

# Weekly Economic Report

02 May 2022

## The week that was

- High inflation readings mean aggressive rate hike expectations continue to drive markets. The risk-off tone is further prompted by a weakening China outlook, the protracted Ukraine crisis and mixed US corporate earnings.
- US economic activity fell by 1.4% in the March quarter with exports and government spending the key drags. Yet, importantly, household spending rose at an annualised rate of 2.7%.
- Australian inflation was higher than expected in the March quarter. The overall rate rose to 5.1%, while underlying inflation increased to 3.7%. Energy, food and housing costs were the main drivers.
- Bond yields were relatively steady, as the growth outlook softened. US 10-year yields increased 3bps to 2.93%. The German 10-year yield fell 3bps to 0.94% and Australian 10-year yields were flat at 3.13%. TCorp's 10-year yield rose 2bps, to 3.51%.
- Equities continued to fall. The US S&P500 lost 3.1%, the European Stoxx600 was down 0.6% and the ASX200 was down 0.5%.
- The Australian dollar plunged 2.5%, to US\$0.706.

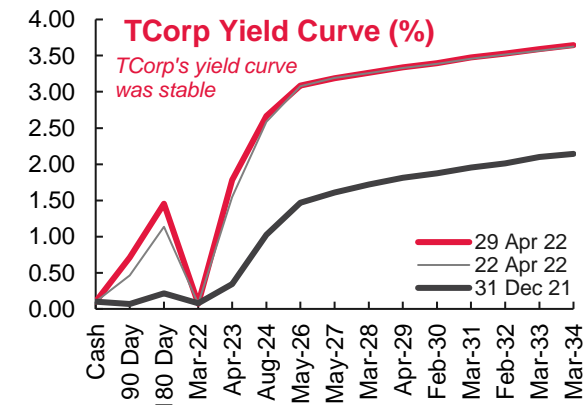
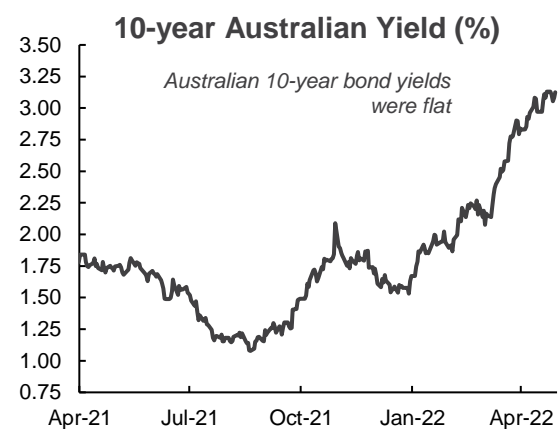
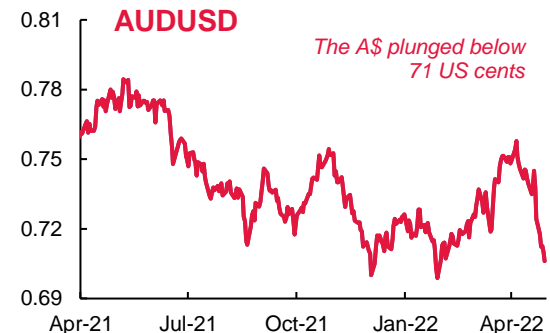
## Economic calendar

<b>Monday 02/05</b>	AU: CoreLogic house prices, Apr, ANZ job ads, Apr
<b>Tuesday 03/05</b>	AU: RBA rate decision US: Construction spending, Mar, ISM Manufacturing, Apr, Vehicle sales, Apr
<b>Wednesday 04/05</b>	AU: Retail sales, Mar, Home loans, Mar NZ: RBNZ Financial Stability Report US: Factory orders, Mar, JOLTS job openings, Mar, Durable goods orders, Mar (final), Trade balance, Mar
<b>Thursday 05/05</b>	AU: Trade balance, Mar, Building approvals, Mar CH: Services, Composite PMIs, Apr UK: Bank of England rate decision US: Federal Reserve rate decision, ISM Services, Apr, Non-farm productivity, Unit Labor costs, Mar qtr (prelim)
<b>Friday 06/05</b>	AU: RBA Statement on Monetary Policy US: Non-farm payrolls, Apr

## The week ahead

- Rate decisions from the US Federal Reserve, the Reserve Bank of Australia (RBA) and the Bank of England will dominate. Amid high inflation, markets and analysts widely believe all 3 institutions will hike rates, with expectations at 50bps for the Fed, 25bps for the Bank of England and 15bps for the RBA.

