

The week that was

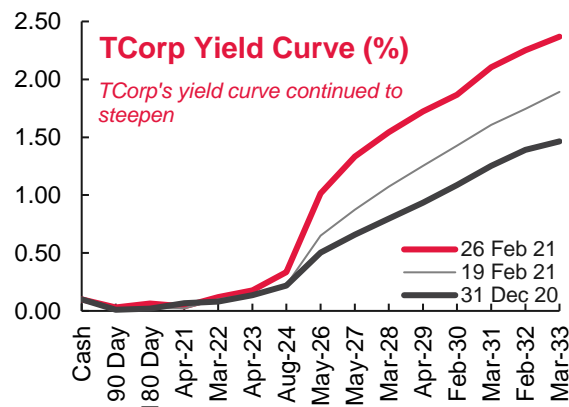
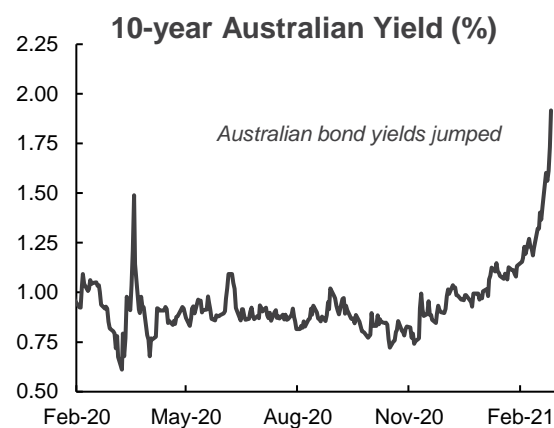
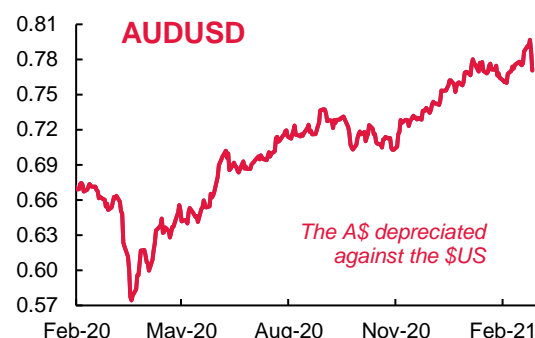
- Bond yields surged higher last week. US 10-year yields rose 7bps. Australian 10-year yields leapt 48bps, and 3-year yields finished at 12bps. The TCorp yield curve steepened.
- The surge in yields prompted the Reserve Bank of Australia (RBA) to enter the bond market and purchase bonds in an attempt to drag 3-year yields back down to its 0.1% target rate. But while the RBA appears concerned with recent market movements, some US policymakers suggested they simply reflected growing optimism about growth and inflation.
- Stock markets sold off, with tech company valuations hurt most by the rising interest rates. In the US, the tech-stock dominated NASDAQ 100 index dropped 4.9% while the S&P500 fell 2.4%. Australia's S&P/ASX200 declined 1.8%.
- Brent oil rose 5.1%, to US\$66 per barrel. The Australian dollar briefly traded above US\$0.80 before falling back to US\$0.77.

Economic calendar

Monday 1/3	AU: Business indicators, Q4 US: ISM Manufacturing index, Feb
Tuesday 2/3	AU: RBA monetary policy decision EU: CPI, Feb
Wednesday 3/3	AU: GDP, Q4 US: ADP employment, Feb
Thursday 4/3	AU: Trade balance, Jan CH: Government 2021 policy meeting
Friday 5/3	US: Non-farm payrolls, Feb US: Trade balance, Jan

The week ahead

- Global markets will monitor progress towards containing the pandemic and passing the US stimulus package, and the announcement of China's policy agenda for 2021. Key economic data are Eurozone inflation and US non-farm payrolls.
- In Australia, the focus will be squarely on the RBA monetary policy meeting. The RBA has said it does not expect to reach its inflation target before 2024, and it will keep interest rates low until then. However, the pressure on 3-year bond yields last week suggests investors believe the RBA will have to start increasing rates before then.
- Also this week, the release of the national accounts report for the December quarter, which includes the latest GDP estimate, will provide a comprehensive update on all parts of the Australian economy. Economy watchers and policy makers will use the information to recalibrate their forecasts for 2021.



Financial markets data: Week ending 26 February 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.03	2	▲	2	▲
3-year Australian Bond Yield	0.12	0	▼	1	▲
10-year Australian Bond Yield	1.92	48	▲	95	▲
20-year Australian Bond Yield	2.68	53	▲	97	▲
10-year Australian Break-Even Inflation	2.00	5	▲	23	▲
10-year Australian Real Yield	-0.08	44	▲	72	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.13	2	▲	1	▲
10-year US Treasury Yield	1.40	7	▲	49	▲
30-year US Treasury Yield	2.15	2	▲	51	▲
10-year German Bund Yield	-0.26	5	▲	31	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.04	1	▲	-3	▼
6.00% 1 March 2022	0.12	2	▲	4	▲
4.00% 20 April 2023	0.18	3	▲	4	▲
1.00% 8 February 2024	0.30	10	▲	10	▲
5.00% 20 August 2024	0.33	11	▲	12	▲
4.00% 20 May 2026	1.02	37	▲	51	▲
3.00% 20 May 2027	1.33	46	▲	67	▲
3.00% 20 March 2028	1.54	47	▲	75	▲
3.00% 20 April 2029	1.72	47	▲	79	▲
3.00% 20 February 2030	1.87	44	▲	78	▲
2.00% 20 March 2031	2.10	50	▲	85	▲
2.00% 20 March 2032	2.37	48	▲	90	▲
2.00% 20 March 2033	2.47	49	▲	85	▲
2.75% 20 November 2025 CIB	-1.05	23	▲	6	▲
2.50% 20 November 2035 CIB	0.71	53	▲	80	▲
10-year NSW TCorp Bond Yield	2.07	47	▲	84	▲
10-year TCV (Victoria) Spread	0.01	1	▲	-1	▼
10-year QTC (Queensland) Spread	-0.02	2	▲	2	▲
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	6,673	-1.8%	▼	1.3%	▲
S&P500 (US)	3,811	-2.4%	▼	1.5%	▲
FTSE 100 (UK)	6,483	-2.1%	▼	0.4%	▲
DJ Stoxx 600 (Europe)	405	-2.4%	▼	1.5%	▲
Nikkei 225 (Japan)	28,966	-3.5%	▼	5.5%	▲
Shanghai Composite (China)	3,509	-5.1%	▼	1.0%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.771	-2.1%	▼	0.2%	▲
EUR/USD	1.208	-0.4%	▼	-1.2%	▼
USD/JPY	106.57	1.1%	▲	3.2%	▲
GBP/USD	1.39	-0.6%	▼	1.9%	▲
US\$ Index	90.88	0.6%	▲	1.0%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	66.13	5.1%	▲	27.7%	▲
Iron Ore (US\$/t)	165.61	0.4%	▲	6.3%	▲
Coking Coal (US\$/t)	1,484.50	-12.5%	▼	-1.1%	▼
Gold (US\$/oz)	1,734.04	-2.8%	▼	-8.7%	▼

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