

Weekly Economic Report

23 August 2021

The week that was

- A risk-off tone drove markets for most of the week, with equities falling and bond yields sliding. Growing concern on the impact of the COVID-19 Delta variant on economic recoveries, the outlook for US Federal Reserve policy and evidence of slowing growth in China weighed on sentiment.
- In China, retail sales, investment and production were all softer than expected for July. US retail sales missed expectations, albeit still at a sound level, and US industrial production was also solid. Australia employment data was surprisingly firm, though the headline figures masked a weaker picture for the jobs market.
- US 10-year bond yields fell 2bps to 1.26% for the week, while German 10-year yields were down 3bps to close at -0.50%. Australian 10-year yields slumped 14bps, to 1.08%. TCorp's 10-year yield also declined, down 11bps to 1.45%.
- Equity markets were back in the red for the week. The major market indices for the US, Europe, Australia, China and Japan fell across the board. The ASX200 was down 2.2%.
- The Australian dollar fell, giving back its recent gains to close down 3.2% for the week, at US\$0.713.

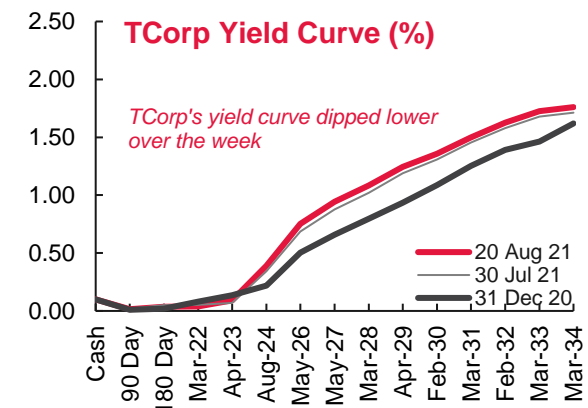
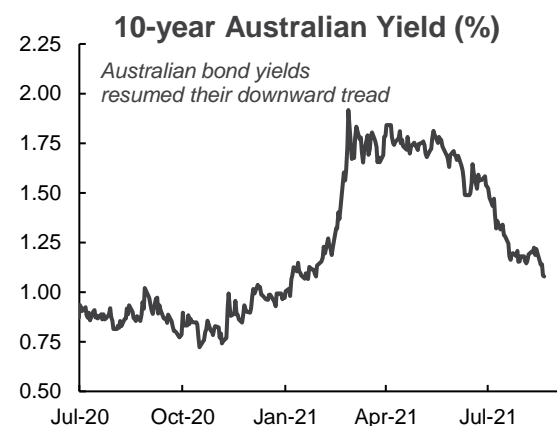
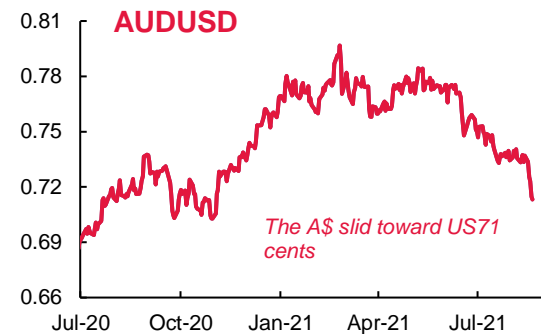
Economic calendar

Monday 23/08	AU: Markit PMI indices, Aug (prelim)
Tuesday 24/08	US: Existing home sales, Jul, New home sales, Jul
Wednesday 25/08	AU: Construction work done, Jun qtr US: Durable goods orders, Jul
Thursday 26/08	AU: Private capital expenditure, Jun qtr EU: ECB Meeting minutes, Jul US: GDP, Jun qtr (second estimate)
Friday 27/08	AU: Retail sales, Jul (prelim) US: Federal Reserve Annual Jackson Hole Policy Retreat (27th-29th), Personal income, Jul, Personal spending, Jul, Retail inventories, Jul

The week ahead

- The key focus for markets will be the US Federal Reserve's Annual Jackson Hole Policy Retreat, which commences Friday. Investors are looking for further indication from the Fed on the potential timing, and pace, of its expected tapering in asset purchases.
- On the data front, retail sales and PMIs for Australia are 2 releases that will provide some more information on the speed of the expected slump in activity with the recent lockdowns. US income and spending figures for July will also be important.

Financial markets charts



Financial markets data: Week ending 20 August 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.01	-1	▼	0	—
3-year Australian Bond Yield	0.18	-13	▼	7	▲
10-year Australian Bond Yield	1.08	-14	▼	11	▲
20-year Australian Bond Yield	1.75	-16	▼	4	▲
10-year Australian Break-Even Inflation	1.93	-9	▼	16	▲
10-year Australian Real Yield	-0.85	-5	▼	-5	▼
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.22	2	▲	10	▲
10-year US Treasury Yield	1.26	-2	▼	34	▲
30-year US Treasury Yield	1.87	-6	▼	22	▲
10-year German Bund Yield	-0.50	-3	▼	7	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.04	0	▼	-4	▼
4.00% 20 April 2023	0.08	-1	▼	-6	▼
1.00% 8 February 2024	0.22	-7	▼	2	▲
5.00% 20 August 2024	0.29	-10	▼	7	▲
4.00% 20 May 2026	0.66	-9	▼	16	▲
3.00% 20 May 2027	0.83	-11	▼	17	▲
3.00% 20 March 2028	0.97	-11	▼	17	▲
3.00% 20 April 2029	1.14	-11	▼	20	▲
3.00% 20 February 2030	1.25	-11	▼	16	▲
2.00% 20 March 2031	1.38	-12	▼	13	▲
1.50% 20 February 2032	1.51	-12	▼	11	▲
2.00% 8 March 2033	1.62	-11	▼	16	▲
3.50% 20 March 2034	1.65	-11	▼	3	▲
2.75% 20 November 2025 CIB	-1.24	-2	▼	-14	▼
2.50% 20 November 2035 CIB	-0.13	8	▲	-4	▼
10-year NSW TCorp Bond Yield	1.45	-11	▼	21	▲
10-year TCV (Victoria) Spread	-0.03	2	▲	-5	▼
10-year QTC (Queensland) Spread	-0.06	1	▲	-2	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,461	-2.2%	▼	13.3%	▲
S&P500 (US)	4,442	-0.6%	▼	18.3%	▲
FTSE 100 (UK)	7,088	-1.8%	▼	9.7%	▲
DJ Stoxx 600 (Europe)	469	-1.5%	▼	17.5%	▲
Nikkei 225 (Japan)	27,013	-3.4%	▼	-1.6%	▼
Shanghai Composite (China)	3,427	-2.5%	▼	-1.3%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.713	-3.2%	▼	-7.3%	▼
EUR/USD	1.170	-0.8%	▼	-4.2%	▼
USD/JPY	109.78	0.2%	▲	6.3%	▲
GBP/USD	1.36	-1.8%	▼	-0.3%	▼
US\$ Index	93.50	1.1%	▲	4.0%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	65.18	-7.7%	▼	25.8%	▲
Iron Ore (US\$/t)	138.63	-13.0%	▼	-12.5%	▼
Coking Coal (US\$/t)	2,812.00	17.9%	▲	87.4%	▲
Gold (US\$/oz)	1,781.11	0.1%	▲	-6.2%	▼
Gold (US\$/oz)	1,779.74	0.9%	▲	-6.2%	▼

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