

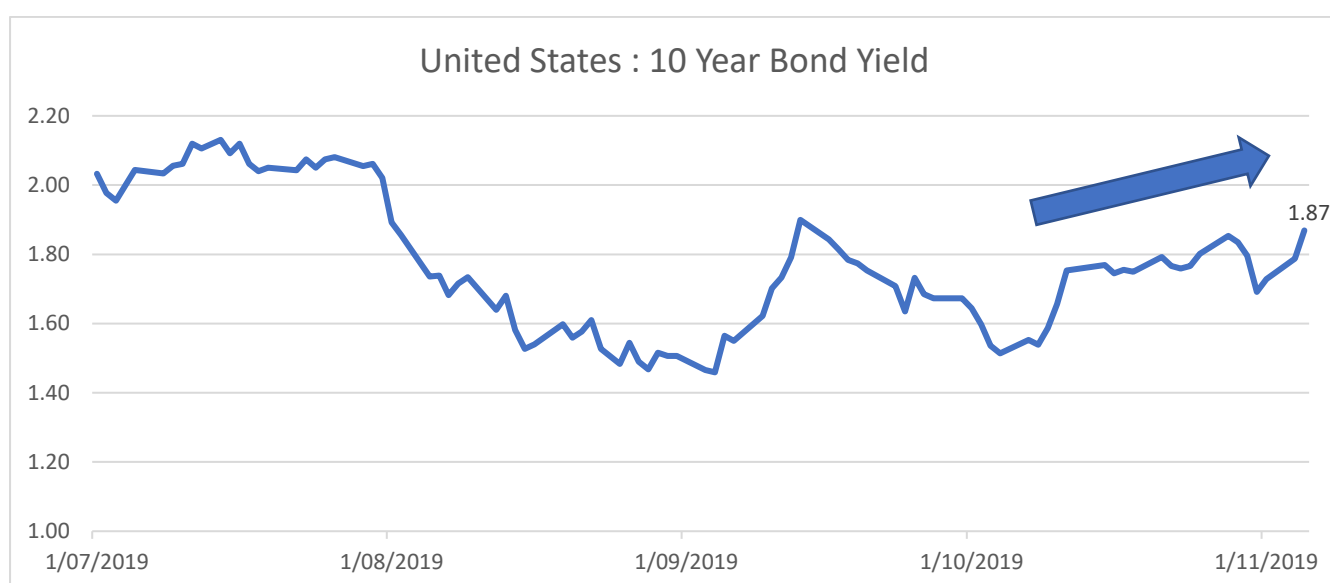
## Financial Market Conditions

Global financial markets were relatively stable over the past month as markets factored in a potential US-China trade deal and the UK gaining a further Brexit extension to 31<sup>st</sup> of January 2020.

The US-China trade dispute remained unresolved over the past month, however, both sides are now admitting that the sanctions are adversely affecting their economic growth. Mid-month, trade talks between the US and China produced positive dialog from both sides and it now seems likely that the US may withdraw further tariffs scheduled for December.

In Europe, the United Kingdom avoided a hard Brexit on the 31<sup>st</sup> of October and instead the EU agreed to extend the deadline to the 31<sup>st</sup> of January 2020. Once the extension was agreed, the UK Prime Minister, Boris Johnson, then scheduled pre-Christmas elections with the topic of the UK's exit from the EU being the focus.

Global optimism about a US-China trade deal saw the yields on long term highly rated government bonds increase over the past month, highlighted by the US 10-year bond yield increasing from 1.64% to 1.69% and are currently trading at 1.87%.



Australian financial markets experienced some volatility over the past month. Early in the month the RBA cut the official cash rate by 0.25% to a new all-time low of 0.75%, a move that was widely anticipated by the market. In the middle of the month, better than expected employment data saw the unemployment rate fall to 5.2% in September (from 5.3%). This improvement in employment saw the interest futures rate market reduce the likelihood of another rate cut this calendar year. Late in the month, the Australian consumer price index rose by 0.5% for the September quarter taking the year on year figure up to 1.7% (from 1.6%) which was in line with market expectations. The Australian Dollar has appreciated by \$0.02 USD over the past month and is currently trading at around \$0.69 USD

On the 5<sup>th</sup> of November 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 while uncertainty still exists around the US-China trade and technology dispute interest rates around the globe are very low and inflation is subdued. Once again, he stated that they have been easing monetary policy since June in effort to support employment and income growth within the economy and there is no doubt that the RBA would have been buoyed by the September employment data. Interest rate futures market pricing still indicates a high probability of another 0.25% rate cut early next year.

Implied RBA Cash rate as at 31/10/2019:

