

### The week that was

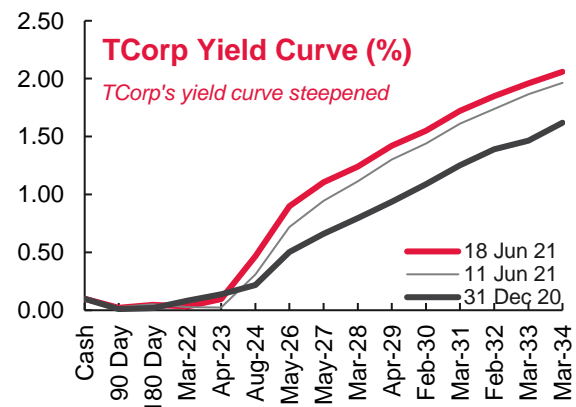
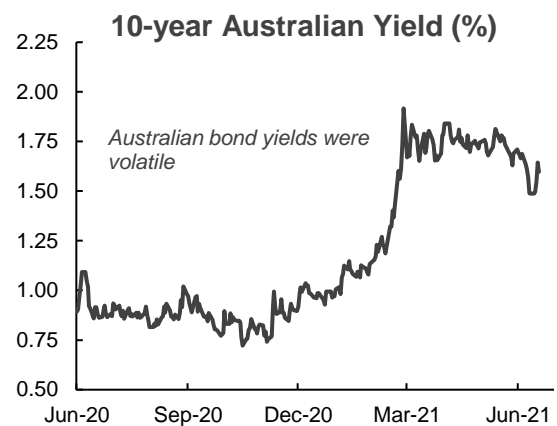
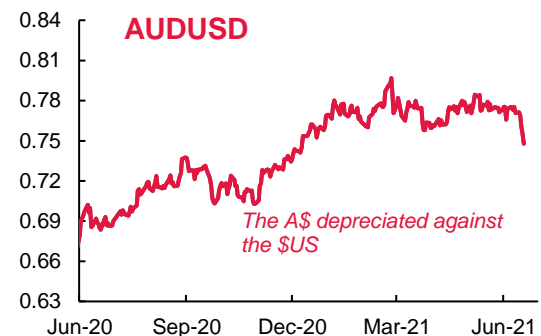
- The US Federal Reserve sent shock waves through financial markets last week as officials signalled US interest rates could start rising as soon as 2023 instead of 2024. Policymakers also discussed tapering Fed bond purchases.
- The prospect of tighter US monetary policy conditions sent global stock markets tumbling on Friday, but Australian markets had already closed for the week. The US S&P500 ended down 1.9%, Europe's Stoxx600 dropped 1.2% while the ASX200 ended 0.8% higher.
- In the US, shorter-dated bond yields rose (reflecting the prospect of tighter monetary policy) while longer-dated bond yields fell (as tighter policy might dampen growth and inflation). US 2-year bond yields rose 11bps while 30-year yields fell 13bps.
- Australian bond yield rose over the week with 10-year yields rising 11bps to 1.60%. TCorp bond yields also increased along the length of the yield curve. The move up in yields was also underpinned by very strong jobs growth in May which meant that the unemployment rate fell to 5.1% in May.
- The Fed's news boosted the US dollar, and the AUD/USD exchange rate fell 3%, to US\$0.748.

### Economic calendar

<b>Monday</b> <b>21/6</b>	AU: Retail trade, May US: Fed speakers
<b>Tuesday</b> <b>22/6</b>	AU: NSW, SA State Budgets 2021 US: Fed Chair Powell speech
<b>Wednesday</b> <b>23/6</b>	AU: RBA's Asst. Gov. Ellis speech ALL: Markit PMIs, Jun
<b>Thursday</b> <b>24/6</b>	GER: IFO Business survey, Jun UK: BoE monetary policy decision
<b>Friday</b> <b>25/6</b>	US: PCE deflator, May US: Personal income & spending, May

### The week ahead

- Investors face a deluge of data and commentary from central bank officials this week. Australian markets must also absorb the events of last Friday.
- Fed officials will be busy, speaking about the outlook for the US economy and interest rates. ECB officials will also be out in force, and the Bank of England has a policy meeting. The Reserve Bank of Australia's Luci Ellis will provide an update on the Australian economy.
- Key data include the latest purchasing managers' indexes (for US, Europe and Australia), and the Fed's preferred inflation metric (the PCE deflator).
- NSW and SA state budgets are expected to show lower budget deficit forecasts for 2021-24.



## Financial markets data: Week ending 18 June 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.02	-1	▼	1	▲
3-year Australian Bond Yield	0.43	18	▲	33	▲
10-year Australian Bond Yield	1.60	11	▲	63	▲
20-year Australian Bond Yield	2.22	4	▲	51	▲
10-year Australian Break-Even Inflation	2.10	-1	▼	33	▲
10-year Australian Real Yield	-0.50	12	▲	29	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.25	11	▲	13	▲
10-year US Treasury Yield	1.44	-1	▼	52	▲
30-year US Treasury Yield	2.01	-13	▼	37	▲
10-year German Bund Yield	-0.20	7	▲	37	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.03	1	▲	-5	▼
4.00% 20 April 2023	0.10	7	▲	-4	▼
1.00% 8 February 2024	0.31	9	▲	11	▲
5.00% 20 August 2024	0.47	16	▲	25	▲
4.00% 20 May 2026	0.90	18	▲	40	▲
3.00% 20 May 2027	1.10	16	▲	45	▲
3.00% 20 March 2028	1.24	13	▲	44	▲
3.00% 20 April 2029	1.42	12	▲	49	▲
3.00% 20 February 2030	1.55	11	▲	46	▲
2.00% 20 March 2031	1.72	11	▲	47	▲
1.50% 20 February 2032	1.85	11	▲	46	▲
2.00% 8 March 2033	1.96	9	▲	50	▲
2.75% 20 November 2025 CIB	-1.14	22	▲	-3	▼
2.50% 20 November 2035 CIB	0.25	10	▲	34	▲
10-year NSW TCorp Bond Yield	1.76	11	▲	52	▲
10-year TCV (Victoria) Spread	0.01	0	▲	-1	▼
10-year QTC (Queensland) Spread	0.00	0	▲	4	▲
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,369	0.8%	▲	11.9%	▲
S&P500 (US)	4,166	-1.9%	▼	10.9%	▲
FTSE 100 (UK)	7,017	-1.6%	▼	8.6%	▲
DJ Stoxx600 (Europe)	452	-1.2%	▼	13.3%	▲
Nikkei 225 (Japan)	28,964	0.1%	▲	5.5%	▲
Shanghai Composite (China)	3,525	-1.8%	▼	1.5%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.748	-3.0%	▼	-2.8%	▼
EUR/USD	1.186	-2.0%	▼	-2.9%	▼
USD/JPY	110.21	0.5%	▲	6.7%	▲
GBP/USD	1.38	-2.1%	▼	1.0%	▲
US\$ Index	92.23	1.8%	▲	2.5%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	73.51	1.1%	▲	41.9%	▲
Iron Ore (US\$/t)	214.08	-0.1%	▼	37.4%	▲
Coking Coal (US\$/t)	2,107.50	18.4%	▲	40.5%	▲
Gold (US\$/oz)	1,764.16	-6.0%	▼	-7.1%	▼

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