

Weekly Economic Report

25 October 2021

The week that was

- Bond yields marched higher last week on rising rate hike expectations, and equities continued to benefit from better market risk appetite, supported by solid earnings reports in major markets.
- Market consensus shifted dramatically toward earlier, and more rate hikes in the US, UK, Europe and Australia. A fresh multi-year high for oil fanned concerns of prolonged supply chain disruptions and broader inflationary pressures.
- With the market pricing hikes from the Reserve Bank of Australia – more than 100bps before the end of 2023 – yields on the April 2024 benchmark bond rose well above the central bank's 0.1% target. On Friday, the RBA intervened in this market with \$1bn in purchases, the first such action since February.
- Bond yields recorded a broad-based run up. US 10-year bond yields gained 6bps to 1.63%, German 10-year yields were also up 6bps to -0.11%. Australian 10-year yields leapt 15 bps to 1.80%, with TCorp's 10-year yield up a commensurate 14bps to 2.08%.
- Equity markets were largely positive. The S&P500 rose 1.6%, the European Stoxx600 0.5%, the ASX200 0.7% and the Shanghai Composite 0.3%. UK and Japanese indices weakened.
- The A\$ continued to recover ground to just shy of US\$0.75, finishing the week at US\$0.747.

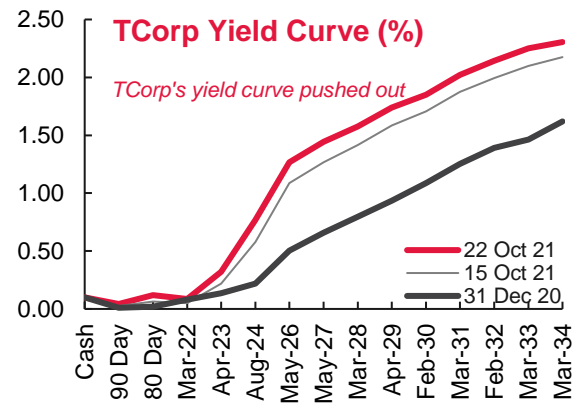
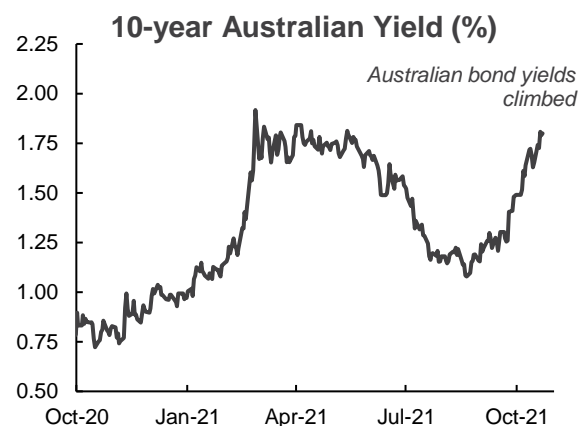
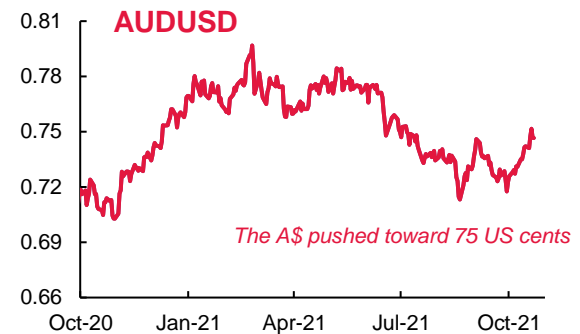
Economic calendar

Monday 25/10	
Tuesday 26/10	AU: ANZ weekly consumer confidence, w/e Oct 24
Wednesday 27/10	AU: CPI, Sep qtr, US: New home sales, Sep, Consumer confidence Oct, Durable goods orders, Sep (prelim)
Thursday 28/10	AU: Import, export prices, Sep qtr EU: ECB Rate decision, Oct JP: BOJ Rate decision, Oct US: GDP, Sep qtr (advanced)
Friday 29/10	AU: Retail sales, Sep, Private sector credit, Sep, PPI, Sep qtr US: Employment cost index, Sep qtr, Personal income, Sep, Personal spending, Sep, PCE deflator, Sep

The week ahead

- Two major central bank meetings in Europe and Japan will be important this week, in light of the heated debate on inflation in global markets.
- As a result, the Australian CPI release for Q3 will be key, and the US inflation report. This stands out in a busy week of US activity data.

