



PENNSYLVANIA STATE
UNIVERSITY

Penn State Asset Management Group

BoW Product Report

Week of August 5rd – August 9th 2019

Interest Rate Products Sector

Weekly Markets Update

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Interest Rate Products - Upcoming Events This Week

Monday - 8/05	<ul style="list-style-type: none"> - U.S. - ISM Non-Manufacturing PMI (JUL) - Previous 55.10 Forecast 54.50 - AU - Balance of Trade (JUN) - Previous \$5.74bn AUD Forecast \$5.40bn AUD
Tuesday - 8/06	<ul style="list-style-type: none"> - AU - RBA Interest Rate Decision - Current 1.00% Forecasted 1.00%
Wednesday - 8/07	<ul style="list-style-type: none"> - NZ - RBNZ Interest Rate Decision - Current 1.50% Forecasted 1.25% - IN - RBI Interest Rate Decision - Current 5.75% Forecast 5.50% - CA - Ivey PMI s.a. (JUL) - Previous 52.40 Forecast 51.80 - CN - Balance of Trade (JUL) - Previous \$50.98bn Forecast \$32.00bn - CN - Exports YoY (JUL) - Previous -1.30% - CN - Imports YoY (JUL) - Previous -7.30%
Thursday - 8/08	<ul style="list-style-type: none"> - TH - BOTH Interest Rate Decision - Current 1.75% Forecasted 1.75% - PH - CBPH Interest Rate Decision - Current 4.50% Forecasted 4.25% - AU - RBA Statement on Monetary Policy - CN - Inflation Rate YoY (JUL) - Previous 2.70% Forecast 2.70%
Friday - 8/09	<ul style="list-style-type: none"> - U.S. - Producer Price Index (JUL) - Previous 0.10% Forecast 0.20% - DE - Balance of Trade (JUN) - Previous €20.60bn EUR Forecast €16.60bn EUR - GB - Balance of Trade (JUN) - Previous £-2.32bn GBP Forecast £-2.90bn GBP - GB - GDP Growth Rate QoQ Preliminary (2Q2019) - Previous 0.50% Forecast -0.10% - GB - GDP Growth Rate YoY Preliminary (2Q2019) - Previous 1.80% Forecast 1.40% - CA - Employment Change (JUL) - Previous -2.20 k Forecast 17.00 k

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Central Bank Meetings

During the week of Monday, August 5, the central banks of the Philippines, India, New Zealand, Australia and Thailand are set to meet to discuss their stance on monetary policy moving forward. Currently, markets are predicting that the central banks in India, the Philippines and New Zealand will cut interest rates in order to add stimulus to faltering growth. Where as expectations in Australia are that they will keep their benchmark interest rate steady following back-to-back moves, while it is also expected that Thailand will avoid lowering costs. On Tuesday, August 6, Australia will be the first of the group to determine their stance on monetary policy. The Reserve Bank of Australia cut rates in June and July to a record low of 1.00%, as many are expecting the next rate cut to be in CY2020. On Wednesday, August 7, the Reserve Bank of New Zealand will announce policy, as the current interest rate is 1.50%, with markets pricing in a 25 bp cut due to the RBZN stating that they may allow for interest rates to fall as low as minus 35 bps throughout the following year. On Wednesday, August 7, the Reserve Bank of India is expected to lower its repurchase rate from 5.75% to 5.50%, in addition to another rate cut in six months, driven by significant economic slowing. Furthermore, on Wednesday, August 7, the Bank of Thailand will likely reduce the current bond supply opposed to decreasing interest rates and on Thursday, August 8, the central bank of the Philippines is expected to decrease interest rates by 50 bps over the next quarter, leaving the overnight lending rate at 4.00%, amid slowing inflation. Ultimately, the global economy continues to demonstrate significant weakness' and central banks will continue to increase stimulus related measures in order to drive growth moving forward.

U.S. Non-Manufacturing and Producer Price Index

On Monday, August 5, the U.S. ISM non-manufacturing index will be released in addition to on Friday, August 9, the U.S. Producer Price Index is set to be released. The ISM non-manufacturing index reports on business, indicating the overall economic condition for the non-manufacturing sector. Analysts are expecting that the index will increase in July following a drop to a near-two-year low of 55.10 in June, from 56.90. The sharp decline was driven by a significant decrease in new orders, business activity and employment indices. Expectations for an increase in July are primarily driven due to the latest regional Fed survey suggesting that activity has stabilized in July. Furthermore, on Friday, August 9, the U.S. Producer Price Index will be released, indicating the average movement in selling prices from domestic production. Analysts are expecting a 0.20% q/q increase as well as a 2.40% y/y increase. Inflation measures have continued to slow over time, as a PPI inflation reading lower than expected will reinforce the markets view that additional rate cuts may be needed to offset muted inflation.

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