

Weekly Economic Report

01 November 2021

The week that was

- Australian bond yields soared last week, as investors decided that the Reserve Bank of Australia (RBA) would hike rates aggressively as soon as next year. While this weighed on the Australian equity market, globally most stock markets moved higher, continuing their strong performance over October.
- The catalyst for the Australian bond yields rise was the September quarter inflation data. Underlying inflation rose 0.7%, with headline inflation up 0.8% in Q3 and 3.1% over the year. The key surprise was a surge in construction costs, which reflected the waning impact of the HomeBuilder subsidy. In any case, expectations for RBA tightening surged.
- Australian 3-year bond yields soared 49bps while 10-year yields leapt 29bps in the week, to 2.09%. TCorp's 10-year yield rose 30bps to 2.38%. In contrast, the US 10-year yield fell 8bps to 1.55% and the German 10-year was flat at -0.1%. Yield curves flattened globally.
- Equity markets were positive overall. The S&P500 rose 1.3%, the European Stoxx600 0.8% and the FTSE100 0.5%. However, the ASX200 lost 1.2%.
- The Australian dollar pushed above the US\$0.75 level on rising rate hike expectations, closing at US\$0.752.

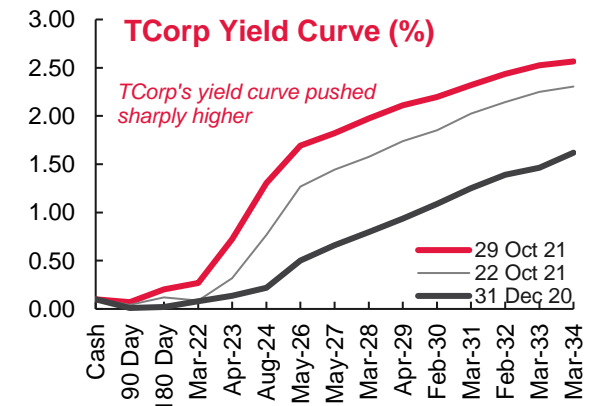
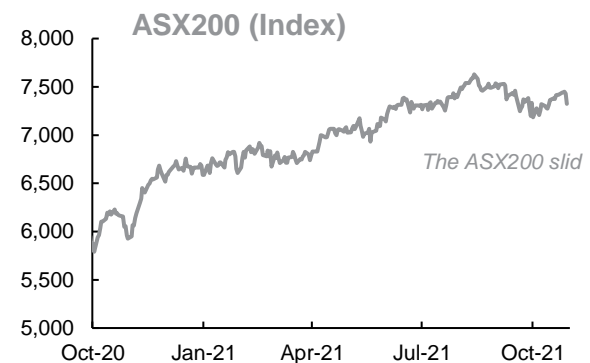
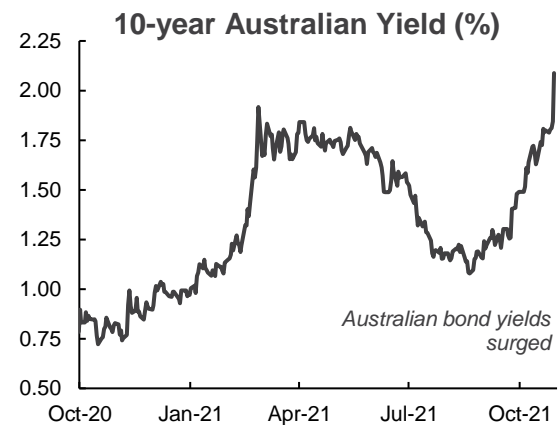
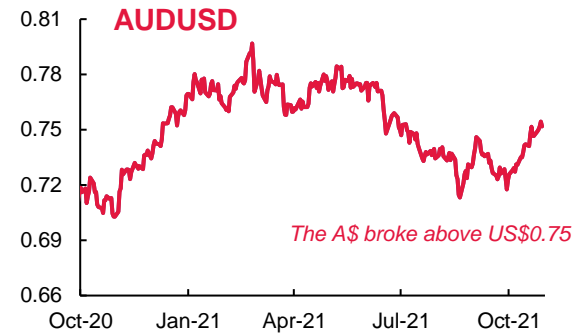
Economic calendar

