

The week that was

- Markets focussed on President Biden's plans for the US economy and for combatting COVID-19. The announcement of a US\$1.9 trillion support package boosted equity markets. Meanwhile, Europe faced the prospect of dipping back into recession as efforts to control the pandemic were ramped up.
- The US S&P500 rose 1.9% and posted a new record high. European stock markets struggled against pandemic-related downward earnings revisions, with the DJ Stoxx600 up 0.2%. The Australian stock market enjoyed a 'Biden bounce', and the S&P/ASX200 ended up 1.3%. Commodity prices had mixed fortunes and the AUD appreciated 0.2% against the USD, finishing at US\$0.772.
- European bond yields rose after the ECB said it may not buy as many bonds as expected. Australian bond yields rose after NZ data suggested inflation is picking up. Yield curves steepened.

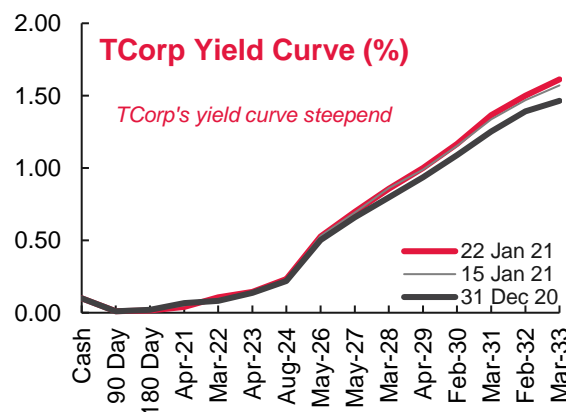
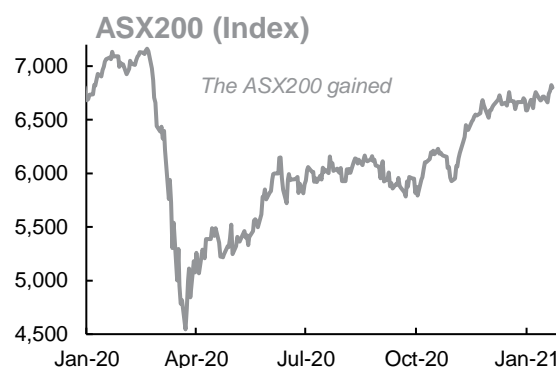
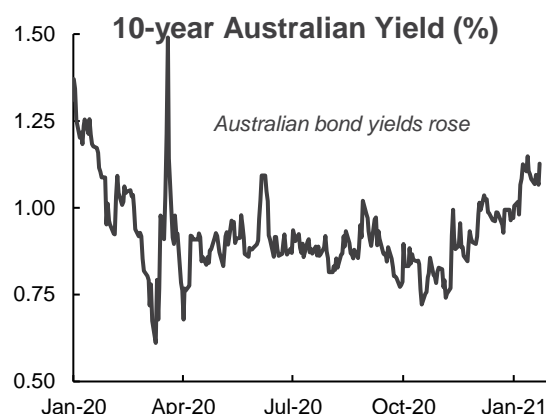
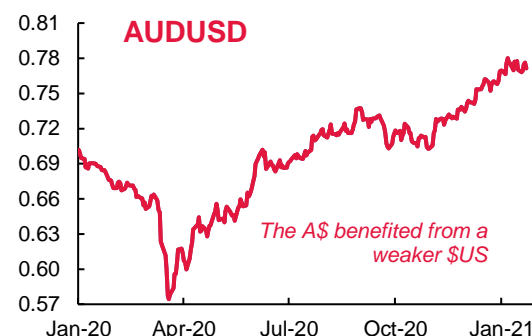
Economic calendar

Monday 25/1	AU: Merchandise trade, Dec EU: Ifo business survey, Jan
Tuesday 26/1	AU: Public holiday US: Regional Fed surveys, Jan
Wednesday 27/1	AU: CPI, Q4 US: FOMC monetary policy decision
Thursday 28/1	US: GDP, Q4 US: Initial jobless claims, w/e 23 Jan
Friday 29/1	AU: Private sector credit, Dec US: Chicago PMI, Jan

