

The week that was

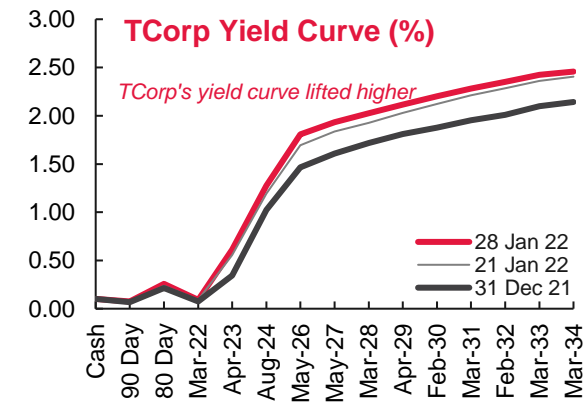
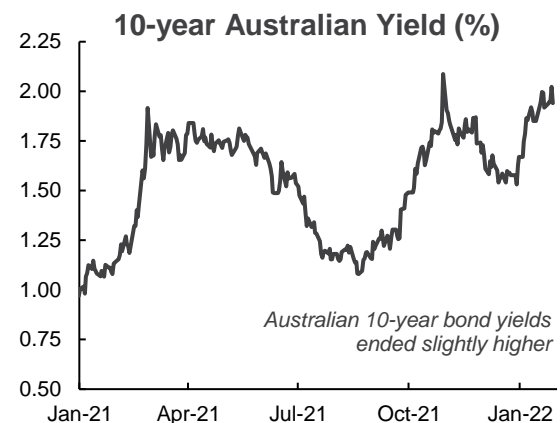
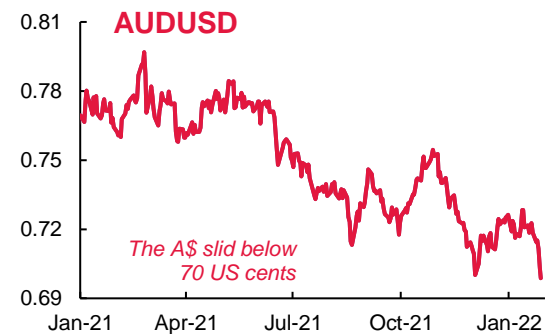
- Equity markets whipsawed through last week, as quavering risk appetite made for volatile trading sessions. Investor expectations solidified for monetary tightening from the US Federal Reserve, which hit risk appetite. Bond yields rose.
- The much anticipated Fed policy meeting delivered on hawkish predictions, signalling it is full steam ahead for tightening and indicating lift-off for rate hikes in March. Further moves, through hiking and quantitative tightening of the balance sheet, were also signposted for later in 2022.
- US 2-year bond yields surged 16bps to 1.16%. However, US 10-year yields nudged up only 1bp to 1.77%, with the yield curve flattening further. Australian 10-year yields rose 2bps to 1.94%. while TCorp's 10-year yield rose 6bps to 2.34%.
- Global equity markets were volatile. The ASX200 was down 2.6%, and the European Stoxx600 was down 1.9%. The US S&P500 surprised with a late rally to gain 0.8%, as markets adjusted to the Fed announcement earlier in the week.
- The Australian dollar weakened significantly, closing down 2.7% at US\$0.70.

Economic calendar

Monday 31/01	AU: Private sector credit, Dec
Tuesday 01/02	AU: Reserve Bank of Australia policy decision, Housing finance, Dec, Retail sales, Dec, Markit PMI, Jan (final), Commodity prices, Jan
Wednesday 02/02	AU: RBA Governor Lowe speech US: Construction spending, Dec, ISM Manufacturing index, Jan
Thursday 03/02	AU: NAB business survey, Dec qtr, Markit services and composite PMIs, Jan (final), Building approvals, Dec, Trade balance, Dec EU: ECB policy decision UK: Bank of England policy decision
Friday 04/02	AU: RBA Statement on Monetary Policy US: Productivity, Dec qtr (prelim) EU: ECB President Lagarde speech US: ISM services index, Jan, Factory orders, Dec, Non-farm payrolls, employment average earnings, Jan

The week ahead

- It is a blockbuster for central bank announcements this week, with decisions from the RBA, Bank of England and European Central Bank expected. On the back of last week's hawkish US Federal Reserve meeting, these statements are expected to signal that rate hikes and quantitative tightening will ramp up in 2022.



Financial markets data: Week ending 28 January 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.08	0	▲	1	▲
3-year Australian Bond Yield	1.41	9	▲	50	▲
10-year Australian Bond Yield	1.94	2	▲	27	▲
20-year Australian Bond Yield	2.42	0	▲	15	▲
10-year Australian Break-Even Inflation	2.30	6	▲	3	▲
10-year Australian Real Yield	-0.36	-4	▼	24	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	1.16	16	▲	43	▲
10-year US Treasury Yield	1.77	1	▲	26	▲
30-year US Treasury Yield	2.07	0	▲	17	▲
10-year German Bund Yield	-0.05	2	▲	13	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.09	0	—	1	▲
4.00% 20 April 2023	0.61	6	▲	27	▲
1.00% 8 February 2024	1.11	8	▲	28	▲
5.00% 20 August 2024	1.28	9	▲	26	▲
4.00% 20 May 2026	1.81	11	▲	34	▲
3.00% 20 May 2027	1.93	10	▲	33	▲
3.00% 20 March 2028	2.03	10	▲	31	▲
3.00% 20 April 2029	2.12	9	▲	31	▲
3.00% 20 February 2030	2.20	8	▲	33	▲
2.00% 20 March 2031	2.28	7	▲	33	▲
1.50% 20 February 2032	2.35	7	▲	34	▲
2.00% 8 March 2033	2.42	6	▲	33	▲
3.50% 20 March 2034	2.46	5	▲	32	▲
2.75% 20 November 2025 CIB	-0.84	19	▲	19	▲
2.50% 20 November 2035 CIB	0.26	-5	▼	22	▲
10-year NSW TCorp Bond Yield	2.34	6	▲	36	▲
10-year TCV (Victoria) Spread	0.03	0	▲	0	▼
10-year QTC (Queensland) Spread	0.00	1	▲	-1	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,988	-2.6%	▼	-6.1%	▼
S&P 500 (US)	4,432	0.8%	▲	-7.0%	▼
FTSE 100 (UK)	7,466	-0.4%	▼	1.1%	▲
DJ Stoxx 600 (Europe)	466	-1.9%	▼	-4.6%	▼
Nikkei 225 (Japan)	26,717	-2.9%	▼	-7.2%	▼
Shanghai Composite (China)	3,361	-4.6%	▼	-7.6%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.699	-2.7%	▼	-3.8%	▼
EUR/USD	1.115	-1.7%	▼	-1.9%	▼
USD/JPY	115.26	1.4%	▲	0.2%	▲
GBP/USD	1.34	-1.1%	▼	-1.0%	▼
US\$ Index	97.27	1.7%	▲	1.7%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	90.03	2.4%	▲	15.7%	▲
Iron Ore (US\$/t)	147.03	7.3%	▲	21.4%	▲
Coking Coal (US\$/t)	2,658.00	7.7%	▲	29.4%	▲
Gold (US\$/oz)	1,791.53	-2.4%	▼	-2.1%	▼

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