

Financial markets charts

The week that was

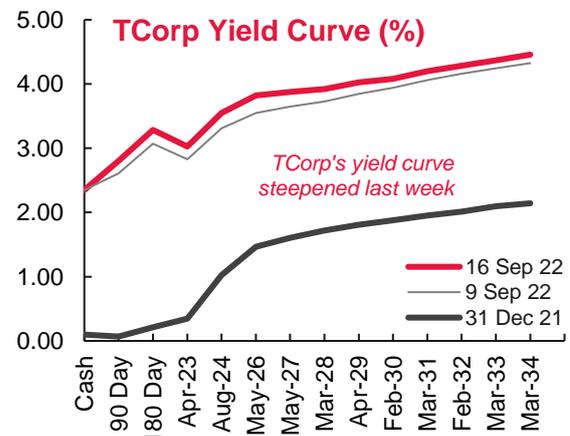
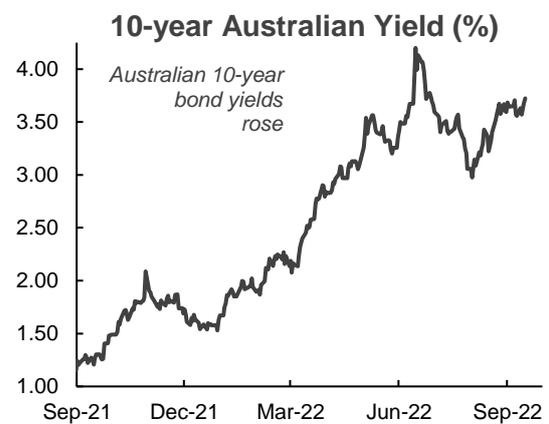
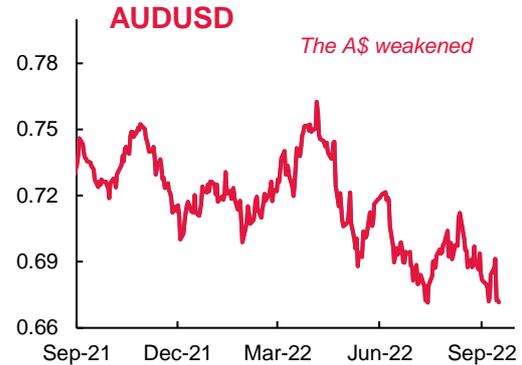
- A surprisingly strong rise in US core inflation in August was the key event last week, as it implies that the US central bank will need to tighten policy more aggressively. This resulted in sharp rises in bond yields and weaker equity markets.
- The rise in bond yields was most extreme at the short end of the US yield curve; 2-year yields leapt 31bps while 10-year yields rose by 14bps. Australian 10-year yields climbed 16bps.
- Equity market weakness was also most evident in the US where the S&P500 share market index fell by 4.8%. Chinese share prices declined 4.2% while the ASX200 dropped 2.2%.
- In Australia, the unemployment rate edged up to 3.4% in August which was slightly higher than expected. Appearing before a Parliamentary Committee, the Reserve Bank of Australia (RBA) Governor argued that the economy was strong and said he expected to raise interest rates a few more times this year.

Economic calendar

Monday 19/09	US: NAHB housing index, Sep
Tuesday 20/09	AU: RBA policy meeting minutes US: Housing starts, Aug
Wednesday 21/09	AU: RBA deputy Governor speech US: Federal Reserve FOMC meeting
Thursday 22/09	UK: Bank of England policy meeting US: Initial jobless claims
Friday 23/09	Global: PMIs, Sep US: Fed Chair Powell speech

The week ahead

- The main event this week will be the US central bank's policy meeting. While the Fed is expected to raise its policy rate by 75bps, there is some chance that it could opt for a 100bps rate hike.
- Besides the policy decision itself, the members of the Federal Open Market Committee (FOMC) will release their updated forecasts for the economy and the policy rate. Investors will be most interested in how high policymakers expect to raise rates, and how long they plan to keep rates elevated.
- Globally, purchasing managers' indexes will provide a timely update on the strength of economic conditions. In Australia, the minutes of the RBA's recent policy meeting will be released. The RBA Governor, however, has already indicated that the Board will debate whether rates should rise by 25bps or 50bps at its next policy meeting.



Financial markets data: Week ending 16 September 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	2.35	0	–	225	▲
90-day BBSW	2.80	19	▲	273	▲
3-year Australian Bond Yield	3.41	29	▲	250	▲
10-year Australian Bond Yield	3.72	16	▲	205	▲
20-year Australian Bond Yield	4.01	14	▲	174	▲
10-year Australian Break-Even Inflation	2.17	-6	▼	-10	▼
10-year Australian Real Yield	1.55	22	▲	215	▲
Fed Funds Rate (lower bound)	2.25	0	–	225	▲
2-year US Treasury Yield	3.87	31	▲	313	▲
10-year US Treasury Yield	3.45	14	▲	194	▲
30-year US Treasury Yield	3.51	7	▲	161	▲
10-year German Bund Yield	1.76	6	▲	193	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	3.03	20	▲	268	▲
1.00% 8 February 2024	3.53	25	▲	270	▲
5.00% 20 August 2024	3.55	24	▲	253	▲
1.25% 20 March 2025	3.69	27	▲	247	▲
4.00% 20 May 2026	3.82	28	▲	236	▲
3.00% 20 May 2027	3.88	23	▲	227	▲
3.00% 20 March 2028	3.92	20	▲	221	▲
3.00% 20 April 2029	4.03	18	▲	222	▲
3.00% 20 February 2030	4.08	14	▲	221	▲
2.00% 20 March 2031	4.20	14	▲	225	▲
1.50% 20 February 2032	4.28	12	▲	227	▲
2.00% 8 March 2033	4.37	13	▲	227	▲
3.50% 20 March 2034	4.46	13	▲	232	▲
2.75% 20 November 2025 CIB	0.62	25	▲	166	▲
2.50% 20 November 2035 CIB	2.26	22	▲	223	▲
10-year NSW TCorp Bond Yield	4.30	14	▲	233	▲
10-year TCV (Victoria) Spread	-0.02	0	▼	-6	▼
10-year QTC (Queensland) Spread	-0.08	0	▼	-9	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,739	-2.2%	▼	-9.5%	▼
S&P 500 (US)	3,873	-4.8%	▼	-18.7%	▼
FTSE 100 (UK)	7,237	-1.6%	▼	-2.0%	▼
DJ Stoxx 600 (Europe)	408	-2.9%	▼	-16.3%	▼
Nikkei 225 (Japan)	27,568	-2.3%	▼	-4.3%	▼
Shanghai Composite (China)	3,126	-4.2%	▼	-14.1%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.672	-1.8%	▼	-7.5%	▼
EUR/USD	1.002	-0.3%	▼	-11.9%	▼
USD/JPY	142.92	0.3%	▲	24.2%	▲
GBP/USD	1.14	-1.5%	▼	-15.6%	▼
US\$ Index	109.76	0.7%	▲	14.7%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	91.35	-1.6%	▼	17.4%	▲
Iron Ore (US\$/t)	99.06	-3.1%	▼	-11.9%	▼
Coking Coal (US\$/t)	2,158.00	1.4%	▲	5.1%	▲
Gold (US\$/oz)	1,675.06	-2.4%	▼	-8.4%	▼

Brian Redican
Chief Economist
brian.redican@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 A\$140 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.