

Financial markets charts

The week that was

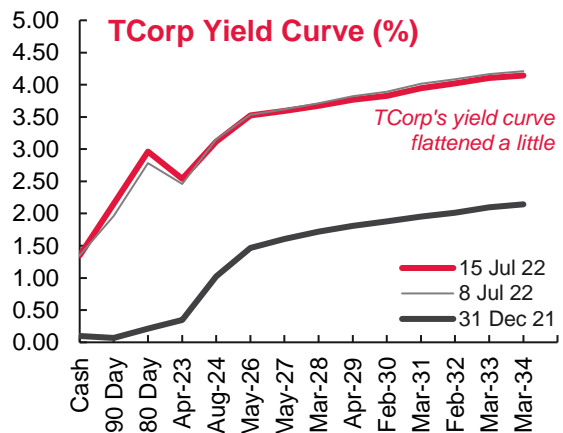
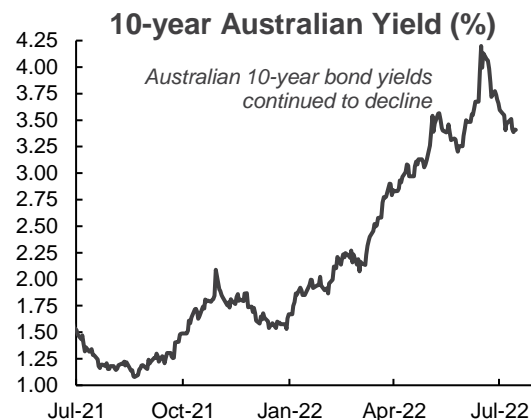
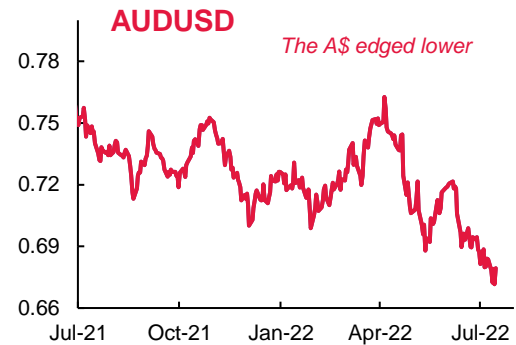
- Last week, expectations for even more aggressive monetary policy tightening by central banks were fanned by strong US inflation, falling Australian unemployment and the Bank of Canada's decision to raise interest rates by 100bps.
- But while this would usually be reflected in higher bond yields, investors are now becoming more concerned that it will push economies into recession. As a result, bonds were mixed while equities mainly declined.
- Australian stocks fell 1.1%, US equities declined 0.9% and European share prices fell 0.5%. The Chinese stock market fell even more sharply, dropping 3.8% as data showed the economy shrank 2.6% in the June quarter.
- While short-dated bond yields edged higher consistent with more aggressive central banks, longer-dated yields declined as investors bet that central banks will have to start cutting rates in 2023 due to weaker growth. Australian 10-year yields fell 7bps while US yields dropped 17bps.
- The drop in Australian unemployment was particularly noteworthy last week with the rate falling to 3.5% – the lowest level since the 1970s. NSW's unemployment rate was even lower and now sits at 3.3%. Meanwhile, investors in the US were focused on inflation which rose to 9.1% in June.

Economic calendar

Tuesday 19/07	AU: RBA deputy Governor speech RBA meeting minutes EU: Inflation, Jun
Wednesday 20/07	AU: RBA Governor speech UK: Inflation, Jun US: Existing home sales, Jun
Thursday 21/07	EU: ECB policy meeting, Jul JP: Bank of Japan policy meeting
Friday 22/07	Global: Purchasing Managers' Indexes, July

The week ahead

- Central banks will remain in focus this week, with the minutes of the Reserve Bank of Australia's (RBA) June Board meeting released and speeches from senior RBA officials. Markets will be looking for any hints as to whether the RBA will consider hiking rates by 75bps at its August policy meeting.
- The European Central Bank also meets this week and is expected to raise interest rates by 25bps despite widespread fears that Europe is already entering recession. The Bank of Japan is expected to leave rates unchanged. On the data front, Purchasing Managers' Indexes will be released.



