additional 15% tariff on around \$150 billion USD of Chinese products on 15 December and are yet to comment on this demand. In the UK, elections scheduled before Christmas are likely to see a close result with the pro Brexit Torie party currently ahead of the Labour party, but with neither currently predicted to hold an absolute majority, the UK could once again experience a hung parliament. In Europe, recently elected European Central Bank President, Christine Lagarde, expressed in her maiden speech, that ongoing trade tensions and geopolitical uncertainty are continuing a slowdown in world trade growth which is supported by recent OECD data which showed that EU exports contracted by 1.8% in the third quarter of 2019. Doubts about the likelihood of a US-China trade created volatility in bond markets over the past month highlighted by the US 10-year bond yield trading between 1.73% - 1.93% over the course of the month, with these bonds currently trading at the low end of this range at 1.77%.

Australian financial markets also experienced some volatility over the past month which was driven by a combination of global and local events. ABS data released in mid-November, showed that the Australian unemployment rate rose from 5.2% to 5.3% in October with 19,000 jobs being lost over the month. CoreLogic data released in early November revealed that the home value index increased 1.7% nationally in October taking the index to a small annual rise of 0.1%. The main drivers of the increase in housing prices has been attributed to the 0.75% of rate cuts delivered since June and a loosening of loan serviceability standards by the bank regulator APRA. The Australian Dollar depreciated around \$0.01 USD over the past month and is currently trading at around \$0.68 USD.

On 5 November 2019, the RBA left the official cash rate on hold at an all-time low of 0.75%. In the accompanying statement, RBA Governor Lowe stated that they have been easing monetary policy since June in effort to support employment and income growth within the economy. Late in the month, Governor Lowe delivered a speech titled Unconventional Monetary Policy where he spoke about bond buying programs and placed the probable floor on the cash rate of 0.25%. Interest rate futures markets reacted to the dovish tones of this speech and increased the probability of additional rate cuts over the next year.