

The week that was

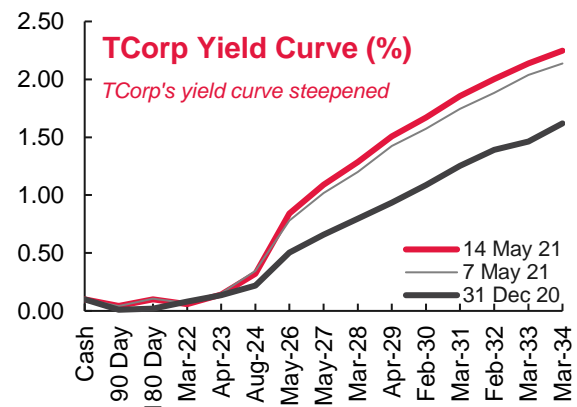
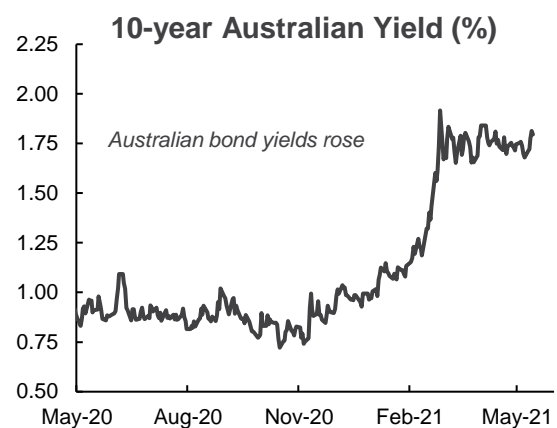
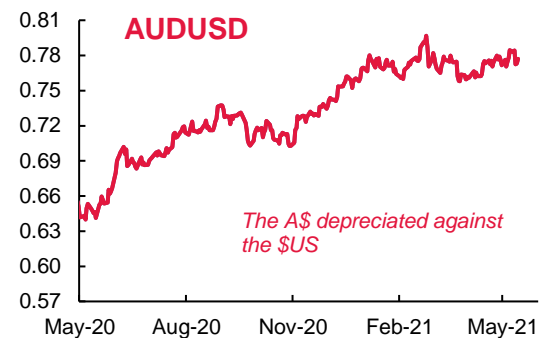
- A run of high inflation data, notably in the US and China, disrupted markets during the week, sending stocks tumbling and bond yields rising. The inflation pressures are likely a temporary byproduct of economies reopening, not a lasting rise that would warrant central banks tightening monetary policy. Nonetheless, investors remain wary.
- Share markets recovered towards the end of the week, but still ended lower. The US S&P500 fell 1.4%, the Euro Stoxx600 lost 0.5% and the ASX200 ended down 0.9%. US 10-year bond yields rose 5bps to 1.63%, while Australia's November 31 bond yield jumped 12bps to 1.80%. TCorp's yield curve steepened.
- The US dollar was little changed against other currencies, while the Australian dollar fell 0.9% to US\$0.777. Brent oil added 0.6%, and iron ore gained 1.1%.
- The FY2021/22 Australian Budget featured new spending to boost the recovery and provide policy support, and larger-than-expected deficits.

Economic calendar

Monday 17/5	CH: Industrial production, Apr US: Fed's Clarida speech
Tuesday 18/5	AU: RBA policy meeting minutes US: Housing starts, Apr
Wednesday 19/5	AU: Wage price index, Q1 US: FOMC meeting minutes
Thursday 20/5	AU: Employment change, Apr NZ: Government Budget
Friday 21/5	AU: Retail trade, Apr US: Markit PMIs, May

The week ahead

- Last week's inflation scare will lead to deep scrutiny of the minutes from the most recent monetary policy meetings of the Reserve Bank of Australia (RBA) and the US Federal Open Market Committee. Federal Reserve Deputy Chair Clarida and the other scheduled Federal Reserve speakers have an opportunity to clarify why the US central bank views the rise in inflation as only a temporary spike.
- China's monthly dump of key economic data on Monday is likely to set the tone in commodity markets, especially for iron ore.
- The new economic forecasts from the RBA and Treasury released in the last fortnight will be benchmarked against the latest Australian employment and wages growth data.
- The Markit purchasing managers' indexes (PMIs) will provide a snap comparison of conditions in manufacturing and services in Australia, the Eurozone, the US and other economies.



Financial markets data: Week ending 14 May 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.04	0	▲	3	▲
3-year Australian Bond Yield	0.31	1	▲	20	▲
10-year Australian Bond Yield	1.80	12	▲	83	▲
20-year Australian Bond Yield	2.49	10	▲	78	▲
10-year Australian Break-Even Inflation	2.32	13	▲	55	▲
10-year Australian Real Yield	-0.52	-1	▼	28	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.15	0	▲	3	▲
10-year US Treasury Yield	1.63	5	▲	72	▲
30-year US Treasury Yield	2.34	6	▲	70	▲
10-year German Bund Yield	-0.13	9	▲	44	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.06	-1	▼	-2	▼
4.00% 20 April 2023	0.14	-1	▼	1	▲
1.00% 8 February 2024	0.26	-2	▼	7	▲
5.00% 20 August 2024	0.32	-3	▼	10	▲
4.00% 20 May 2026	0.84	6	▲	34	▲
3.00% 20 May 2027	1.09	7	▲	43	▲
3.00% 20 March 2028	1.29	9	▲	49	▲
3.00% 20 April 2029	1.51	9	▲	57	▲
3.00% 20 February 2030	1.67	10	▲	58	▲
2.00% 20 March 2031	1.85	11	▲	60	▲
1.50% 20 February 2032	2.00	12	▲	61	▲
2.00% 8 March 2033	2.14	10	▲	67	▲
2.75% 20 November 2025 CIB	-1.50	-12	▼	-39	▼
2.50% 20 November 2035 CIB	0.22	1	▲	32	▲
10-year NSW TCorp Bond Yield	1.88	11	▲	64	▲
10-year TCV (Victoria) Spread	0.00	-1	▼	-3	▼
10-year QTC (Queensland) Spread	0.00	-1	▼	4	▲
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,014	-0.9%	▼	6.5%	▲
S&P500 (US)	4,174	-1.4%	▼	11.1%	▲
FTSE 100 (UK)	7,044	-1.2%	▼	9.0%	▲
DJ Stoxx 600 (Europe)	443	-0.5%	▼	10.9%	▲
Nikkei 225 (Japan)	28,084	-4.3%	▼	2.3%	▲
Shanghai Composite (China)	3,490	2.1%	▲	0.5%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.777	-0.9%	▼	1.0%	▲
EUR/USD	1.214	-0.2%	▼	-0.6%	▼
USD/JPY	109.35	0.7%	▲	5.9%	▲
GBP/USD	1.41	0.8%	▲	3.1%	▲
US\$ Index	90.32	0.1%	▲	0.4%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	68.71	0.6%	▲	32.6%	▲
Iron Ore (US\$/t)	208.59	1.1%	▲	33.8%	▲
Coking Coal (US\$/t)	1,700.00	-4.4%	▼	13.3%	▲
Gold (US\$/oz)	1,843.43	0.7%	▲	-2.9%	▼

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