

# Weekly Economic Report

22 November 2021

## The week that was

- Global financial markets were influenced by ongoing inflation jitters as well as a rising fourth wave of COVID-19 infections in Europe. Sentiment was balanced by solid economic data, including for US retail sales and production. Equities were mixed and bond yields pared some of their recent gains.
- Wage inflation and the outlook for rate hikes were 2 major drivers in Australia. Wages grew 2.2% year-on-year in the September quarter, well below the 3% pace flagged by the Reserve Bank of Australia (RBA) as the trigger for tightening. In a speech RBA Governor Lowe reiterated that rate hikes are not expected until 2024, inflation looks transitory, and 3% wages growth is the likely threshold.
- Australian 10-year yields nudged 2bps higher to 1.81%, while TCorp's 10-year yield was up 1bp to 2.21%. Overseas, the US 10-year yield eased 2bps to 1.55% and the German 10-year yield was down 8bps to -0.34%.
- Equity markets were again mixed. The ASX200 lost 0.6% for the week, and the European Stoxx600 was down 0.1%. In the US, the S&P500 rose 0.3%, with the Shanghai Composite up 0.6% and the Nikkei225 up 0.5%.
- The Australian dollar continued to decline as rate hike expectations calmed, down 1.3% to US\$0.724.

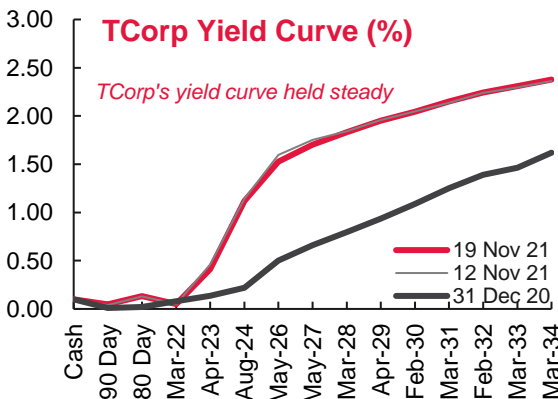
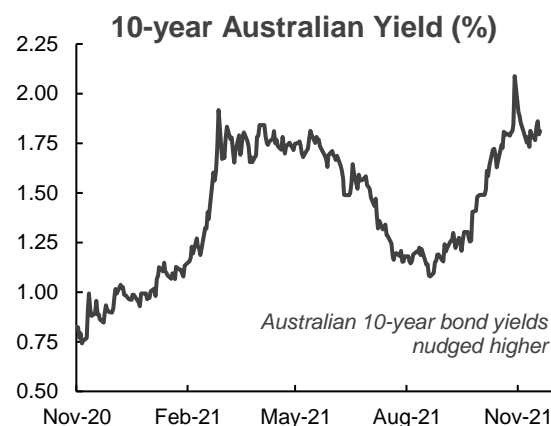
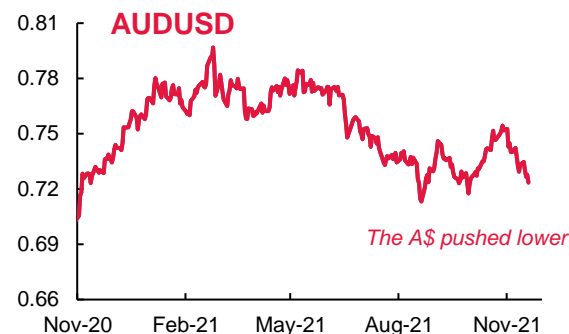
## Economic calendar

<b>Monday 22/11</b>	CH: Prime rate, Nov
<b>Tuesday 23/11</b>	AU: PMIs, Nov (prelim), RBA speakers (Kohler, Brischetto) US: Existing home sales, Oct
<b>Wednesday 24/11</b>	AU: Construction work done, Sep qtr, RBA speaker (Bullock) NZ: RBNZ rate decision, Nov
<b>Thursday 25/11</b>	AU: Private capex, Sep qtr US: FOMC meeting minutes, Nov, GDP, Sep qtr (second estimate), Durable goods orders, Oct (prelim), Personal income, spending, PCE deflator, Oct, Trade balance, Oct, New home sales, Oct
<b>Friday 26/11</b>	AU: Retail sales, Oct

## The week ahead

- With the prospect for rate hikes top of mind, several releases stand out this week: the US central bank's policy meeting minutes and its preferred inflation measure - the PCE deflator. The Reserve Bank of New Zealand's rate decision is also important, with markets looking for a 25bps hike.
- Australia's capex and construction numbers for last quarter are due while retail sales for October are expected to show a healthy post-lockdown gain.

## Financial markets charts



## Financial markets data: Week ending 19 November 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.05	1	▲	4	▲
3-year Australian Bond Yield	0.96	-7	▼	85	▲
10-year Australian Bond Yield	1.81	2	▲	84	▲
20-year Australian Bond Yield	2.41	6	▲	70	▲
10-year Australian Break-Even Inflation	2.23	-2	▼	46	▲
10-year Australian Real Yield	-0.42	4	▲	38	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.51	0	▼	39	▲
10-year US Treasury Yield	1.55	-2	▼	63	▲
30-year US Treasury Yield	1.91	-2	▼	27	▲
10-year German Bund Yield	-0.34	-8	▼	23	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.05	0	—	-3	▼
4.00% 20 April 2023	0.41	-5	▼	28	▲
1.00% 8 February 2024	0.93	-4	▼	73	▲
5.00% 20 August 2024	1.12	-2	▼	90	▲
4.00% 20 May 2026	1.53	-7	▼	103	▲
3.00% 20 May 2027	1.70	-5	▼	104	▲
3.00% 20 March 2028	1.83	-1	▼	104	▲
3.00% 20 April 2029	1.95	-1	▼	101	▲
3.00% 20 February 2030	2.04	0	▼	96	▲
2.00% 20 March 2031	2.15	1	▲	90	▲
1.50% 20 February 2032	2.24	0	▲	85	▲
2.00% 8 March 2033	2.31	1	▲	85	▲
3.50% 20 March 2034	2.38	2	▲	76	▲
2.75% 20 November 2025 CIB	-1.00	-3	▼	11	▲
2.50% 20 November 2035 CIB	0.26	4	▲	36	▲
10-year NSW TCorp Bond Yield	2.21	1	▲	97	▲
10-year TCV (Victoria) Spread	0.01	-2	▼	-1	▼
10-year QTC (Queensland) Spread	0.00	1	▲	4	▲
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	7,397	-0.6%	▼	12.3%	▲
S&P 500 (US)	4,698	0.3%	▲	25.1%	▲
FTSE 100 (UK)	7,224	-1.7%	▼	11.8%	▲
DJ Stoxx 600 (Europe)	486	-0.1%	▼	21.8%	▲
Nikkei 225 (Japan)	29,746	0.5%	▲	8.4%	▲
Shanghai Composite (China)	3,560	0.6%	▲	2.5%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.724	-1.3%	▼	-6.0%	▼
EUR/USD	1.129	-1.4%	▼	-7.6%	▼
USD/JPY	113.99	0.1%	▲	10.4%	▲
GBP/USD	1.35	0.3%	▲	-1.6%	▼
US\$ Index	96.03	0.9%	▲	6.8%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	78.89	-4.0%	▼	52.3%	▲
Iron Ore (US\$/t)	91.06	3.0%	▲	-42.5%	▼
Coking Coal (US\$/t)	2,416.50	-13.2%	▼	61.0%	▲
Gold (US\$/oz)	1,845.73	-1.0%	▼	-2.8%	▼

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