

Weekly Economic Report

30 May 2022

The week that was

- Global equity markets rebounded sharply last week following weeks of decline as investors seized on some decent company earnings reports to support hopes that the US can avoid a recession.
- Global PMIs for May however took an overall weaker tone. Australia's manufacturing and services surveys both softened, with the Composite PMI down to 52.5, from 55.9. Indices for Europe and the UK also fell.
- US economic releases pointed to slower growth. The housing sector weakened noticeably, with new home sales falling to an annualised pace of 591,000 in April, from 763,000 in March. Durable goods orders were weaker than expected, though personal spending data held up.
- Bond yields were largely lower. The US 10-year yield declined 4bps, to 2.74%. Australian 10-year yields fell 6bps, to 3.26%. TCorp's 10-year yield dipped 3bps, to 3.65%.
- Equities remain volatile but rose strongly over the week. The US S&P500 was up 6.6%, the European Stoxx600 up 3.0%, the ASX200 up 0.5%.
- The Australian dollar rose 1.7% to US\$0.716.

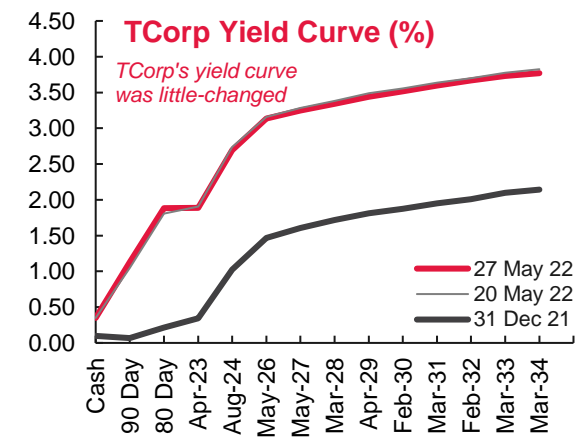
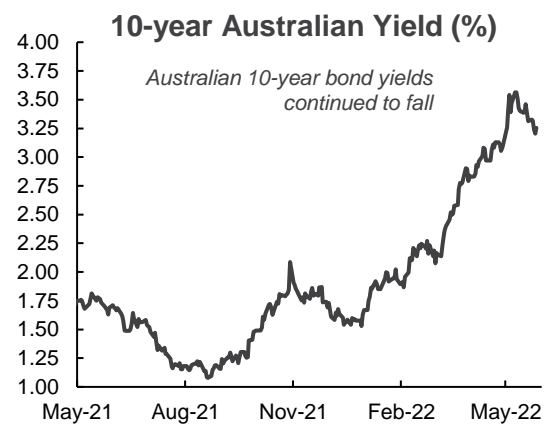
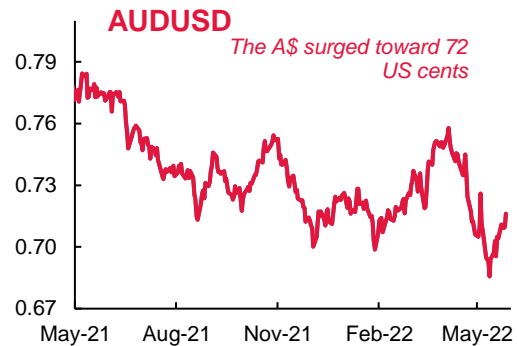
Economic calendar

| | |
|------------------------|---|
| Tuesday 31/05 | AU: Current account, Company operating profits, Inventories, Mar qtr, Private sector credit & Building approvals, Apr CH: Manufacturing, Non-manufacturing & Composite PMIs, May |
| Wednesday 01/06 | AU: House prices, May, GDP, Mar qtr CH: Caixin Manufacturing PMI, May US: Conference Board consumer confidence, May, Vehicle sales, May |
| Thursday 02/06 | AU: Trade balance, Apr CA: Bank of Canada rate decision, Jun US: Construction spending, Apr, ISM Manufacturing Index, May, Federal Reserve Beige Book |
| Friday 03/06 | AU: Home loans, Apr US: Factory orders, Apr, Non-farm payrolls, May, Unemployment rate, May, ISM services index, May |

The week ahead

- A packed schedule for US and Australian macroeconomic data, as well as PMI reports for China. Investors will pay close attention to these releases for signs of a quicker-paced downturn, and more-elevated recession risk.
- US payrolls, ISM reports and Australian housing data will be of particular interest.

