

## The week that was

- Global markets had a bumpy ride last week. Brexit market and security negotiations tilted towards a 'no-deal' exit in three weeks' time. Negotiations on a fiscal stimulus package for the US economy stalled. The UK began administering the coronavirus vaccine, and the US was poised to follow. On balance, the news flow lowered prices on most stock markets and decreased bond yields.
- The US S&P500 hit a record high mid-week, but slipped back ending down 1% for the week. Australian stocks were little changed from a week earlier (+0.1%). Iron ore gained 9.1% buoyed by Chinese demand. The Australian dollar pushed above US\$0.75 for the first time since 2018.
- The TCorp yield curve was mostly unchanged.

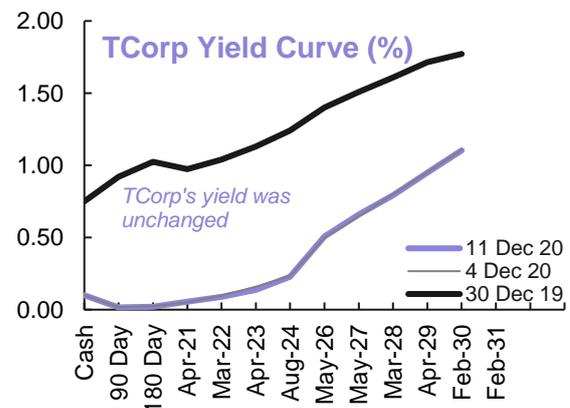
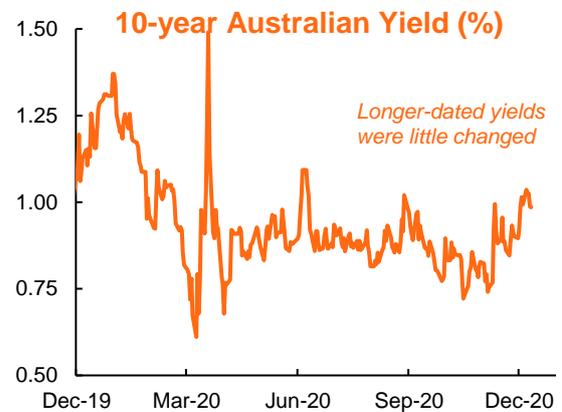
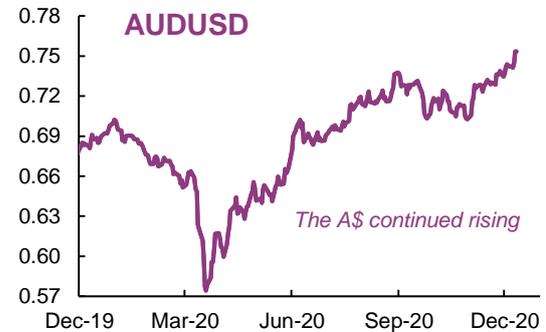
## Economic calendar

|                           |  |
|---------------------------|--|
| <b>Monday</b><br>14/12    | JP: Tankan Manufacturing index, Q4<br>EU: Industrial production, Oct |
| <b>Tuesday</b><br>15/12   | CH: Industrial production, Nov<br>AU: RBA meeting minutes, Dec       |
| <b>Wednesday</b><br>16/12 | EU: Markit PMIs, Dec<br>US: FOMC meeting                             |
| <b>Thursday</b><br>17/12  | AU: Labour force, Nov<br>AU: MYEFO (tbc)                             |
| <b>Friday</b><br>18/12    | JP: BoJ policy meeting<br>US: Leading index, Nov                     |

## The week ahead

- Globally, investors are focussing on central bank meetings and ongoing Brexit and US stimulus negotiations. This week sees the last 'big' Australian economic events for 2020.
- The US FOMC meeting will be closely watched for forward guidance on the asset buying program, linking purchases to US economic conditions. The FOMC may also decide to increase purchases to support growth in the short term. Central Banks of England (BoE) and Japan (BoJ) are facing similar decisions at their meetings this week.
- Chinese industrial production and retail sales data will provide guidance on demand for commodities. The key US and European economic releases are scheduled for later in the week.
- The Commonwealth Mid-Year Economic and Fiscal Outlook (MYEFO) is expected to show revenue up - from a faster than expected economic recovery and a high iron ore price - and expenditure down.
- Partial indicators of the Australian labour market recovery have been better than expected to date, and analysts are looking for the full Labour Force survey to confirm this.