Monday 01/11	AU: Home loans, Sep CH: Caixin Manufacturing PMI, Oct
Tuesday 02/11	AU: Reserve Bank of Australia policy decision US: ISM Manufacturing PMI, Oct
Wednesday 03/11	AU: Building approvals, Sep CH: Caixin Services PMI, Oct US: ADP Employment, Oct
Thursday 04/11	AU: Trade balance, Sep UK: Bank of England policy decision US: Federal Reserve policy decision, ISM Services PMI, Oct, Durable Goods Orders, Sep, Trade balance, Sep
Friday 05/11	AU: Reserve Bank of Australia Statement on Monetary Policy, Nov US: Employment, Oct

The week ahead

- November starts with a bang with monetary policy decisions slated for 3 major central banks: The RBA (Tues), US Federal Reserve (Thurs) and the Bank of England (Thurs).
- The recent surge in bond yields suggests high market anticipation of tightening. Policymakers are expected to detail how they will taper their asset purchases and also discuss raising policy rates.

Financial markets charts



Financial markets data: Week ending 29 October 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.07	3	▲	6	▲
3-year Australian Bond Yield	1.22	49	▲	112	▲
10-year Australian Bond Yield	2.09	29	▲	112	▲
20-year Australian Bond Yield	2.68	22	▲	97	▲
10-year Australian Break-Even Inflation	2.15	-10	▼	38	▲
10-year Australian Real Yield	-0.06	39	▲	74	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.50	4	▲	38	▲
10-year US Treasury Yield	1.55	-8	▼	64	▲
30-year US Treasury Yield	1.93	-14	▼	29	▲
10-year German Bund Yield	-0.11	0	▼	46	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.27	19	▲	19	▲
4.00% 20 April 2023	0.72	40	▲	59	▲
1.00% 8 February 2024	1.15	55	▲	95	▲
5.00% 20 August 2024	1.31	54	▲	109	▲
4.00% 20 May 2026	1.69	43	▲	119	▲
3.00% 20 May 2027	1.82	38	▲	116	▲
3.00% 20 March 2028	1.98	40	▲	118	▲
3.00% 20 April 2029	2.11	37	▲	117	▲
3.00% 20 February 2030	2.20	35	▲	111	▲
2.00% 20 March 2031	2.32	30	▲	107	▲
1.50% 20 February 2032	2.44	29	▲	105	▲
2.00% 8 March 2033	2.53	28	▲	106	▲
3.50% 20 March 2034	2.57	26	▲	95	▲
2.75% 20 November 2025 CIB	-0.62	56	▲	49	▲
2.50% 20 November 2035 CIB	0.31	10	▲	40	▲
10-year NSW TCorp Bond Yield	2.38	30	▲	114	▲
10-year TCV (Victoria) Spread	0.00	1	▲	-3	▼
10-year QTC (Queensland) Spread	0.00	1	▲	4	▲
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,324	-1.2%	▼	11.2%	▲
S&P500 (US)	4,605	1.3%	▲	22.6%	▲
FTSE 100 (UK)	7,238	0.5%	▲	12.0%	▲
DJ Stoxx600 (Europe)	476	0.8%	▲	19.2%	▲
Nikkei 225 (Japan)	28,893	0.3%	▲	5.3%	▲
Shanghai Composite (China)	3,547	-1.0%	▼	2.1%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.752	0.7%	▲	-2.3%	▼
EUR/USD	1.156	-0.7%	▼	-5.4%	▼
USD/JPY	113.95	0.4%	▲	10.4%	▲
GBP/USD	1.37	-0.5%	▼	0.1%	▲
US\$ Index	94.12	0.5%	▲	4.7%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	84.38	-1.3%	▼	62.9%	▲
Iron Ore (US\$/t)	106.19	-10.4%	▼	-33.0%	▼
Coking Coal (US\$/t)	3,608.00	-0.3%	▼	140.5%	▲
Gold (US\$/oz)	1,783.38	-0.5%	▼	-6.1%	▼

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