

Weekly Economic Report

11 January 2021

The week that was

- Global stocks rallied, despite the political chaos in Washington and the surge in COVID-19 cases in Europe and North America. Democrats gained control of the US Senate, helping President-elect Biden's push for another large fiscal stimulus package for the US economy in 2021.
- The prospect of stronger growth encouraged flows into equities and other 'growth' assets and out of 'defensive' assets such as bonds and gold.
- The US S&P500 hit new highs, to finish the week up 1.8%. European stocks had their best start to a new year for 12 years – the DJ Stoxx600 gained 3%. The Australian stock market also had a good week, and the ASX/S&P 200 added 2.8%. Oil (+8.1%) and iron ore (+9.0%) were well supported. The AUD appreciated 0.8% against the USD.
- Bond yields increased – US 10-year yields jumped 20bps, and AU 10-years rose 12bps – and yield curves steepened. The gold price fell 2.6%.

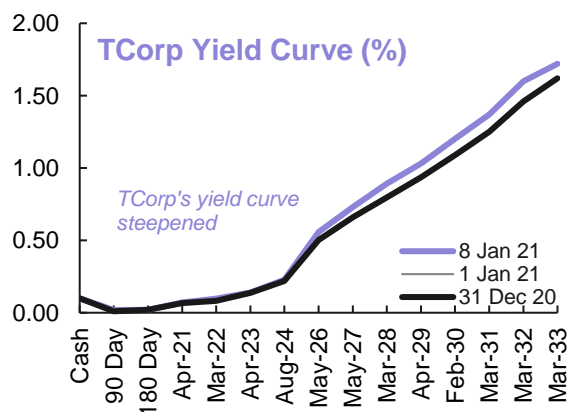
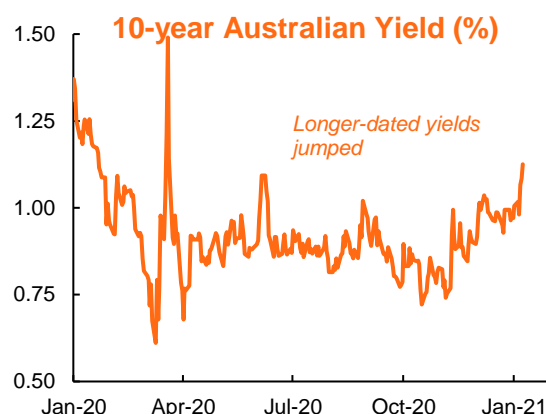
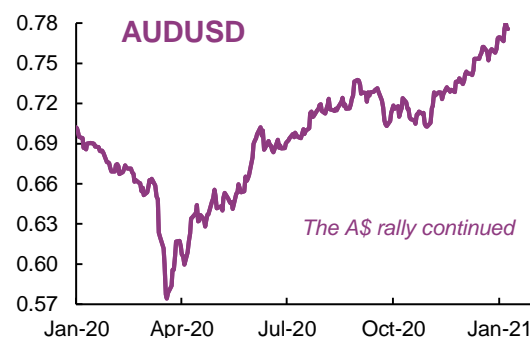
Economic calendar

Monday 11/1	AU: Retail sales, Nov CH: CPI, Dec
Tuesday 12/1	
Wednesday 13/1	AU: Job vacancies, Nov US: CPI, Dec
Thursday 14/1	CH: Trade balance, Dec US: Jobless claims, Jan 9
Friday 15/1	AU: Home loans, Nov US: Retail sales, Dec

The week ahead

- Globally, investors are in an upbeat mood about economic recovery. The mood will be tested this week by the release of key US economic data, President Trump's actions and the high death-toll from the pandemic. And many central bank speakers in the US and Europe will be providing their views on the economic outlook.
- In the US, the weekly jobless claims, retail trade and the Beige Book regional economic report are likely to show the economic recovery was stuttering as 2020 rolled over into 2021. Hence, the inflation reports (CPI and PPI) are expected to show little upward pressure on prices.
- Locally, the job ads report is expected to reflect the post-lockdown pick up in Victoria. Home loans data and the Australian Office of Financial Management's update on the Federal Government's borrowing requirements for FY2021 (on Friday) will provide insight from different angles into how the economic recovery is progressing in Australia.

Financial markets charts



Financial markets data: Week ending 8 January 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.02	1	▲	1	▲
3-year Australian Bond Yield	0.11	1	▲	0	▲
10-year Australian Bond Yield	1.13	12	▲	16	▲
20-year Australian Bond Yield	1.91	20	▲	20	▲
10-year Australian Break-Even Inflation	1.83	6	▲	6	▲
10-year Australian Real Yield	-0.71	6	▲	9	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.13	1	▲	1	▲
10-year US Treasury Yield	1.12	20	▲	20	▲
30-year US Treasury Yield	1.87	23	▲	23	▲
10-year German Bund Yield	-0.52	5	▲	5	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.07	0	▲	0	▲
6.00% 1 March 2022	0.10	2	▲	2	▲
4.00% 20 April 2023	0.14	0	▲	0	▲
1.00% 8 February 2024	0.21	1	▲	1	▲
5.00% 20 August 2024	0.23	1	▲	1	▲
4.00% 20 May 2026	0.56	6	▲	6	▲
3.00% 20 May 2027	0.73	7	▲	7	▲
3.00% 20 March 2028	0.89	9	▲	9	▲
3.00% 20 April 2029	1.03	9	▲	9	▲
3.00% 20 February 2030	1.20	11	▲	11	▲
2.00% 20 March 2031	1.37	12	▲	12	▲
2.00% 20 March 2032	1.60	13	▲	n/a	n/a
2.00% 20 March 2033	1.72	10	▲	10	▲
2.75% 20 November 2025 CIB	-1.15	-4	▼	-4	▼
2.50% 20 November 2035 CIB	-0.04	5	▲	n/a	n/a
10-year NSW TCorp Bond Yield	1.36	13	▲	13	▲
10-year TCV (Victoria) Spread	0.02	0	▼	0	▼
10-year QTC (Queensland) Spread	-0.04	0	▼	0	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,758	2.6%	▲	2.6%	▲
S&P 500 (US)	3,825	1.8%	▲	1.8%	▲
FTSE 100 (UK)	6,873	6.4%	▲	6.4%	▲
DJ Stoxx 600 (Europe)	411	3.0%	▲	3.0%	▲
Nikkei 225 (Japan)	28,139	2.5%	▲	2.5%	▲
Shanghai Composite (China)	3,570	2.8%	▲	2.8%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.776	0.8%	▲	0.8%	▲
EUR/USD	1.222	0.0%	▲	0.0%	▲
USD/JPY	103.94	0.7%	▲	0.7%	▲
GBP/USD	1.36	-0.8%	▼	-0.7%	▼
US\$ Index	90.10	0.2%	▲	0.2%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	55.99	8.1%	▲	8.1%	▲
Iron Ore (US\$/t)	169.86	9.0%	▲	9.0%	▲
Coking Coal (US\$/t)	1,604.00	6.9%	▲	6.9%	▲
Gold (US\$/oz)	1,849.01	-2.6%	▼	-2.6%	▼

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