

Weekly Economic Report

12 December 2022

Financial markets charts

The week that was

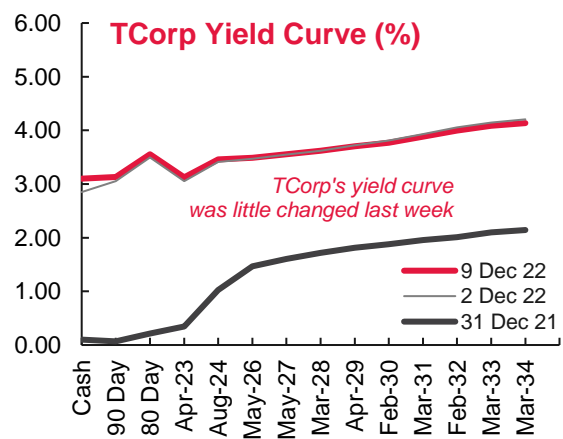
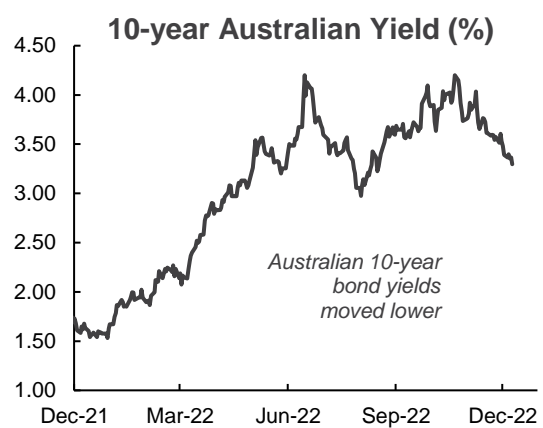
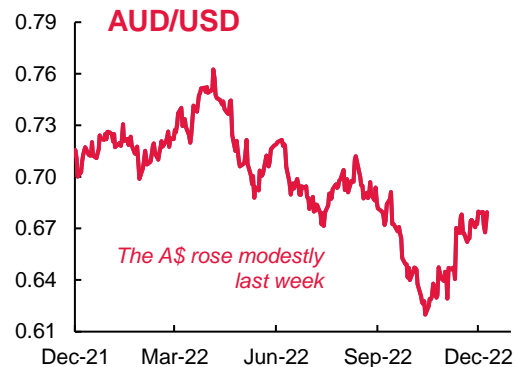
- As expected, the Reserve Bank of Australia (RBA) raised its key policy rate by 0.25% last week. While the RBA said further rate rises are likely, the market is becoming increasingly comfortable that the central bank is nearing the end of its tightening cycle. Reflecting that, Australia's 3-year bond yield fell 1bp to 3.01% while the 10-year yield fell 10bps to 3.3%.
- In contrast, US 10-year yields rose by 9bps to 3.58%. US producer prices rose more than expected in November which may mean that the US central bank will keep raising rates at a brisk pace.
- Higher US bond yields dragged equities lower, with the US S&P500 falling by 3.4%. Australian stocks fell 1.2% while European equities declined by 0.9%.
- There were sharp falls in some commodity prices last week with the Brent crude oil price falling 11% and coal prices down 15%. Despite that, Australian resource stocks rose on reports that Chinese authorities are relaxing COVID restrictions. On this news, Chinese shares also rose by 1.6%.

Economic calendar

Monday 12/12	
Tuesday 13/12	AU: NAB business survey, Nov US: CPI, Nov
Wednesday 14/12	AU: RBA Governor Lowe speech US: Federal Reserve policy meeting
Thursday 15/12	AU: Employment, Nov EU: ECB policy meeting
Friday 16/12	Global: PMIs, Dec EU: Consumer prices, Nov

The week ahead

- The 2 key events this week are US consumer inflation and the Federal Reserve's policy meeting. Last month, equities rose strongly when inflation surprised to the downside and investors pared back their expectations for Fed tightening. Last week's surprisingly strong producer prices report will have investors wondering if inflation rebounds this month which would likely trigger another bout of hawkish commentary from the US central bank.
- In Australia, November employment will be released. Last month, the NSW unemployment rate fell to 3% – its lowest level since the 1970s.
- Globally, purchasing managers' indexes will be released on Friday and provide the first insights into business activity in December.
- This is the final Weekly Economic Report for 2022. We wish our readers a safe and enjoyable festive season and will resume publication in the New Year.



Financial markets data: Week ending 9 December 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	3.10	25	▲	300	▲
90-day BBSW	3.13	7	▲	306	▲
3-year Australian Bond Yield	3.01	-1	▼	210	▲
10-year Australian Bond Yield	3.30	-10	▼	163	▲
20-year Australian Bond Yield	3.63	-16	▼	136	▲
10-year Australian Break-Even Inflation	2.46	3	▲	19	▲
10-year Australian Real Yield	0.84	-13	▼	144	▲
Fed Funds Rate (lower bound)	3.75	0	—	375	▲
2-year US Treasury Yield	4.34	7	▲	361	▲
10-year US Treasury Yield	3.58	9	▲	207	▲
30-year US Treasury Yield	3.56	1	▲	166	▲
10-year German Bund Yield	1.93	8	▲	211	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	3.13	7	▲	278	▲
1.00% 8 February 2024	3.42	6	▲	259	▲
5.00% 20 August 2024	3.46	4	▲	244	▲
1.25% 20 March 2025	3.36	1	▲	214	▲
4.00% 20 May 2026	3.49	2	▲	202	▲
3.00% 20 May 2027	3.55	0	▲	195	▲
3.00% 20 March 2028	3.62	0	▼	190	▲
3.00% 20 April 2029	3.71	-2	▼	190	▲
3.00% 20 February 2030	3.77	-4	▼	189	▲
2.00% 20 March 2031	3.88	-4	▼	193	▲
1.50% 20 February 2032	4.00	-6	▼	199	▲
2.00% 8 March 2033	4.08	-6	▼	199	▲
3.50% 20 March 2034	4.14	-7	▼	199	▲
2.75% 20 November 2025 CIB	0.14	-17	▼	117	▲
2.50% 20 November 2035 CIB	1.68	-49	▼	165	▲
10-year NSW TCorp Bond Yield	4.04	-5	▼	207	▲
10-year TCV (Victoria) Spread	0.03	-1	▼	-1	▼
10-year QTC (Queensland) Spread	-0.07	0	▲	-9	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	7,213	-1.2%	▼	-3.1%	▼
S&P 500 (US)	3,934	-3.4%	▼	-17.5%	▼
FTSE 100 (UK)	7,477	-1.1%	▼	1.2%	▲
DJ Stoxx 600 (Europe)	439	-0.9%	▼	-10.0%	▼
Nikkei 225 (Japan)	27,901	0.4%	▲	-3.1%	▼
Shanghai Composite (China)	3,207	1.6%	▲	-11.9%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.680	0.1%	▲	-6.4%	▼
EUR/USD	1.054	0.0%	▲	-7.3%	▼
USD/JPY	136.56	1.7%	▲	18.7%	▲
GBP/USD	1.23	-0.2%	▼	-9.4%	▼
US\$ Index	104.81	0.3%	▲	9.6%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	76.10	-11.1%	▼	-2.2%	▼
Iron Ore (US\$/t)	111.28	4.4%	▲	-1.1%	▼
Coking Coal (US\$/t)	2,420.00	-14.8%	▼	17.8%	▲
Gold (US\$/oz)	1,797.32	0.0%	▼	-1.7%	▼

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