## Financial markets charts



## Financial markets data: Week ending 11 December 2020

| Interest Rates                          | Close (%) | 1 Week (bps) |   | YTD (bps) |     |
|---|-----------|--------------|---|-----------|-----|
| RBA Cash Rate                           | 0.10      | 0            | – | -65       | ▼   |
| 90-day BBSW                             | 0.02      | 0            | ▼ | -91       | ▼   |
| 3-year Australian Bond Yield            | 0.11      | -2           | ▼ | -80       | ▼   |
| 10-year Australian Bond Yield           | 0.99      | -1           | ▼ | -39       | ▼   |
| 20-year Australian Bond Yield           | 1.73      | -5           | ▼ | -14       | ▼   |
| 10-year Australian Break-Even Inflation | 1.82      | 11           | ▲ | 42        | ▲   |
| 10-year Australian Real Yield           | -0.84     | -12          | ▼ | -80       | ▼   |
| Fed Funds Rate (lower bound)            | 0.00      | 0            | – | -150      | ▼   |
| 2-year US Treasury Yield                | 0.12      | -4           | ▼ | -145      | ▼   |
| 10-year US Treasury Yield               | 0.90      | -7           | ▼ | -102      | ▼   |
| 30-year US Treasury Yield               | 1.63      | -11          | ▼ | -76       | ▼   |
| 10-year German Bund Yield               | -0.64     | -9           | ▼ | -45       | ▼   |
| NSW TCorp Bonds                         | Close (%) | 1 Week (bps) |   | YTD (bps) |     |
| 4.00% 8 April 2021                      | 0.05      | 0            | ▲ | -95       | ▼   |
| 6.00% 1 March 2022                      | 0.09      | -1           | ▼ | -97       | ▼   |
| 4.00% 20 April 2023                     | 0.14      | -2           | ▼ | -103      | ▼   |
| 1.00% 8 February 2024                   | 0.21      | 0            | ▼ | -107      | ▼   |
| 5.00% 20 August 2024                    | 0.23      | -1           | ▼ | -105      | ▼   |
| 4.00% 20 May 2026                       | 0.51      | 1            | ▲ | -95       | ▼   |
| 3.00% 20 May 2027                       | 0.66      | 1            | ▲ | -91       | ▼   |
| 3.00% 20 March 2028                     | 0.79      | -1           | ▼ | -88       | ▼   |
| 3.00% 20 April 2029                     | 0.95      | 0            | ▼ | -83       | ▼   |
| 3.00% 20 February 2030                  | 1.10      | 0            | ▼ | -74       | ▼   |
| 2.00% 20 March 2031                     | 1.25      | 0            | ▼ | -71       | ▼   |
| 2.00% 20 March 2032                     | 1.48      | 1            | ▲ | n/a       | n/a |
| 2.00% 20 March 2033                     | 1.63      | 3            | ▲ | -57       | ▼   |
| 2.75% 20 November 2025 CIB              | -1.10     | -11          | ▼ | -119      | ▼   |
| 2.50% 20 November 2035 CIB              | -0.09     | -22          | ▼ | n/a       | n/a |
| 10-year NSW TCorp Bond Yield            | 1.25      | 1            | ▲ | -59       | ▼   |
| 10-year TCV (Victoria) Spread           | 0.02      | 2            | ▲ | 3         | ▲   |
| 10-year QTC (Queensland) Spread         | -0.04     | -1           | ▼ | -7        | ▼   |
| Equities                                | Close     | 1 Week       |   | YTD       |     |
| S&P/ASX200 (Australia)                  | 6,643     | 0.1%         | ▲ | -0.6%     | ▼   |
| S&P500 (US)                             | 3,663     | -1.0%        | ▼ | 13.4%     | ▲   |
| FTSE 100 (UK)                           | 6,547     | -0.1%        | ▼ | -13.2%    | ▼   |
| DJ Stoxx 600 (Europe)                   | 390       | -1.0%        | ▼ | -6.2%     | ▼   |
| Nikkei 225 (Japan)                      | 26,653    | -0.4%        | ▼ | 12.7%     | ▲   |
| Shanghai Composite (China)              | 3,347     | -2.8%        | ▼ | 9.7%      | ▲   |
| Currencies                              | Close     | 1 Week       |   | YTD       |     |
| AUD/USD                                 | 0.753     | 1.5%         | ▲ | 7.3%      | ▲   |
| EUR/USD                                 | 1.211     | -0.1%        | ▼ | 8.0%      | ▲   |
| USD/JPY                                 | 104.04    | -0.1%        | ▼ | -4.2%     | ▼   |
| GBP/USD                                 | 1.32      | -1.6%        | ▼ | -0.2%     | ▼   |
| US\$ Index                              | 90.98     | 0.3%         | ▲ | -5.6%     | ▼   |
| Commodities                             | Close     | 1 Week       |   | YTD       |     |
| Brent Oil (US\$/bbl)                    | 49.97     | 1.5%         | ▲ | -24.3%    | ▼   |
| Iron Ore (US\$/t)                       | 155.18    | 9.1%         | ▲ | 69.5%     | ▲   |
| Coking Coal (US\$/t)                    | 1,525.00  | -2.5%        | ▼ | 26.3%     | ▲   |
| Gold (US\$/oz)                          | 1,839.85  | 0.1%         | ▲ | 21.3%     | ▲   |

**Brian Redican**  
**Chief Economist**  
[brian.redican@tcorp.nsw.gov.au](mailto:brian.redican@tcorp.nsw.gov.au)

**Mike Thomas**  
**Senior Economist**  
[mike.thomas@tcorp.nsw.gov.au](mailto:mike.thomas@tcorp.nsw.gov.au)



Level 7, Deutsche Bank Place  
126 Phillip Street  
Sydney NSW 2000, Australia

**T** +61 2 9325 9325

**W** [www.tcorp.nsw.gov.au](http://www.tcorp.nsw.gov.au)

**ABN 99 095 235 825**

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