

Weekly Economic Report

10 October 2022

Financial markets charts

The week that was

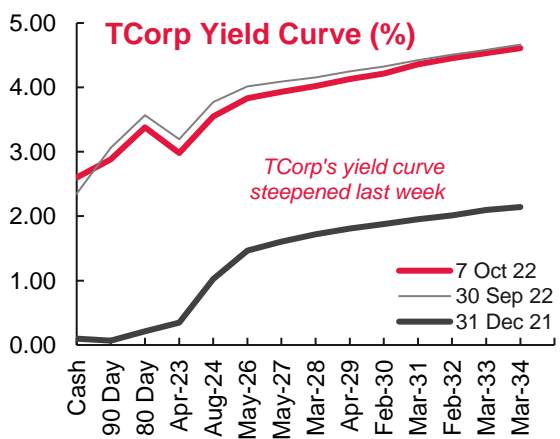
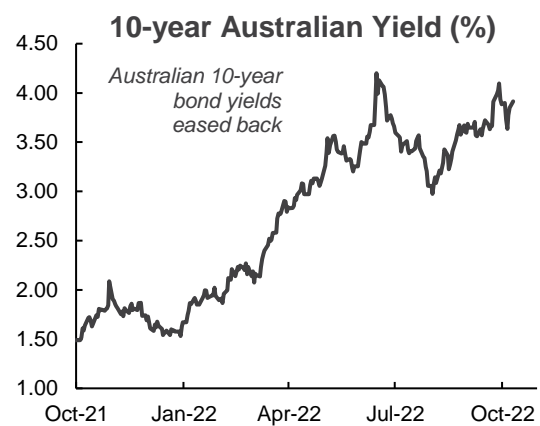
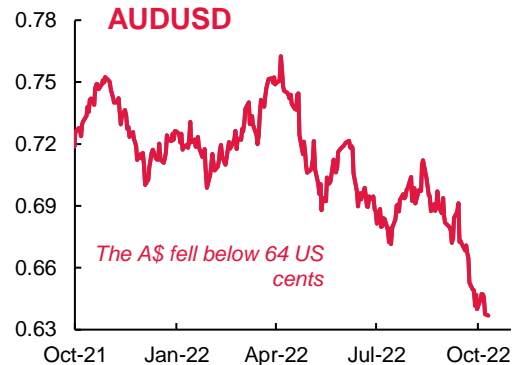
- The Reserve Bank of Australia (RBA) surprised investors last week, by raising its key policy rate by just 25bps at its October policy meeting, rather than the 50bps expected by markets.
- This boosted equity markets and lowered bond yields as investors hoped that other central banks might follow the lead of the RBA. But it became apparent that other central banks were still intent on rapidly raising interest rates and financial markets reversed some of their initial moves.
- Australian shares closed 4.5% higher over the week, while US equities rose 1.5% and European shares gained 1%. While US shares managed to close higher, they were up as much as 6% last week, before hawkish policymaker rhetoric and a strong employment report dashed hopes for a quick monetary policy pivot.
- Australian 3-year yields ended the week down 10bps while 10-year yields fell 4bps. In other markets, though, yields moved higher. US 10-year yields rose 5bps and German yields rose 9bps.
- With Australian yields falling relative to US yields, the Australian dollar also weakened, closing below US\$0.64. Weaker iron ore prices also contributed to the currency's weakness.
- In contrast to iron ore, oil prices rose by 11% as OPEC announced plans to reduce production by 2mn barrels per day.

Economic calendar

Monday 10/10	US: Fed's Brainard speech
Tuesday 11/10	AU: Consumer sentiment, Oct AU: Business confidence, Sep
Wednesday 12/10	AU: RBA's Ellis speech, Sep US: Fed FOMC meeting minutes
Thursday 13/10	US: Inflation, Sep US: Initial jobless claims
Friday 14/10	US: Retail sales, Sep US: Consumer sentiment, Oct

The week ahead

- The key focus this week will be the US inflation report. While it does appear that inflation has peaked, it hasn't fallen as quickly as forecasters were predicting. If that pattern continues it will likely confirm another large rate rise when the US central bank next meets.
- In Australia we receive updates on consumer and business confidence. While consumer confidence has stabilised in recent months it remains at very low levels, while business confidence remains positive.



Financial markets data: Week ending 7 October 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	2.60	25	▲	250	▲
90-day BBSW	2.88	-18	▼	282	▲
3-year Australian Bond Yield	3.43	-10	▼	252	▲
10-year Australian Bond Yield	3.85	-4	▼	218	▲
20-year Australian Bond Yield	4.13	0	▼	186	▲
10-year Australian Break-Even Inflation	2.24	9	▲	-3	▼
10-year Australian Real Yield	1.60	-13	▼	221	▲
Fed Funds Rate (lower bound)	3.00	0	—	300	▲
2-year US Treasury Yield	4.31	3	▲	358	▲
10-year US Treasury Yield	3.88	5	▲	237	▲
30-year US Treasury Yield	3.84	7	▲	194	▲
10-year German Bund Yield	2.19	9	▲	237	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	2.98	-21	▼	264	▲
1.00% 8 February 2024	3.50	-21	▼	267	▲
5.00% 20 August 2024	3.55	-22	▼	253	▲
1.25% 20 March 2025	3.65	-19	▼	243	▲
4.00% 20 May 2026	3.83	-18	▼	236	▲
3.00% 20 May 2027	3.93	-16	▼	232	▲
3.00% 20 March 2028	4.02	-13	▼	230	▲
3.00% 20 April 2029	4.13	-12	▼	232	▲
3.00% 20 February 2030	4.22	-11	▼	234	▲
2.00% 20 March 2031	4.36	-7	▼	241	▲
1.50% 20 February 2032	4.46	-5	▼	245	▲
2.00% 8 March 2033	4.53	-5	▼	243	▲
3.50% 20 March 2034	4.61	-5	▼	247	▲
2.75% 20 November 2025 CIB	0.74	-41	▼	177	▲
2.50% 20 November 2035 CIB	2.30	-13	▼	226	▲
10-year NSW TCorp Bond Yield	4.46	-6	▼	249	▲
10-year TCV (Victoria) Spread	-0.01	0	▼	-5	▼
10-year QTC (Queensland) Spread	-0.08	-1	▼	-10	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,763	4.5%	▲	-9.2%	▼
S&P 500 (US)	3,640	1.5%	▲	-23.6%	▼
FTSE 100 (UK)	6,991	1.4%	▲	-5.3%	▼
DJ Stoxx 600 (Europe)	392	1.0%	▲	-19.7%	▼
Nikkei 225 (Japan)	27,116	4.5%	▲	-5.8%	▼
Shanghai Composite (China)	3,024	0.0%	—	-16.9%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.638	-0.4%	▼	-12.2%	▼
EUR/USD	0.974	-0.6%	▼	-14.3%	▼
USD/JPY	145.25	0.4%	▲	26.2%	▲
GBP/USD	1.11	-0.8%	▼	-18.1%	▼
US\$ Index	112.80	0.6%	▲	17.9%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	97.92	11.3%	▲	25.9%	▲
Iron Ore (US\$/t)	95.58	-2.8%	▼	-15.0%	▼
Coking Coal (US\$/t)	2,741.50	0.0%	—	33.5%	▲
Gold (US\$/oz)	1,694.82	2.1%	▲	-7.3%	▼

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