Financial markets charts



Financial markets data: Week ending 27 May 2022

| Interest Rates | Close (%) | 1 Week (bps) | | YTD (bps) | |
|---|-----------|--------------|---|-----------|---|
| RBA Cash Rate | 0.35 | 0 | — | 25 | ▲ |
| 90-day BBSW | 1.13 | 8 | ▲ | 106 | ▲ |
| 3-year Australian Bond Yield | 2.75 | -4 | ▼ | 184 | ▲ |
| 10-year Australian Bond Yield | 3.26 | -6 | ▼ | 159 | ▲ |
| 20-year Australian Bond Yield | 3.60 | -9 | ▼ | 133 | ▲ |
| 10-year Australian Break-Even Inflation | 2.41 | -6 | ▼ | 14 | ▲ |
| 10-year Australian Real Yield | 0.85 | 1 | ▲ | 145 | ▲ |
| Fed Funds Rate (lower bound) | 0.75 | 0 | — | 75 | ▲ |
| 2-year US Treasury Yield | 2.48 | -10 | ▼ | 174 | ▲ |
| 10-year US Treasury Yield | 2.74 | -4 | ▼ | 123 | ▲ |
| 30-year US Treasury Yield | 2.96 | -2 | ▼ | 106 | ▲ |
| 10-year German Bund Yield | 0.96 | 2 | ▲ | 114 | ▲ |
| NSW TCorp Bonds | Close (%) | 1 Week (bps) | | YTD (bps) | |
| 4.00% 20 April 2023 | 1.89 | -2 | ▼ | 155 | ▲ |
| 1.00% 8 February 2024 | 2.48 | -3 | ▼ | 165 | ▲ |
| 5.00% 20 August 2024 | 2.69 | -5 | ▼ | 167 | ▲ |
| 1.25% 20 March 2025 | 2.93 | -4 | ▼ | 170 | ▲ |
| 4.00% 20 May 2026 | 3.13 | -3 | ▼ | 167 | ▲ |
| 3.00% 20 May 2027 | 3.25 | -4 | ▼ | 164 | ▲ |
| 3.00% 20 March 2028 | 3.34 | -4 | ▼ | 163 | ▲ |
| 3.00% 20 April 2029 | 3.44 | -4 | ▼ | 163 | ▲ |
| 3.00% 20 February 2030 | 3.51 | -4 | ▼ | 164 | ▲ |
| 2.00% 20 March 2031 | 3.60 | -4 | ▼ | 164 | ▲ |
| 1.50% 20 February 2032 | 3.67 | -3 | ▼ | 166 | ▲ |
| 2.00% 8 March 2033 | 3.73 | -5 | ▼ | 163 | ▲ |
| 3.50% 20 March 2034 | 3.77 | -6 | ▼ | 163 | ▲ |
| 2.75% 20 November 2025 CIB | -0.17 | -6 | ▼ | 86 | ▲ |
| 2.50% 20 November 2035 CIB | 1.43 | 2 | ▲ | 139 | ▲ |
| 10-year NSW TCorp Bond Yield | 3.65 | -3 | ▼ | 168 | ▲ |
| 10-year TCV (Victoria) Spread | 0.02 | -1 | ▼ | -2 | ▼ |
| 10-year QTC (Queensland) Spread | -0.01 | 0 | ▲ | -2 | ▼ |
| Equities | Close | 1 Week | | YTD | |
| S&P/ASX200 (Australia) | 7,183 | 0.5% | ▲ | -3.5% | ▼ |
| S&P500 (US) | 4,158 | 6.6% | ▲ | -12.8% | ▼ |
| FTSE 100 (UK) | 7,585 | 2.6% | ▲ | 2.7% | ▲ |
| DJ Stoxx600 (Europe) | 444 | 3.0% | ▲ | -9.0% | ▼ |
| Nikkei 225 (Japan) | 26,782 | 0.2% | ▲ | -7.0% | ▼ |
| Shanghai Composite (China) | 3,130 | -0.5% | ▼ | -14.0% | ▼ |
| Currencies | Close | 1 Week | | YTD | |
| AUD/USD | 0.716 | 1.7% | ▲ | -1.4% | ▼ |
| EUR/USD | 1.074 | 1.6% | ▲ | -5.6% | ▼ |
| USD/JPY | 127.11 | -0.6% | ▼ | 10.5% | ▲ |
| GBP/USD | 1.26 | 1.2% | ▲ | -6.7% | ▼ |
| US\$ Index | 101.67 | -1.4% | ▼ | 6.3% | ▲ |
| Commodities | Close | 1 Week | | YTD | |
| Brent Oil (US\$/bbl) | 119.43 | 6.1% | ▲ | 53.5% | ▲ |
| Iron Ore (US\$/t) | 133.07 | -0.7% | ▼ | 9.9% | ▲ |
| Coking Coal (US\$/t) | 3,084.50 | 9.8% | ▲ | 50.2% | ▲ |
| Gold (US\$/oz) | 1,853.72 | 0.4% | ▲ | 1.3% | ▲ |

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