

# Weekly Economic Report

20 June 2022

## The week that was

- A tumultuous week for global markets, as a string of hawkish moves from major central banks knocked the wind out of risk appetite. In an effort to curb inflation, fears escalated that central banks will overtighten policy. Expectations for a US recession became increasingly common.
- The US Federal Reserve delivered a 75bps hike to the Fed funds rate, taking it to 1.50%. The Fed noted it is "highly attentive to inflation risks" and Chair Powell suggested such large hikes will not be the norm. However, the message that the Fed will front-load hikes to reduce inflation, is clear.
- Australia's employment report was remarkably strong once again. Employment grew 60,600 in May, labour force participation hit a record-high 66.7% and the unemployment rate held at 3.9%. Labour market conditions look tight.
- Bond yields surged, as the Fed hiked. The US 10-year yield was up 7bps, to 3.23%, and German 10-year Bund yields up 15bps, to 1.66%. Australian 10-year yields surged 46bps, to 4.13%. TCorp's 10-year yield leapt 55bps to 4.65%.
- Equities plummeted. The ASX200 dropped 6.6%, the US S&P500 slumped 5.8%, the European Stoxx600 lost 4.6% and the Japanese Nikkei 225 dropped 4.6%. The Australian dollar also dropped, losing 1.8% to US\$0.693, as safe haven moves accelerated.

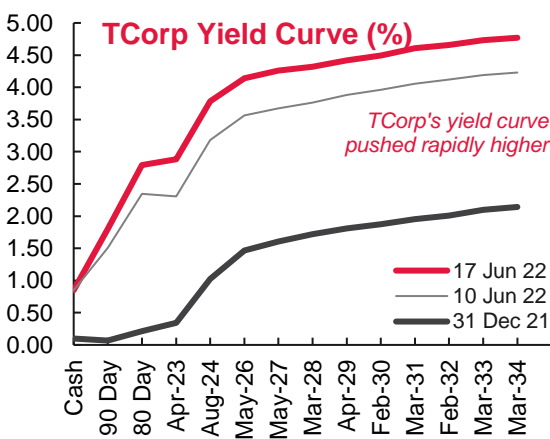
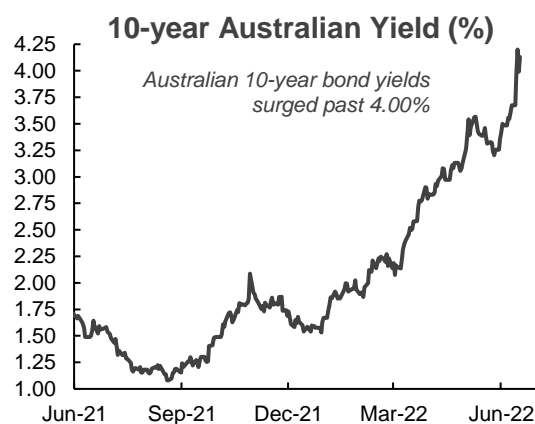
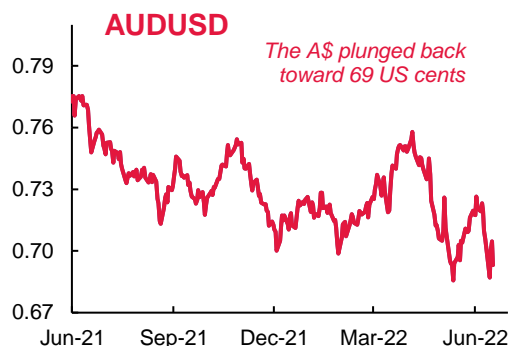
## Economic calendar

<b>Monday 20/06</b>	EU: ECB President Lagarde speech
<b>Tuesday 21/06</b>	AU: RBA Governor Lowe speech, RBA June meeting minutes
<b>Wednesday 22/06</b>	JP: BOJ June meeting minutes US: Federal Reserve Chair Powell Senate testimony, Existing home sales, May
<b>Thursday 23/06</b>	AU: S&P PMIs, Jun (prelim) US: S&P PMIs, Jun (prelim), Current account balance, Mar qtr
<b>Friday 24/06</b>	AU: RBA Governor Lowe in panel US: Federal Reserve Chair Powell testimony to US House Financial Services Committee, New home sales, May

## The week ahead

- With the outlook for interest rates the focus for global markets, the range of central bank communications scheduled will be scrutinised. Investors will look for more rationale for the hawkish surprises from the Fed and Reserve Bank of Australia, and the expected path forward for hikes.

## Financial markets charts



## Financial markets data: Week ending 17 June 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.85	0	—	75	▲
90-day BBSW	1.80	29	▲	173	▲
3-year Australian Bond Yield	3.63	51	▲	272	▲
10-year Australian Bond Yield	4.13	46	▲	246	▲
20-year Australian Bond Yield	4.38	41	▲	211	▲
10-year Australian Break-Even Inflation	2.42	-3	▼	14	▲
10-year Australian Real Yield	1.72	49	▲	232	▲
Fed Funds Rate (lower bound)	1.50	75	▲	150	▲
2-year US Treasury Yield	3.18	12	▲	245	▲
10-year US Treasury Yield	3.23	7	▲	172	▲
30-year US Treasury Yield	3.28	9	▲	138	▲
10-year German Bund Yield	1.66	15	▲	184	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	2.89	58	▲	254	▲
1.00% 8 February 2024	3.63	60	▲	280	▲
5.00% 20 August 2024	3.79	60	▲	276	▲
1.25% 20 March 2025	3.94	62	▲	272	▲
4.00% 20 May 2026	4.14	58	▲	268	▲
3.00% 20 May 2027	4.26	59	▲	265	▲
3.00% 20 March 2028	4.32	56	▲	260	▲
3.00% 20 April 2029	4.42	54	▲	261	▲
3.00% 20 February 2030	4.50	53	▲	262	▲
2.00% 20 March 2031	4.61	55	▲	265	▲
1.50% 20 February 2032	4.66	54	▲	265	▲
2.00% 8 March 2033	4.73	54	▲	263	▲
3.50% 20 March 2034	4.77	54	▲	263	▲
2.75% 20 November 2025 CIB	0.36	40	▲	140	▲
2.50% 20 November 2035 CIB	2.28	47	▲	224	▲
10-year NSW TCorp Bond Yield	4.65	55	▲	268	▲
10-year TCV (Victoria) Spread	0.02	-1	▼	-1	▼
10-year QTC (Queensland) Spread	-0.01	0	▲	-3	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	6,475	-6.6%	▼	-13.0%	▼
S&P500 (US)	3,675	-5.8%	▼	-22.9%	▼
FTSE 100 (UK)	7,016	-4.1%	▼	-5.0%	▼
DJ Stoxx600 (Europe)	403	-4.6%	▼	-17.3%	▼
Nikkei 225 (Japan)	25,963	-6.7%	▼	-9.8%	▼
Shanghai Composite (China)	3,317	1.0%	▲	-8.9%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.693	-1.8%	▼	-4.6%	▼
EUR/USD	1.050	-0.2%	▼	-7.7%	▼
USD/JPY	135.02	0.5%	▲	17.3%	▲
GBP/USD	1.22	-0.6%	▼	-9.5%	▼
US\$ Index	104.70	0.5%	▲	9.4%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	113.12	-7.3%	▼	45.4%	▲
Iron Ore (US\$/t)	120.03	-14.1%	▼	-0.9%	▼
Coking Coal (US\$/t)	2,849.50	-5.4%	▼	38.8%	▲
Gold (US\$/oz)	1,839.39	-1.7%	▼	0.6%	▲

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