Weekly Economic Report

4 October 2022

The week that was

- Financial markets were again in turmoil, as investors reacted negatively to the new UK Government's budget which included large tax cuts as well as massive energy subsidies.
- As UK bond yields rose and the value of their assets declined, UK pension funds were forced to sell more bonds potentially creating a self-reinforcing market rout. This forced the Bank of England to intervene and buy government bonds even though they had been poised to begin selling their bond holdings.
- Through the volatility, US 10-year bond yields closed 14bps higher while German 10-year yields jumped 8bps. Australian 10-year yields bucked the trend last week managing to close down 3bps.
- Equity markets again crumpled in the wake of the bond market volatility. The S&P500 fell by 2.9%. Japanese shares declined 4.5% while the ASX200 dropped 1.5%.
- The Australian dollar also weakened in response to the 'risk-off' market tone, briefly dipping below US$0.64. The British pound closed the week up 2.9% following the Bank of England's intervention.

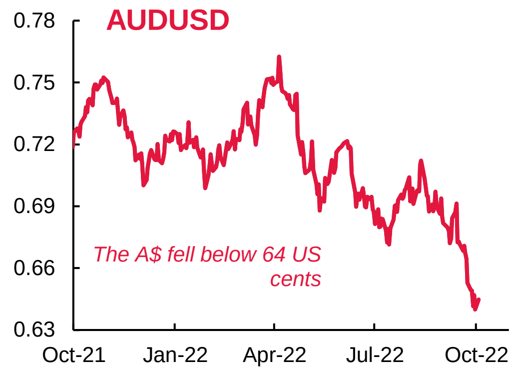
Economic calendar

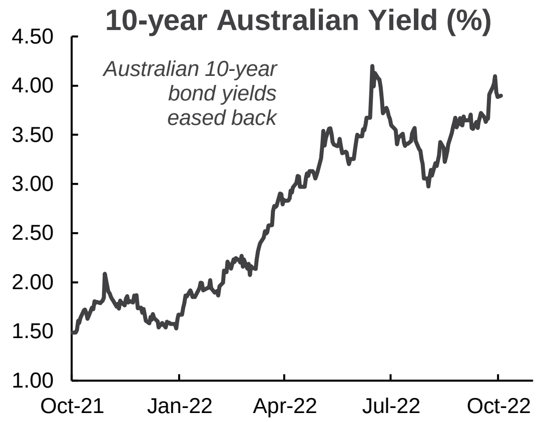
Monday 3/10	Global: Manufacturing PMIs, Sep
Tuesday 4/10	AU: RBA policy meeting AU: Building approvals, Aug
Wednesday 5/10	Global: Services PMIs, Sep NZ: RBNZ policy decision
Thursday 6/10	AU: Trade balance, Aug US: Initial jobless claims
Friday 7/10	AU: RBA Financial Stability Review US: Non-farm payrolls, Sep

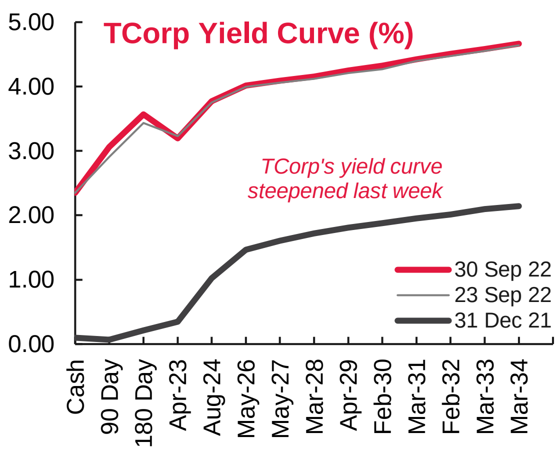
The week ahead

- The Reserve Bank of Australia (RBA) policy meeting looms large this week, as it continues to hike rates at the fastest pace since the 1980s.
- With the RBA raising rates so quickly it will take some time before the economic impact of their aggressive tightening campaign becomes apparent. Building approvals and home lending data will, however, be released this week and may start to show some of the effects.
- The Reserve Bank of New Zealand will also meet this week and could signal a slowing in the pace of its policy tightening, which could be interpreted as a signal that other central banks may follow suit.
- In economic data, US non-farm payrolls will be the key news, as that seems to be the main reason that US policymakers still claim that the US economy is strong.

Financial markets charts







Financial markets data: Week ending 30 September 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	2.35	0	–	225	▲
90-day BBSW	3.06	16	▲	300	▲
3-year Australian Bond Yield	3.52	-7	▼	261	▲
10-year Australian Bond Yield	3.89	-3	▼	222	▲
20-year Australian Bond Yield	4.13	-1	▼	186	▲
10-year Australian Break-Even Inflation	2.16	0	▼	-12	▼
10-year Australian Real Yield	1.73	-2	▼	233	▲
Fed Funds Rate (lower bound)	3.00	0	–	300	▲
2-year US Treasury Yield	4.28	8	▲	355	▲
10-year US Treasury Yield	3.83	14	▲	232	▲
30-year US Treasury Yield	3.78	17	▲	187	▲
10-year German Bund Yield	2.11	8	▲	229	▲

NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	3.20	-4	▼	285	▲
1.00% 8 February 2024	3.71	-1	▼	288	▲
5.00% 20 August 2024	3.77	2	▲	275	▲
1.25% 20 March 2025	3.85	-2	▼	262	▲
4.00% 20 May 2026	4.01	2	▲	255	▲
3.00% 20 May 2027	4.09	3	▲	248	▲
3.00% 20 March 2028	4.15	3	▲	244	▲
3.00% 20 April 2029	4.25	4	▲	244	▲
3.00% 20 February 2030	4.32	5	▲	245	▲
2.00% 20 March 2031	4.42	3	▲	247	▲
1.50% 20 February 2032	4.51	4	▲	250	▲
2.00% 8 March 2033	4.58	3	▲	249	▲
3.50% 20 March 2034	4.67	3	▲	252	▲
2.75% 20 November 2025 CIB	1.15	8	▲	219	▲
2.50% 20 November 2035 CIB	2.43	-2	▼	240	▲
10-year NSW TCorp Bond Yield	4.53	4	▲	255	▲
10-year TCV (Victoria) Spread	-0.01	0	▲	-5	▼
10-year QTC (Queensland) Spread	-0.07	1	▲	-9	▼

Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,474	-1.5%	▼	-13.0%	▼
S&P 500 (US)	3,586	-2.9%	▼	-24.8%	▼
FTSE 100 (UK)	6,894	-1.8%	▼	-6.6%	▼
DJ Stoxx 600 (Europe)	388	-0.7%	▼	-20.5%	▼
Nikkei 225 (Japan)	25,937	-4.5%	▼	-9.9%	▼
Shanghai Composite (China)	3,024	-2.1%	▼	-16.9%	▼

Currencies	Close	1 Week		YTD	
AUD/USD	0.640	-2.0%	▼	-11.9%	▼
EUR/USD	0.980	1.2%	▲	-13.8%	▼
USD/JPY	144.74	1.0%	▲	25.8%	▲
GBP/USD	1.12	2.9%	▲	-17.5%	▼
US$ Index	112.12	-0.9%	▼	17.2%	▲

Commodities	Close	1 Week		YTD	
Brent Oil (US$/bbl)	87.96	2.1%	▲	13.1%	▲
Iron Ore (US$/t)	98.31	-0.6%	▼	-12.6%	▼
Coking Coal (US$/t)	2,741.50	18.9%	▲	33.5%	▲
Gold (US$/oz)	1,660.61	1.0%	▲	-9.2%	▼

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

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