The week ahead

- A deluge of US economic information this week will make it hard for investors to discern 'signal' from 'noise'. Market participants are looking to the Fed to provide them with guidance after Wednesday's monetary policy meeting. Investors will also monitor the Q4 US GDP report and company earnings reports, regional Fed activity indexes, durable goods orders, home sales, prices and loan applications, and business and consumer confidence.
- By contrast, the Eurozone economic calendar is sparse. The Ifo business survey is the key indicator. Investors are more worried about business expectations for recovery in 2021 being downgraded, than about news that current economic conditions are deteriorating.
- Investors are following China's efforts to contain the outbreak of COVID-19 in Hebei province.
- In Australia, the CPI report for December quarter is the main event. Inflation is low and expected to only slowly rise towards the RBA's target range of 2-3%, allowing interest rates to stay low. Investors are wary of signs of inflation speeding up.

Financial markets charts



Financial markets data: Week ending 22 January 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.01	0	▲	0	▲
3-year Australian Bond Yield	0.11	1	▲	1	▲
10-year Australian Bond Yield	1.13	4	▲	16	▲
20-year Australian Bond Yield	1.90	5	▲	19	▲
10-year Australian Break-Even Inflation	1.84	2	▲	7	▲
10-year Australian Real Yield	-0.72	2	▲	8	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.12	-1	▼	0	▼
10-year US Treasury Yield	1.09	0	▲	17	▲
30-year US Treasury Yield	1.85	1	▲	20	▲
10-year German Bund Yield	-0.51	3	▲	6	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.04	-1	▼	-3	▼
6.00% 1 March 2022	0.11	1	▲	2	▲
4.00% 20 April 2023	0.14	1	▲	1	▲
1.00% 8 February 2024	0.21	0	▲	1	▲
5.00% 20 August 2024	0.23	1	▲	2	▲
4.00% 20 May 2026	0.53	-1	▼	2	▲
3.00% 20 May 2027	0.70	0	▲	4	▲
3.00% 20 March 2028	0.86	0	▼	6	▲
3.00% 20 April 2029	1.00	1	▲	7	▲
3.00% 20 February 2030	1.17	1	▲	8	▲
2.00% 20 March 2031	1.36	3	▲	11	▲
2.00% 20 March 2032	1.61	4	▲	15	▲
2.00% 20 March 2033	1.76	3	▲	14	▲
2.75% 20 November 2025 CIB	-1.26	-12	▼	-16	▼
2.50% 20 November 2035 CIB	0.03	7	▲	12	▲
10-year NSW TCorp Bond Yield	1.36	3	▲	12	▲
10-year TCV (Victoria) Spread	0.00	-1	▼	-2	▼
10-year QTC (Queensland) Spread	-0.06	-1	▼	-2	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	6,800	1.3%	▲	3.2%	▲
S&P500 (US)	3,841	1.9%	▲	2.3%	▲
FTSE 100 (UK)	6,695	-0.6%	▼	3.6%	▲
DJ Stoxx 600 (Europe)	409	0.2%	▲	2.4%	▲
Nikkei 225 (Japan)	28,631	0.4%	▲	4.3%	▲
Shanghai Composite (China)	3,607	1.1%	▲	3.8%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.772	0.2%	▲	0.3%	▲
EUR/USD	1.217	0.7%	▲	-0.4%	▼
USD/JPY	103.78	-0.1%	▼	0.5%	▲
GBP/USD	1.37	0.7%	▲	0.1%	▲
US\$ Index	90.24	-0.6%	▼	0.3%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	55.41	0.6%	▲	7.0%	▲
Iron Ore (US\$/t)	169.34	-0.5%	▼	8.7%	▲
Coking Coal (US\$/t)	1,806.00	12.7%	▲	20.4%	▲
Gold (US\$/oz)	1,855.61	1.5%	▲	-2.3%	▼

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