

Weekly Economic Report

31 October 2022

Financial markets charts

The week that was

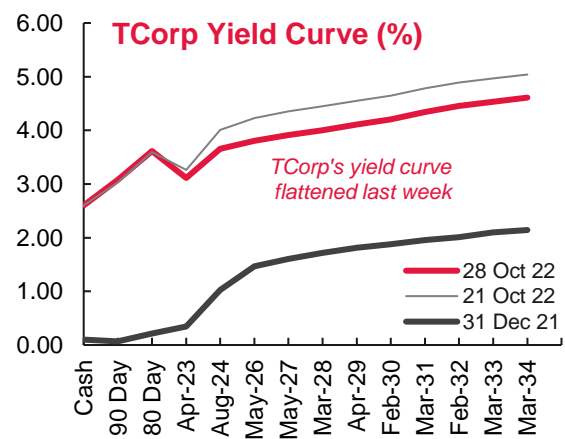
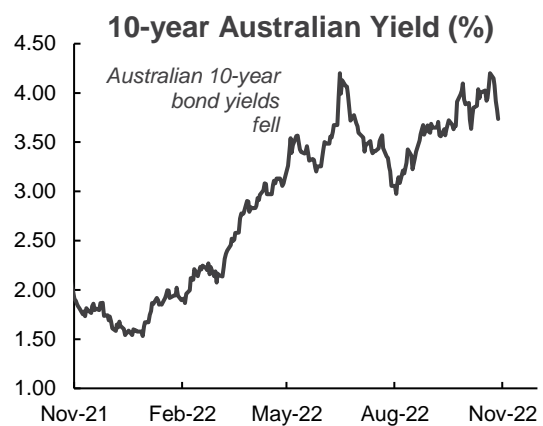
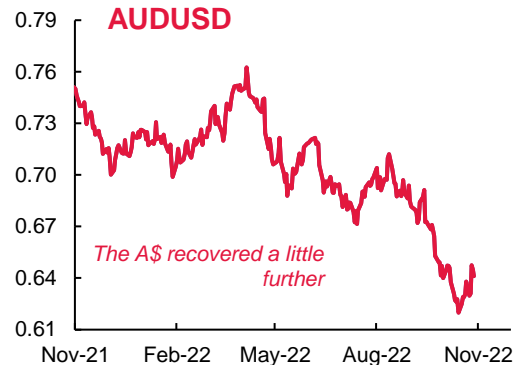
- Australian consumer prices rose by 1.8% in the September quarter and by 7.3% over the past year. This was a little higher than generally expected which prompted some analysts to expect more aggressive rate hikes by the Reserve Bank of Australia (RBA).
- This news, however, was more than offset by growing evidence that global central banks are poised to slow the pace of rate hikes. Last week, the Bank of Canada raised rates by 50bps when it was widely expected to lift rates by 75bps. The European Central Bank did raise rates by 75bps as expected but its rhetoric was surprisingly dovish.
- As a result, bond yields fell sharply, particularly in Australia. Australian 3-year bond yields fell by 48bps while 10-year yields fell 46bps. US 10-year yields fell 20bps to 4.01% and German 10-year bond yields closed down 31bps at 2.1%.
- The decline in bond yields enabled equities to rebound. The US S&P500 surged 4% last week, while European stocks gained 3.7%. The Australian ASX200 climbed 1.6% while Chinese equities were the underperformer falling by 4%.

Economic calendar

Monday 31/10	AU: Retail sales, Sep EU: Consumer inflation, Oct
Tuesday 25/10	AU: RBA policy meeting US: ISM manufacturing, Oct
Wednesday 26/10	US: Fed FOMC meeting JP: Bank of Japan meeting minutes
Thursday 27/10	UK: Bank of England policy meeting US: ISM services, Oct
Friday 28/10	AU: RBA Statement on Monetary Policy US: Non-farm payrolls, Oct

The week ahead

- It's a blockbuster week for economic data and events with central banks playing a starring role.
- The Reserve Bank of Australia begins proceedings when it meets on Tuesday to decide whether to hike rates by 25bps or 50bps. On Wednesday, the US Federal Reserve is expected to hike rates by 75bps and then on Thursday the Bank of England is also expected to raise its policy rate by 75bps. To round out the week, the RBA will release its quarterly Statement on Monetary Policy which will include updated forecasts.
- On the data front, we have two of the most impactful US economic releases with the ISM manufacturing survey (which has been surprisingly resilient so far) and employment (which has also held up well). In Australia, retail sales will be the main focus.



Financial markets data: Week ending 28 October 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	2.60	0	—	250	▲
90-day BBSW	3.08	5	▲	301	▲
3-year Australian Bond Yield	3.28	-48	▼	237	▲
10-year Australian Bond Yield	3.74	-46	▼	207	▲
20-year Australian Bond Yield	4.09	-44	▼	182	▲
10-year Australian Break-Even Inflation	2.34	0	▲	7	▲
10-year Australian Real Yield	1.40	-47	▼	200	▲
Fed Funds Rate (lower bound)	3.00	0	—	300	▲
2-year US Treasury Yield	4.41	-6	▼	368	▲
10-year US Treasury Yield	4.01	-20	▼	250	▲
30-year US Treasury Yield	4.14	-19	▼	224	▲
10-year German Bund Yield	2.10	-31	▼	228	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	3.12	-15	▼	277	▲
1.00% 8 February 2024	3.62	-33	▼	280	▲
5.00% 20 August 2024	3.66	-35	▼	264	▲
1.25% 20 March 2025	3.62	-43	▼	240	▲
4.00% 20 May 2026	3.81	-42	▼	234	▲
3.00% 20 May 2027	3.91	-45	▼	230	▲
3.00% 20 March 2028	4.00	-45	▼	228	▲
3.00% 20 April 2029	4.11	-44	▼	230	▲
3.00% 20 February 2030	4.21	-44	▼	233	▲
2.00% 20 March 2031	4.34	-44	▼	239	▲
1.50% 20 February 2032	4.46	-43	▼	245	▲
2.00% 8 March 2033	4.53	-44	▼	244	▲
3.50% 20 March 2034	4.61	-43	▼	247	▲
2.75% 20 November 2025 CIB	0.50	-59	▼	154	▲
2.50% 20 November 2035 CIB	2.11	-45	▼	207	▲
10-year NSW TCorp Bond Yield	4.47	-42	▼	250	▲
10-year TCV (Victoria) Spread	0.00	0	▲	-3	▼
10-year QTC (Queensland) Spread	-0.07	0	▼	-9	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,786	1.6%	▲	-8.9%	▼
S&P 500 (US)	3,901	4.0%	▲	-18.2%	▼
FTSE 100 (UK)	7,048	1.1%	▲	-4.6%	▼
DJ Stoxx 600 (Europe)	411	3.7%	▲	-15.8%	▼
Nikkei 225 (Japan)	27,105	0.8%	▲	-5.9%	▼
Shanghai Composite (China)	2,916	-4.0%	▼	-19.9%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.641	0.5%	▲	-11.7%	▼
EUR/USD	0.997	1.0%	▲	-12.4%	▼
USD/JPY	147.60	0.0%	▼	28.3%	▲
GBP/USD	1.16	2.8%	▲	-14.2%	▼
US\$ Index	110.75	-1.1%	▼	15.8%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	95.77	2.4%	▲	23.1%	▲
Iron Ore (US\$/t)	92.59	-2.0%	▼	-17.7%	▼
Coking Coal (US\$/t)	3,260.00	18.9%	▲	58.8%	▲
Gold (US\$/oz)	1,644.86	-0.8%	▼	-10.1%	▼

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