

Weekly Economic Report

02 August 2021

The week that was

- For the final week of July, equity markets were caught in the cross-currents of mixed economic data, a solid US earnings season now well underway, and widening concern on new COVID-19 variants. Investor focus continued to migrate toward global growth fears, with recent worries about runaway inflation fading.
- The US Federal Reserve Monetary Policy decision for July was the key release. The central bank left the federal funds rate unchanged at 0.00%–0.25% and kept the pace of asset purchases at US\$120bn per month. The Fed sees the recent spike in inflation as transitory and while it did note that “the economy has made progress”, there was no decision to taper asset purchases. US June quarter GDP data showed a firm bounce in economic activity, up 6.5%, though this undershot expectations.
- US 10-year bond yields fell 5bps to 1.22% for the week, German 10-year yields fell 4bps to -0.46%, while Australian 10-year bond yields fell 2bps to 1.18%. TCorp’s 10-year yield fell 2bps to 1.51%.
- Equity markets had another choppy week. Market indices for the US, Australia, China and Japan closed down. European and UK markets were up, reflecting reopening effects on data and sentiment.
- The Australian dollar dipped a further -0.3% last week, to close at US\$0.734.

Economic calendar

Monday
02/08

Tuesday
03/08 AU: RBA rate decision, Aug, Home loans, Jun, Building approvals, Jun
US: ISM Manufacturing Index, Jul

Wednesday
04/08 AU: Retail sales, Jun (final)
US: Factory orders, Jun, Durable Goods Orders Jun (final)

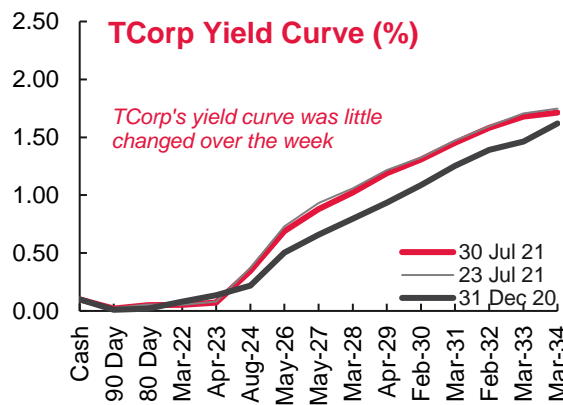
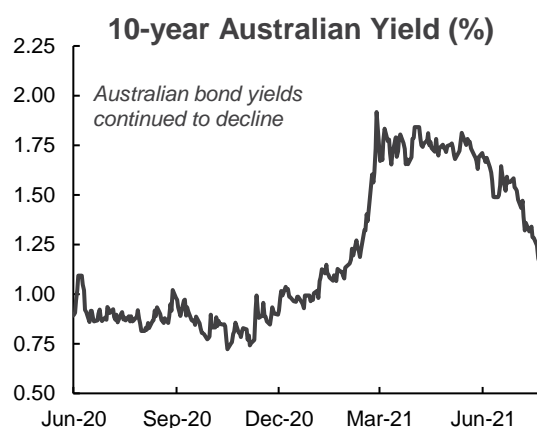
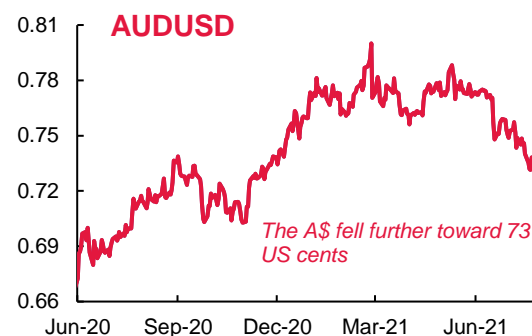
Thursday
05/08 AU: Trade balance, Jun
US: ISM Services Index, Jul

Friday
06/08 AU: RBA Statement on Monetary Policy, Aug, RBA Lowe testimony to Parliament Committee
US: Non-farm payrolls, Jul

The week ahead

- The Reserve Bank of Australia’s (RBA) rate decision and statement on monetary policy is the key event. The RBA’s outlook in light of the current lockdowns will be keenly analysed.
- In the US, non-farm payrolls will dominate the attention of investors, with very strong jobs growth possibly shifting the US central bank close to the point at which they do reduce their asset purchases.

Financial markets charts



Financial markets data: Week ending 30 July 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.02	0	▼	1	▲
3-year Australian Bond Yield	0.24	-2	▼	14	▲
10-year Australian Bond Yield	1.18	-2	▼	21	▲
20-year Australian Bond Yield	1.85	-3	▼	14	▲
10-year Australian Break-Even Inflation	2.00	-6	▼	23	▲
10-year Australian Real Yield	-0.82	5	▲	-2	▼
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.18	-1	▼	6	▲
10-year US Treasury Yield	1.22	-5	▼	31	▲
30-year US Treasury Yield	1.89	-2	▼	25	▲
10-year German Bund Yield	-0.46	-4	▼	11	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.05	0	▼	-3	▼
4.00% 20 April 2023	0.07	-1	▼	-7	▼
1.00% 8 February 2024	0.24	-2	▼	4	▲
5.00% 20 August 2024	0.34	-3	▼	12	▲
4.00% 20 May 2026	0.69	-4	▼	18	▲
3.00% 20 May 2027	0.88	-6	▼	22	▲
3.00% 20 March 2028	1.02	-4	▼	22	▲
3.00% 20 April 2029	1.19	-3	▼	25	▲
3.00% 20 February 2030	1.31	-1	▼	22	▲
2.00% 20 March 2031	1.45	-2	▼	20	▲
1.50% 20 February 2032	1.58	-2	▼	19	▲
2.00% 8 March 2033	1.68	-3	▼	21	▲
3.50% 20 March 2034	1.71	-4	▼	9	▲
2.75% 20 November 2025 CIB	-1.35	2	▲	-25	▼
2.50% 20 November 2035 CIB	-0.21	-2	▼	-12	▼
10-year NSW TCorp Bond Yield	1.51	-2	▼	27	▲
10-year TCV (Victoria) Spread	-0.04	-2	▼	-6	▼
10-year QTC (Queensland) Spread	-0.06	-1	▼	-2	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,393	0.0%	▼	12.2%	▲
S&P500 (US)	4,395	-0.4%	▼	17.0%	▲
FTSE 100 (UK)	7,032	0.1%	▲	8.9%	▲
DJ Stoxx 600 (Europe)	462	0.0%	▲	15.7%	▲
Nikkei 225 (Japan)	27,284	-1.0%	▼	-0.6%	▼
Shanghai Composite (China)	3,397	-4.3%	▼	-2.2%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.734	-0.3%	▼	-5.1%	▼
EUR/USD	1.187	0.8%	▲	-3.3%	▼
USD/JPY	109.72	-0.8%	▼	6.5%	▲
GBP/USD	1.39	1.1%	▲	1.7%	▲
US\$ Index	92.17	-0.8%	▼	2.5%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	76.33	3.0%	▲	47.4%	▲
Iron Ore (US\$/t)	179.81	-8.9%	▼	15.4%	▲
Coking Coal (US\$/t)	2,122.50	5.0%	▲	41.5%	▲
Gold (US\$/oz)	1,814.19	0.7%	▲	-4.4%	▼

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