

The week that was

- A speech by the Chair of the US Federal Reserve Jerome Powell was the key event last week, and certainly left its mark on financial markets.
- Powell said that households and businesses would experience some "pain" as the central bank seeks to tame inflation and, to ensure that it is fully extinguished, interest rates would have to remain high for an extended period.
- Equity investors were hoping for signs that the Fed was close to the end of its tightening cycle and would then reverse course. They reacted negatively; the S&P500 fell 3.4% after Powell's speech, to end the week down 4%. European equities fell 2.6% over the week, while the Australian stock market declined by just 0.1%.
- The bond market reaction to Powell's speech was less dramatic on the day but, over the week, yields rose substantially. US 10-year yields went up by 7bps. German Bunds climbed 16bps and Australian 10-year yields rose by 17bps.

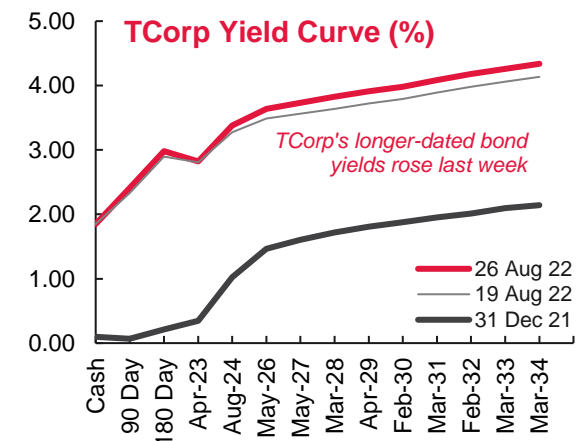
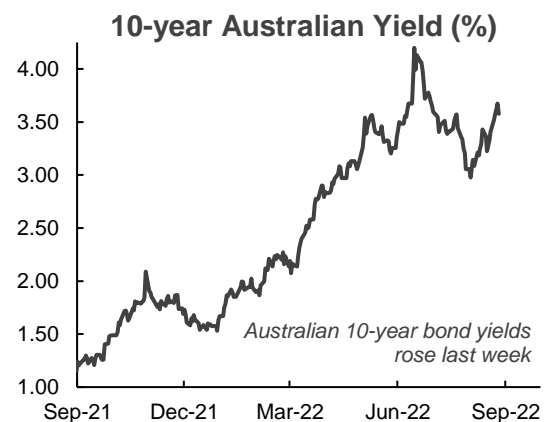
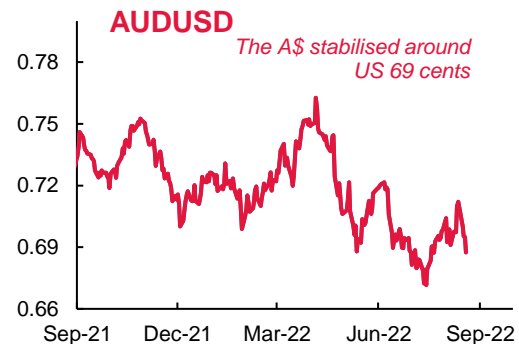
Economic calendar

Monday 29/08	AU: Retail sales, July US: Dallas Fed Manufacturing Index
Tuesday 30/08	AU: Building approvals, Jul EU: German CPI, Aug
Wednesday 31/08	AU: Construction work done, Q2 EU: Inflation, Aug
Thursday 01/09	AU: Business investment, Q2 US: ISM manufacturing, Aug
Friday 02/09	US: Non-farm payrolls, Aug US: Unemployment rate, Aug

The week ahead

- There is an avalanche of data this week, both in Australia and around the world. Updates on Australian retail sales and building approvals will be released and will be interpreted as an indication of the impact from recent Reserve Bank of Australia rate hikes. Business investment and construction work will help refine forecasts for Q2 economic growth.
- In the US, markets await the 2 most influential data releases – the ISM survey and non-farm payrolls. Having ignored Purchasing Managers' Indexes last week which suggested that the US economy was in recession, a similar reading on the ISM survey might have a greater market impact. Furthermore in the US, policymakers have clung to strong employment as evidence that the nation isn't in recession, so any slippage there could also be significant.
- Finally, European inflation data will be released which will influence the size of future rate hikes.

Financial markets charts



Financial markets data: Week ending 26 August 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.85	0	—	175	▲
90-day BBSW	2.41	8	▲	234	▲
3-year Australian Bond Yield	3.20	10	▲	228	▲
10-year Australian Bond Yield	3.58	17	▲	191	▲
20-year Australian Bond Yield	3.91	14	▲	164	▲
10-year Australian Break-Even Inflation	2.43	8	▲	16	▲
10-year Australian Real Yield	1.14	10	▲	174	▲
Fed Funds Rate (lower bound)	2.25	0	—	225	▲
2-year US Treasury Yield	3.40	16	▲	266	▲
10-year US Treasury Yield	3.04	7	▲	153	▲
30-year US Treasury Yield	3.19	-2	▼	129	▲
10-year German Bund Yield	1.39	16	▲	157	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	2.82	1	▲	248	▲
1.00% 8 February 2024	3.34	10	▲	251	▲
5.00% 20 August 2024	3.38	10	▲	236	▲
1.25% 20 March 2025	3.52	14	▲	230	▲
4.00% 20 May 2026	3.64	15	▲	217	▲
3.00% 20 May 2027	3.73	17	▲	212	▲
3.00% 20 March 2028	3.83	19	▲	211	▲
3.00% 20 April 2029	3.91	19	▲	210	▲
3.00% 20 February 2030	3.98	19	▲	210	▲
2.00% 20 March 2031	4.08	19	▲	213	▲
1.50% 20 February 2032	4.18	20	▲	217	▲
2.00% 8 March 2033	4.26	20	▲	216	▲
3.50% 20 March 2034	4.34	20	▲	220	▲
2.75% 20 November 2025 CIB	0.19	38	▲	122	▲
2.50% 20 November 2035 CIB	1.85	11	▲	182	▲
10-year NSW TCorp Bond Yield	4.19	20	▲	222	▲
10-year TCV (Victoria) Spread	-0.02	-2	▼	-5	▼
10-year QTC (Queensland) Spread	-0.07	0	—	-9	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,104	-0.1%	▼	-4.6%	▼
S&P500 (US)	4,058	-4.0%	▼	-14.9%	▼
FTSE 100 (UK)	7,427	-1.6%	▼	0.6%	▲
DJ Stoxx600 (Europe)	426	-2.6%	▼	-12.7%	▼
Nikkei 225 (Japan)	28,641	-1.0%	▼	-0.5%	▼
Shanghai Composite (China)	3,236	-0.7%	▼	-11.1%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.690	0.3%	▲	-5.0%	▼
EUR/USD	0.997	-0.7%	▼	-12.3%	▼
USD/JPY	137.64	0.5%	▲	19.6%	▲
GBP/USD	1.17	-0.7%	▼	-13.2%	▼
US\$ Index	108.80	0.6%	▲	13.7%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	100.99	4.4%	▲	29.8%	▲
Iron Ore (US\$/t)	105.38	1.1%	▲	-6.3%	▼
Coking Coal (US\$/t)	2,157.50	2.3%	▲	5.1%	▲
Gold (US\$/oz)	1,738.14	-0.5%	▼	-5.0%	▼

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