## Financial markets charts



## Financial markets data: Week ending 29 April 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.71	25	▲	64	▲
3-year Australian Bond Yield	2.71	2	▲	179	▲
10-year Australian Bond Yield	3.13	0	▼	146	▲
20-year Australian Bond Yield	3.42	-5	▼	115	▲
10-year Australian Break-Even Inflation	2.55	5	▲	28	▲
10-year Australian Real Yield	0.57	-5	▼	117	▲
Fed Funds Rate (lower bound)	0.25	0	—	25	▲
2-year US Treasury Yield	2.71	5	▲	198	▲
10-year US Treasury Yield	2.93	3	▲	142	▲
30-year US Treasury Yield	3.00	5	▲	109	▲
10-year German Bund Yield	0.94	-3	▼	112	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	1.78	24	▲	144	▲
1.00% 8 February 2024	2.46	7	▲	163	▲
5.00% 20 August 2024	2.67	8	▲	164	▲
1.25% 20 March 2025	2.87	3	▲	165	▲
4.00% 20 May 2026	3.09	1	▲	162	▲
3.00% 20 May 2027	3.19	-1	▼	158	▲
3.00% 20 March 2028	3.27	1	▲	155	▲
3.00% 20 April 2029	3.34	1	▲	153	▲
3.00% 20 February 2030	3.40	1	▲	152	▲
2.00% 20 March 2031	3.48	2	▲	153	▲
1.50% 20 February 2032	3.53	2	▲	152	▲
2.00% 8 March 2033	3.59	2	▲	149	▲
3.50% 20 March 2034	3.65	2	▲	150	▲
2.75% 20 November 2025 CIB	-0.07	-5	▼	97	▲
2.50% 20 November 2035 CIB	1.13	-2	▼	110	▲
10-year NSW TCorp Bond Yield	3.51	2	▲	153	▲
10-year TCV (Victoria) Spread	0.02	0	▲	-1	▼
10-year QTC (Queensland) Spread	0.00	1	▲	-1	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,435	-0.5%	▼	-0.1%	▼
S&P500 (US)	4,132	-3.3%	▼	-13.3%	▼
FTSE 100 (UK)	7,545	0.3%	▲	2.2%	▲
DJ Stoxx600 (Europe)	450	-0.6%	▼	-7.7%	▼
Nikkei 225 (Japan)	26,848	-0.9%	▼	-6.8%	▼
Shanghai Composite (China)	3,047	-1.3%	▼	-16.3%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.706	-2.5%	▼	-2.8%	▼
EUR/USD	1.055	-2.3%	▼	-7.3%	▼
USD/JPY	129.70	0.9%	▲	12.7%	▲
GBP/USD	1.26	-2.1%	▼	-7.1%	▼
US\$ Index	102.96	1.7%	▲	7.6%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	109.34	2.5%	▲	40.6%	▲
Iron Ore (US\$/t)	146.30	-3.0%	▼	20.8%	▲
Coking Coal (US\$/t)	2,990.00	-2.9%	▼	45.6%	▲
Gold (US\$/oz)	1,896.93	-1.8%	▼	3.7%	▲

**Brian Redican**  
**Chief Economist**  
[brian.redican@tcorp.nsw.gov.au](mailto:brian.redican@tcorp.nsw.gov.au)

**Rebecca Hiscock-Croft**  
**Senior Economist**  
[rebecca.hiscock-croft@tcorp.nsw.gov.au](mailto: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](http://www.tcorp.nsw.gov.au)

**ABN 99 095 235 825**

#### **Disclaimer**

The opinions and forecasts contained in this report are based on the research and assumptions of the TCorp Economics team and reflect their views as at the date of publication. The opinions and forecasts set out in this report are subject to change without notice. This report is provided for general information purposes only and should not be relied upon for investment or trading purposes.

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\$107 billion of assets under management, TCorp is a top 5 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$120 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.