

### The week that was

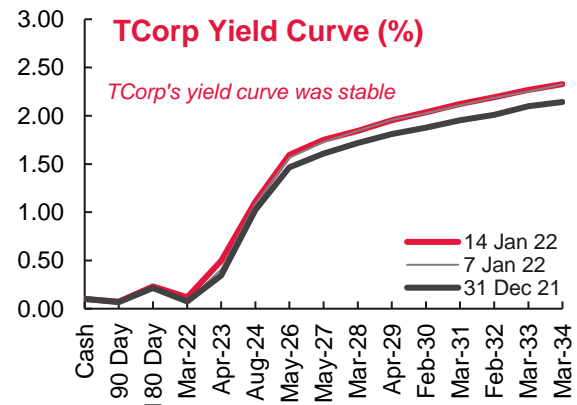
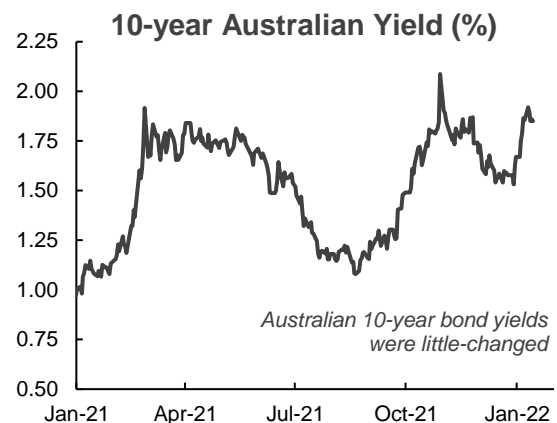
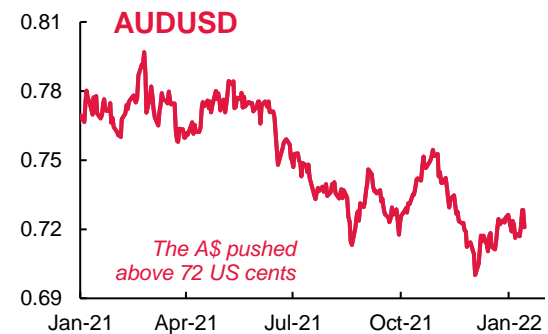
- Market expectations continued to ramp up for higher interest rates, spearheaded by the US Federal Reserve. Worries on the Omicron variant took a backseat, supported by ongoing encouraging news on its impacts.
- The US CPI release was front and centre, as Federal Reserve comments fuelled belief that policy will start to tighten rapidly from this quarter. Headline US inflation rose 7.0% year-on-year in December, and core inflation to 5.5%, taking the CPI to multi-decade highs. Supply and demand bottlenecks were major drivers, though core services inflation, including shelter, did moderate.
- Reflecting a rising anticipation of tightening, US 2-year bond yields rose 10bps to 0.97%, up 23bps so far in January. Gains in longer-dated yields were comparably modest, with US 10-year yields up 2bps to 1.78%, though the curve has steepened for the month to date. Australian 10-year yields were unchanged at 1.85%, while TCorp's 10-year yield rose 1bp to 2.18%.
- Equity markets were weaker overall, weighed down by the interest rate outlook. The US S&P500 fell 0.3%, the ASX200 lost 0.8% and the European Stoxx600 was 1.0% lower.
- The Australian dollar extended its seesaw around US\$0.72, closing up 0.4% at US\$0.721.

### Economic calendar

<b>Monday 17/01</b>	CH: Property investment, Industrial production, Fixed asset investment, Retail sales, Dec, GDP, Dec qtr
<b>Tuesday 18/01</b>	JP: Bank of Japan policy decision, Jan
<b>Wednesday 19/01</b>	AU: Westpac consumer sentiment, Jan US: NAHB housing index, Jan
<b>Thursday 20/01</b>	AU: Employment report, Dec EU: ECB meeting minutes, Dec US: Building permits, Housing starts, Dec
<b>Friday 21/01</b>	US: Philly Fed survey, Existing home sales, Dec

### The week ahead

- The focus in Australia is the December labour force release. Pre-dating the Omicron COVID wave, it will provide a baseline for activity before this hit. The consumer sentiment survey for January, due Wednesday, will however pick this up and be an important first look at how activity is performing in response to surging cases.
- Globally, the monthly China releases will be key. These are expected to show a contained slowdown.



## Financial markets data: Week ending 14 January 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.07	1	▲	1	▲
3-year Australian Bond Yield	1.21	3	▲	30	▲
10-year Australian Bond Yield	1.85	0	▼	18	▲
20-year Australian Bond Yield	2.38	-1	▼	11	▲
10-year Australian Break-Even Inflation	2.19	3	▲	-8	▼
10-year Australian Real Yield	-0.34	-3	▼	27	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.97	10	▲	23	▲
10-year US Treasury Yield	1.78	2	▲	27	▲
30-year US Treasury Yield	2.12	1	▲	22	▲
10-year German Bund Yield	-0.05	0	▼	13	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.12	4	▲	4	▲
4.00% 20 April 2023	0.50	9	▲	15	▲
1.00% 8 February 2024	0.93	5	▲	10	▲
5.00% 20 August 2024	1.11	3	▲	9	▲
4.00% 20 May 2026	1.60	3	▲	13	▲
3.00% 20 May 2027	1.75	2	▲	14	▲
3.00% 20 March 2028	1.84	0	—	13	▲
3.00% 20 April 2029	1.95	-1	▼	14	▲
3.00% 20 February 2030	2.04	1	▲	16	▲
2.00% 20 March 2031	2.12	1	▲	17	▲
1.50% 20 February 2032	2.19	1	▲	18	▲
2.00% 8 March 2033	2.27	2	▲	17	▲
3.50% 20 March 2034	2.33	0	▲	19	▲
2.75% 20 November 2025 CIB	-0.87	1	▲	20	▲
2.50% 20 November 2035 CIB	0.28	25	▲	25	▲
10-year NSW TCorp Bond Yield	2.18	1	▲	20	▲
10-year TCV (Victoria) Spread	0.03	0	▼	-1	▼
10-year QTC (Queensland) Spread	0.00	-1	▼	-1	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	7,394	-0.8%	▼	-0.7%	▼
S&P 500 (US)	4,663	-0.3%	▼	-2.2%	▼
FTSE 100 (UK)	7,543	0.8%	▲	2.1%	▲
DJ Stoxx 600 (Europe)	481	-1.0%	▼	-1.4%	▼
Nikkei 225 (Japan)	28,124	-1.2%	▼	-2.3%	▼
Shanghai Composite (China)	3,521	-1.6%	▼	-3.3%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.721	0.4%	▲	-0.8%	▼
EUR/USD	1.141	0.4%	▲	0.4%	▲
USD/JPY	114.19	-1.2%	▼	-0.8%	▼
GBP/USD	1.37	0.6%	▲	1.1%	▲
US\$ Index	95.17	-0.6%	▼	-0.5%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	86.06	5.3%	▲	10.6%	▲
Iron Ore (US\$/t)	126.69	-0.4%	▼	4.6%	▲
Coking Coal (US\$/t)	2,467.50	4.2%	▲	20.2%	▲
Gold (US\$/oz)	1,817.94	1.2%	▲	-0.6%	▼

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