Financial markets data: Week ending 15 July 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.35	0	—	125	▲
90-day BBSW	2.15	19	▲	208	▲
3-year Australian Bond Yield	2.98	2	▲	206	▲
10-year Australian Bond Yield	3.41	-7	▼	174	▲
20-year Australian Bond Yield	3.67	-8	▼	140	▲
10-year Australian Break-Even Inflation	2.12	-2	▼	-15	▼
10-year Australian Real Yield	1.29	-5	▼	189	▲
Fed Funds Rate (lower bound)	1.50	0	—	150	▲
2-year US Treasury Yield	3.12	2	▲	239	▲
10-year US Treasury Yield	2.92	-17	▼	141	▲
30-year US Treasury Yield	3.08	-17	▼	117	▲
10-year German Bund Yield	1.13	-21	▼	131	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	2.54	8	▲	219	▲
1.00% 8 February 2024	2.93	-2	▼	210	▲
5.00% 20 August 2024	3.12	-3	▼	210	▲
1.25% 20 March 2025	3.35	1	▲	213	▲
4.00% 20 May 2026	3.52	-1	▼	206	▲
3.00% 20 May 2027	3.59	-3	▼	199	▲
3.00% 20 March 2028	3.67	-4	▼	195	▲
3.00% 20 April 2029	3.77	-5	▼	196	▲
3.00% 20 February 2030	3.83	-6	▼	195	▲
2.00% 20 March 2031	3.95	-7	▼	199	▲
1.50% 20 February 2032	4.02	-7	▼	201	▲
2.00% 8 March 2033	4.11	-6	▼	201	▲
3.50% 20 March 2034	4.14	-7	▼	200	▲
2.75% 20 November 2025 CIB	-0.11	2	▲	92	▲
2.50% 20 November 2035 CIB	1.90	-6	▼	187	▲
10-year NSW TCorp Bond Yield	4.02	-7	▼	204	▲
10-year TCV (Victoria) Spread	0.00	0	—	-4	▼
10-year QTC (Queensland) Spread	-0.08	0	▲	-9	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,606	-1.1%	▼	-11.3%	▼
S&P 500 (US)	3,863	-0.9%	▼	-18.9%	▼
FTSE 100 (UK)	7,159	-0.5%	▼	-3.1%	▼
DJ Stoxx 600 (Europe)	414	-0.8%	▼	-15.2%	▼
Nikkei 225 (Japan)	26,788	1.0%	▲	-7.0%	▼
Shanghai Composite (China)	3,228	-3.8%	▼	-11.3%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.679	-0.6%	▼	-6.5%	▼
EUR/USD	1.008	-1.0%	▼	-11.3%	▼
USD/JPY	138.57	1.8%	▲	20.4%	▲
GBP/USD	1.19	-1.5%	▼	-12.4%	▼
US\$ Index	108.06	1.0%	▲	13.0%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	101.16	-5.5%	▼	30.1%	▲
Iron Ore (US\$/t)	103.07	-9.4%	▼	-8.4%	▼
Coking Coal (US\$/t)	2,448.50	-21.1%	▼	19.2%	▲
Gold (US\$/oz)	1,708.17	-2.0%	▼	-6.6%	▼

Brian Redican
Chief Economist
brian.redican@tcorp.nsw.gov.au

Rebecca Hiscock-Croft
Senior Economist
rebecca.hiscock-croft@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

ABN 99 095 235 825

Disclaimer

The opinions, forecasts and data contained in this report is based on the research of TCorp as at the date of publication and is subject to change without notice. TCorp is not responsible for the accuracy, adequacy, currency or completeness of any information in the report provided by third parties. This report is provided for general information purposes only and should not be relied upon for investment or trading purposes. This report is not intended to forecast or predict future events.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2022. All rights reserved.

About New South Wales Treasury Corporation (TCorp)

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$104 billion of assets under management, TCorp is a top 10 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of over A\$120 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.