

The week that was

- The spread of the Omicron variant and growing conviction the US Federal Reserve will quicken policy tightening were key factors driving markets last week. Equities rebounded and bond yields rose, as investors ultimately believed the prior week's reactions were overplayed.
- US CPI numbers showed very elevated price pressures. Headline inflation grew 0.8% month-on-month in November, to an annual pace of 6.8%. Core CPI came in at 4.9% year-on-year. Broad-based gains were reported while energy, rents and supply chain pressures were evident. Reactions were muted given the reading was in line with market expectations.
- US 2-year bond yields rose 7bps, as markets consolidated expectations for more tightening. Longer-dated yields rose on better risk appetite. US 10-year yields also rose 14bps, to 1.48%. Australian 10-year yields were up 3bps to 1.64%, while TCorp's 10-year yield rose 2bps to 1.98%.
- Equity markets were up on tempered COVID concerns. The US S&P500 increased 3.8%, the Stoxx600 rose 2.8% and the Australian stock market gained 1.6%. The Australian dollar pared its recent losses, rising 2.4% to US\$0.717.

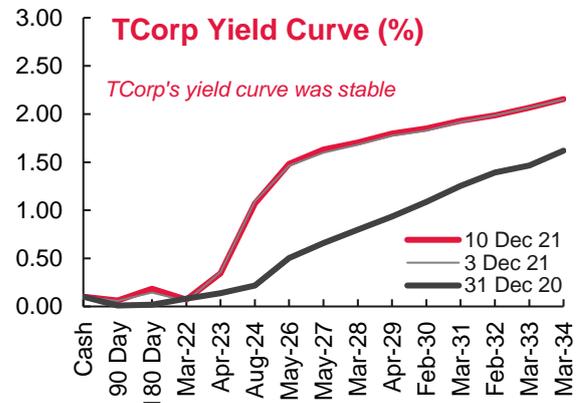
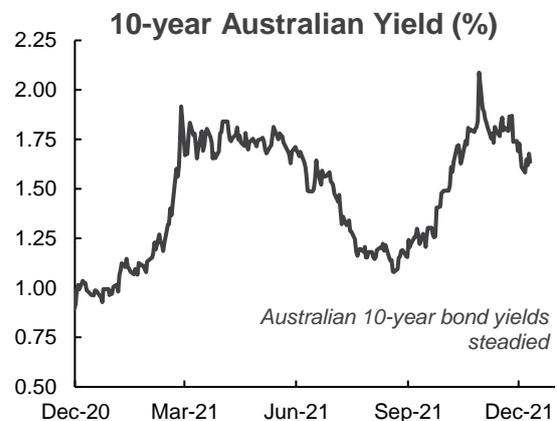
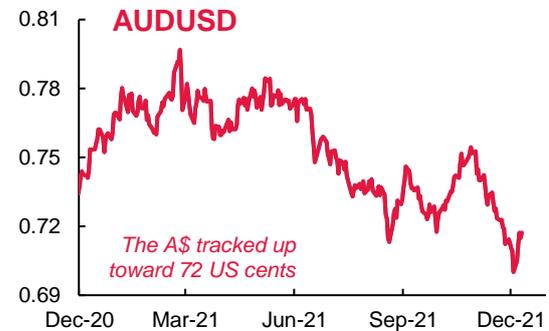
Economic calendar

Monday 13/12	AU: Job advertisements, Nov
Tuesday 14/12	AU: NAB Business Survey, Nov
Wednesday 15/12	AU: Westpac Consumer Survey, Dec CH: New home prices, Fixed asset investment, Industrial production, Retail sales, Jobless rate, Nov
Thursday 16/12	AU: Employment, Nov, RBA Governor Lowe speaks, RBA Bulletin EC: ECB policy decision UK: Bank of England policy decision US: Federal Reserve policy decision, Retail sales, Nov, NAHB index, Dec
Friday 17/12	US: Housing starts, Nov, Building permits, Nov, Industrial production, Nov

The week ahead

- The US Federal Reserve, the Bank of England and the European Central Bank all hold their final policy meetings for 2021, and are expected to further pave the way for policy tightening in 2022.
- Australian business and consumer surveys and the November employment release are due and likely to corroborate other indications that the rebound from the lockdowns remains firm. The NSW Budget 2021-2022 Half-Yearly Review will also be important.

Financial markets charts



Financial markets data: Week ending 10 December 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	–	0	–
90-day BBSW	0.06	0	▲	5	▲
3-year Australian Bond Yield	0.92	2	▲	82	▲
10-year Australian Bond Yield	1.64	3	▲	67	▲
20-year Australian Bond Yield	2.24	7	▲	53	▲
10-year Australian Break-Even Inflation	2.12	10	▲	35	▲
10-year Australian Real Yield	-0.48	-7	▼	32	▲
Fed Funds Rate (lower bound)	0.00	0	–	0	–
2-year US Treasury Yield	0.65	7	▲	53	▲
10-year US Treasury Yield	1.48	14	▲	57	▲
30-year US Treasury Yield	1.88	21	▲	23	▲
10-year German Bund Yield	-0.35	4	▲	22	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.07	2	▲	-1	▼
4.00% 20 April 2023	0.35	-1	▼	21	▲
1.00% 8 February 2024	0.87	-5	▼	67	▲
5.00% 20 August 2024	1.07	-2	▼	85	▲
4.00% 20 May 2026	1.48	2	▲	98	▲
3.00% 20 May 2027	1.63	3	▲	97	▲
3.00% 20 March 2028	1.71	2	▲	91	▲
3.00% 20 April 2029	1.80	2	▲	86	▲
3.00% 20 February 2030	1.85	2	▲	76	▲
2.00% 20 March 2031	1.93	1	▲	68	▲
1.50% 20 February 2032	1.99	0	▼	59	▲
2.00% 8 March 2033	2.07	0	▼	60	▲
3.50% 20 March 2034	2.16	0	▲	54	▲
2.75% 20 November 2025 CIB	-0.90	-9	▼	20	▲
2.50% 20 November 2035 CIB	0.15	-7	▼	25	▲
10-year NSW TCorp Bond Yield	1.98	2	▲	74	▲
10-year TCV (Victoria) Spread	0.02	0	▼	0	▲
10-year QTC (Queensland) Spread	0.02	0	▲	6	▲
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,354	1.6%	▲	11.6%	▲
S&P500 (US)	4,712	3.8%	▲	25.5%	▲
FTSE 100 (UK)	7,292	2.4%	▲	12.9%	▲
DJ Stoxx600 (Europe)	476	2.8%	▲	19.2%	▲
Nikkei 225 (Japan)	28,438	1.5%	▲	3.6%	▲
Shanghai Composite (China)	3,666	1.6%	▲	5.6%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.717	2.4%	▲	-6.8%	▼
EUR/USD	1.131	0.0%	▼	-7.4%	▼
USD/JPY	113.44	0.6%	▲	9.9%	▲
GBP/USD	1.33	0.3%	▲	-2.9%	▼
US\$ Index	96.10	0.0%	▼	6.8%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	75.15	7.5%	▲	45.1%	▲
Iron Ore (US\$/t)	108.35	6.7%	▲	-31.6%	▼
Coking Coal (US\$/t)	2,063.00	0.3%	▲	37.5%	▲
Gold (US\$/oz)	1,782.84	0.0%	▼	-6.1%	▼

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