

The week that was

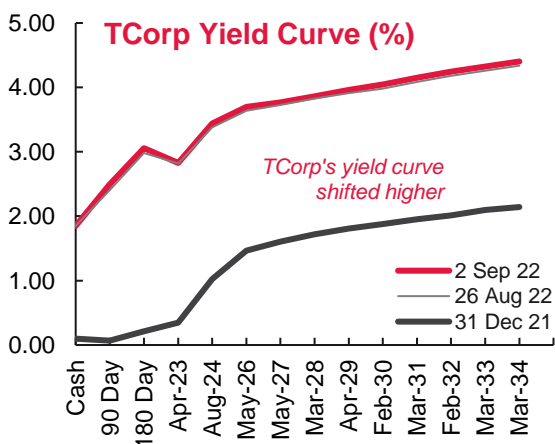
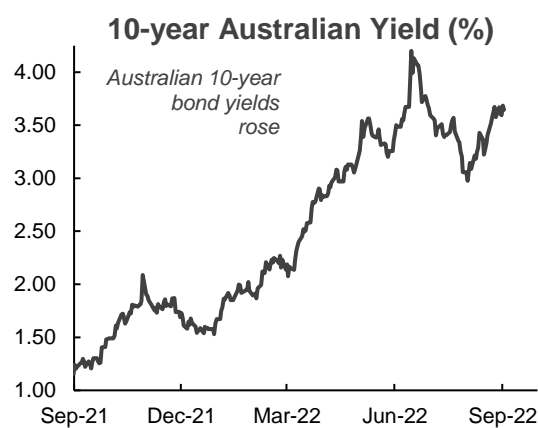
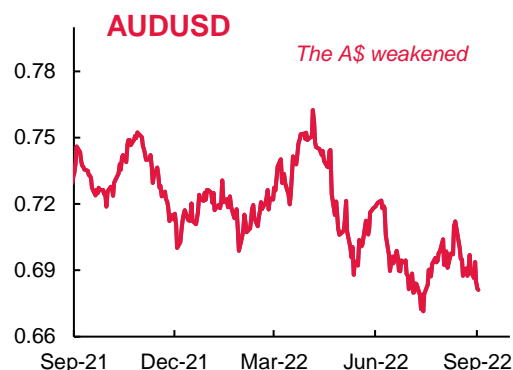
- Equity markets fell sharply and bond yields rose last week, as investors continued recalibrating their views on how aggressive central banks will be on attempting to curb inflation. In addition, China's decision to lockdown Chengdu – a city of 21mn people – revived fears about Chinese growth.
- Reflecting these developments, commodity prices also fell sharply. The price of Brent crude oil fell 8%, while iron ore prices dropped by almost 10%.
- Given the importance of commodities to the Australian economy, it was perhaps no surprise to see the ASX200 fall by 3.9%. Other share markets also recorded sharp declines, with the US S&P500 falling 3.3% and European equities dropping by 2.4%.
- While fears about a global recession abound, US economic data released last week was surprisingly firm. The ISM manufacturing survey suggested that a sharp decline in cost pressures had supported demand, while employment rose by a solid 315,000 in August. US 10-year bond yields rose by 15bps, while Australian 10-year yields climbed 7bps.

Economic calendar

Monday 5/09	AU: Company profits, Q2 CH: Caixin services PMI, Aug
Tuesday 6/09	AU: RBA policy meeting US: Services ISM, Aug
Wednesday 7/09	AU: GDP, Q2 US: Fed Beige Book
Thursday 8/09	AU: RBA Governor speech EU: ECB policy meeting
Friday 9/09	CH: Producer & consumer prices, Aug

The week ahead

- It's a busy week in Australia with the Reserve Bank of Australia (RBA) expected to raise its policy rate by 50bps this week, with the RBA Governor then speaking about the outlook for the Australian economy and policy. Economic growth data for the June quarter will also be released.
- Globally, the focus is likely to be on the European Central Bank's policy meeting. Several policymakers have come out in recent weeks arguing for a large 75bps rate hike at the September meeting and it will be interesting to see whether they get their way.
- China also releases data on its services sector which continues to be affected by the ongoing lockdowns. Producer prices will also be released and are expected to show waning inflation.