Financial markets charts



Financial markets data: Week ending 22 October 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.04	2	▲	3	▲
3-year Australian Bond Yield	0.73	14	▲	63	▲
10-year Australian Bond Yield	1.80	15	▲	83	▲
20-year Australian Bond Yield	2.47	14	▲	76	▲
10-year Australian Break-Even Inflation	2.25	12	▲	48	▲
10-year Australian Real Yield	-0.45	3	▲	35	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.45	6	▲	33	▲
10-year US Treasury Yield	1.63	6	▲	72	▲
30-year US Treasury Yield	2.07	3	▲	42	▲
10-year German Bund Yield	-0.11	6	▲	46	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.09	4	▲	0	▲
4.00% 20 April 2023	0.32	10	▲	18	▲
1.00% 8 February 2024	0.60	16	▲	41	▲
5.00% 20 August 2024	0.77	19	▲	55	▲
4.00% 20 May 2026	1.27	18	▲	76	▲
3.00% 20 May 2027	1.44	18	▲	78	▲
3.00% 20 March 2028	1.58	16	▲	78	▲
3.00% 20 April 2029	1.74	16	▲	80	▲
3.00% 20 February 2030	1.85	14	▲	76	▲
2.00% 20 March 2031	2.02	15	▲	77	▲
1.50% 20 February 2032	2.14	15	▲	75	▲
2.00% 8 March 2033	2.25	15	▲	79	▲
3.50% 20 March 2034	2.31	13	▲	69	▲
2.75% 20 November 2025 CIB	-1.18	-15	▼	-7	▼
2.50% 20 November 2035 CIB	0.21	-2	▼	31	▲
10-year NSW TCorp Bond Yield	2.08	14	▲	85	▲
10-year TCV (Victoria) Spread	-0.01	-1	▼	-3	▼
10-year QTC (Queensland) Spread	-0.02	0	▲	2	▲
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	7,415	0.7%	▲	12.6%	▲
S&P 500 (US)	4,545	1.6%	▲	21.0%	▲
FTSE 100 (UK)	7,205	-0.4%	▼	11.5%	▲
DJ Stoxx 600 (Europe)	472	0.5%	▲	18.3%	▲
Nikkei 225 (Japan)	28,805	-0.9%	▼	5.0%	▲
Shanghai Composite (China)	3,583	0.3%	▲	3.2%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.747	0.6%	▲	-3.0%	▼
EUR/USD	1.164	0.4%	▲	-4.7%	▼
USD/JPY	113.50	-0.6%	▼	9.9%	▲
GBP/USD	1.38	0.0%	▲	0.6%	▲
US\$ Index	93.64	-0.3%	▼	4.1%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	85.53	0.8%	▲	65.1%	▲
Iron Ore (US\$/t)	118.50	-3.0%	▼	-25.2%	▼
Coking Coal (US\$/t)	3,618.00	-4.1%	▼	141.1%	▲
Gold (US\$/oz)	1,792.65	1.4%	▲	-5.6%	▼

Brian Redican
Chief Economist
brian.redican@tcorp.nsw.gov.au

Rebecca Hiscock-Croft
Senior Economist
rebecca.hiscock-croft@tcorp.nsw.gov.au



Level 7, Deutsche Bank Place
126 Phillip Street
Sydney NSW 2000, Australia

T +61 2 9325 9325

W www.tcorp.nsw.gov.au

ABN 99 095 235 825

This material has been prepared by New South Wales Treasury Corporation ABN 99 095 235 825 (TCorp), a statutory corporation of New South Wales.

This material is of a general nature only and does not take into account your investment objectives, financial situation or needs. This material does not constitute investment advice. It should not be relied upon in determining whether to invest in a TCorpIM Fund. TCorp recommends you seek your own legal and financial advice before proceeding with any investment decision.

While this material has been formulated with all due care, TCorp does not warrant or represent that the material is free from errors or omissions, or that it is exhaustive. TCorp takes no responsibility for the accuracy, adequacy, currency or completeness of any information included in the material provided by third parties. Except where contrary to law, TCorp will not be liable for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of the use of, or reliance on, the information contained in this material.

This material is not intended to forecast or predict future events. Past performance is not a guarantee or a reliable indicator of future performance. The material is subject to change without notice and TCorp is not under any obligation to update the information or correct any inaccuracy which may become apparent at a later date.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2021. All rights reserved.

About New South Wales Treasury Corporation (TCorp)

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With over A\$107 billion of assets under management, TCorp is a top 5 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$119 billion. It is rated Aaa (Stable) by Moody's and AA+ (Stable) by S&P.