Financial markets data: Week ending 2 September 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	1.85	0	—	175	▲
90-day BBSW	2.49	9	▲	242	▲
3-year Australian Bond Yield	3.25	5	▲	233	▲
10-year Australian Bond Yield	3.65	7	▲	198	▲
20-year Australian Bond Yield	3.95	4	▲	168	▲
10-year Australian Break-Even Inflation	2.36	-8	▼	9	▲
10-year Australian Real Yield	1.29	15	▲	189	▲
Fed Funds Rate (lower bound)	2.25	0	—	225	▲
2-year US Treasury Yield	3.39	-1	▼	266	▲
10-year US Treasury Yield	3.19	15	▲	168	▲
30-year US Treasury Yield	3.34	15	▲	144	▲
10-year German Bund Yield	1.53	14	▲	170	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	2.83	1	▲	249	▲
1.00% 8 February 2024	3.40	6	▲	257	▲
5.00% 20 August 2024	3.44	6	▲	242	▲
1.25% 20 March 2025	3.57	5	▲	234	▲
4.00% 20 May 2026	3.70	6	▲	223	▲
3.00% 20 May 2027	3.77	4	▲	216	▲
3.00% 20 March 2028	3.86	3	▲	215	▲
3.00% 20 April 2029	3.96	5	▲	215	▲
3.00% 20 February 2030	4.05	7	▲	217	▲
2.00% 20 March 2031	4.15	7	▲	220	▲
1.50% 20 February 2032	4.25	7	▲	224	▲
2.00% 8 March 2033	4.33	7	▲	223	▲
3.50% 20 March 2034	4.40	6	▲	226	▲
2.75% 20 November 2025 CIB	0.37	19	▲	141	▲
2.50% 20 November 2035 CIB	2.02	16	▲	198	▲
10-year NSW TCorp Bond Yield	4.25	6	▲	228	▲
10-year TCV (Victoria) Spread	-0.02	0	▲	-5	▼
10-year QTC (Queensland) Spread	-0.08	0	▼	-9	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	6,829	-3.9%	▼	-8.3%	▼
S&P500 (US)	3,924	-3.3%	▼	-17.7%	▼
FTSE 100 (UK)	7,281	-2.0%	▼	-1.4%	▼
DJ Stoxx600 (Europe)	416	-2.4%	▼	-14.7%	▼
Nikkei 225 (Japan)	27,651	-3.5%	▼	-4.0%	▼
Shanghai Composite (China)	3,186	-1.5%	▼	-12.5%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.681	-1.2%	▼	-6.2%	▼
EUR/USD	0.995	-0.1%	▼	-12.5%	▼
USD/JPY	140.20	1.9%	▲	21.8%	▲
GBP/USD	1.15	-2.0%	▼	-14.9%	▼
US\$ Index	109.53	0.7%	▲	14.5%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	93.02	-7.9%	▼	19.6%	▲
Iron Ore (US\$/t)	95.34	-9.5%	▼	-15.3%	▼
Coking Coal (US\$/t)	2,129.50	-1.3%	▼	3.7%	▲
Gold (US\$/oz)	1,712.19	-1.5%	▼	-6.4%	▼

Brian Redican
Chief Economist
brian.redican@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

Disclaimer

The opinions, forecasts and data contained in this report is based on the research of TCorp as at the date of publication and is subject to change without notice. TCorp is not responsible for the accuracy, adequacy, currency or completeness of any information in the report provided by third parties. This report is provided for general information purposes only and should not be relied upon for investment or trading purposes. This report is not intended to forecast or predict future events.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2022. 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 A\$105 billion of assets under management, TCorp is a top 10 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$132 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.