

Financial markets charts

The week that was

- The US Federal Reserve (Fed) held interest rates steady last week, noting that it needs to be convinced that inflation is sustainably returning to target before it cuts rates. As such, Fed Chairman Powell opined that a March rate cut is unlikely. Investors focused on the Fed's forward guidance becoming more neutral, rather than hawkish, contributing to US 10-year bond yields ending the week 12bps lower. The Bank of England also held interest rates steady and removed its tightening bias.
- US economic data was mostly positive last week, with strong employment growth, improving manufacturing activity and slowing wages growth. However, some concerns around banks' exposures to US commercial real estate resurfaced. The S&P500 ended the week 1.4% higher.
- In Australia, consumer price inflation in the December quarter of 2023 was significantly lower than anticipated, by economists and the Reserve Bank of Australia (RBA). This saw Australian 3-year and 10-year bond yields end the week around 25bps lower, as investors now expect the RBA to start cutting interest rates in June and deliver 50-75bps of rate cuts in 2024. The ASX200 ended the week 1.9% higher. Ongoing soft retail sales and building approvals in December highlighted how the RBA's monetary policy tightening is weighing on domestic activity.
- The European economy stagnated in the December quarter, and over 2023, with Germany's economy particularly weak.

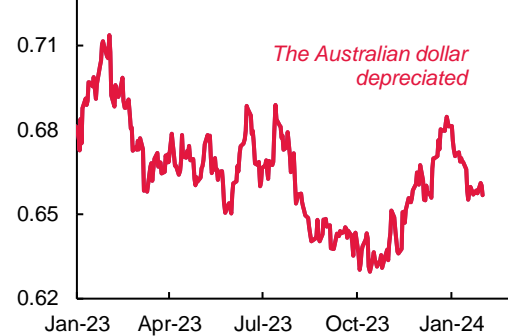
Economic calendar

Monday 05/02	US: ISM Services index, Jan Global: PMIs, Jan (final) CH: Caixin services PMI, Jan
Tuesday 06/02	AU: RBA policy decision; RBA Statement on Monetary Policy; Retail sales volumes, Dec qtr
Wednesday 07/02	GE: Industrial production, Dec
Thursday 08/02	CH: CPI & PPI, Jan
Friday 09/02	GE: CPI, Jan (final) CA: Labour market data, Jan

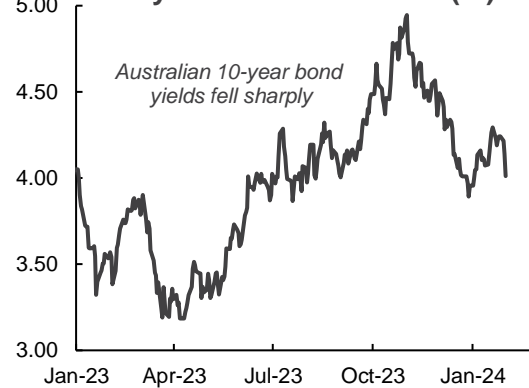
The week ahead

- Investors will focus on the RBA Board meeting and the release of its Statement on Monetary Policy on Tuesday. Following the softer inflation data, close attention will be on whether the RBA retains a tightening bias or shifts focus to how long it should keep rates steady before lowering them, like central banks in the US, Europe, UK, and Canada.
- Following a surprise improvement in the US ISM manufacturing index, investors will look to see if the ISM services index also strengthened.

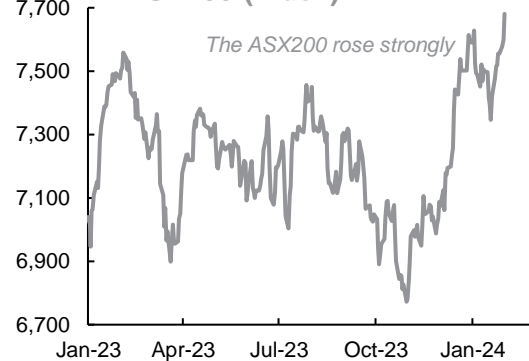
AUD/USD



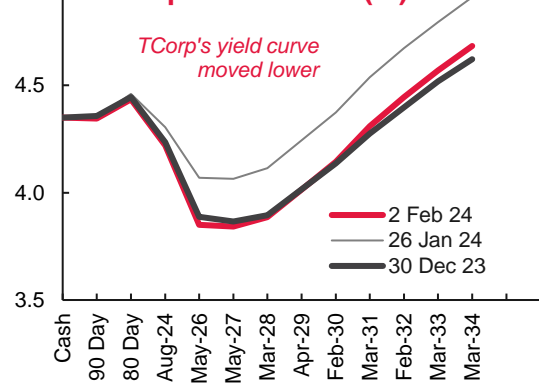
10-year Australian Yield (%)



ASX200 (Index)



TCorp Yield Curve (%)



Financial markets data: Week ending 2 February 2024

INTEREST RATES	CLOSE (%)	1 WEEK (BPS)		YTD (BPS)	
RBA Cash Rate	4.35	0	—	0	—
90-day BBSW	4.32	-3	▼	-3	▼
3-year Australian Bond Yield	3.55	-25	▼	-6	▼
10-year Australian Bond Yield	3.98	-26	▼	2	▲
20-year Australian Bond Yield	4.29	-26	▼	5	▲
10-year Australian Break-Even Inflation	2.46	-7	▼	-11	▼
10-year Australian Real Yield	1.52	-19	▼	13	▲
Fed Funds Rate (lower bound)	5.25	0	—	0	—
2-year US Treasury Yield	4.36	1	▲	11	▲
10-year US Treasury Yield	4.02	-12	▼	14	▲
30-year US Treasury Yield	4.22	-15	▼	19	▲
10-year German Bund Yield	2.24	-6	▼	22	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
1.00% 8 February 2024	4.24	-7	▼	-7	▼
5.00% 20 August 2024	4.26	-4	▼	3	▲
1.25% 20 March 2025	4.02	-17	▼	-1	▼
4.00% 20 May 2026	3.85	-22	▼	-4	▼
3.00% 20 May 2027	3.83	-24	▼	-4	▼
3.00% 20 March 2028	3.87	-25	▼	-3	▼
3.00% 20 April 2029	3.99	-25	▼	-2	▼
3.00% 20 February 2030	4.11	-26	▼	-2	▼
2.00% 20 March 2031	4.27	-27	▼	0	▼
1.50% 20 February 2032	4.41	-27	▼	1	▲
2.00% 8 March 2033	4.53	-27	▼	1	▲
1.75% 20 March 2034	4.64	-27	▼	2	▲
2.75% 20 November 2025 CIB	1.29	-6	▼	23	▲
2.50% 20 November 2035 CIB	2.18	-19	▼	11	▲
10-year NSW TCorp Bond Yield	4.58	-27	▼	2	▲
10-year TCV (Victoria) Spread	0.09	0	▲	-2	▼
10-year QTC (Queensland) Spread	-0.07	0	▲	1	▲
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,699	1.9%	▲	1.4%	▲
S&P500 (US)	4,959	1.4%	▲	4.0%	▲
FTSE 100 (UK)	7,616	-0.3%	▼	-1.5%	▼
DJ Stoxx600 (Europe)	484	0.0%	▲	1.0%	▲
Nikkei 225 (Japan)	36,158	1.1%	▲	8.0%	▲
Shanghai Composite (China)	2,730	-6.2%	▼	-8.2%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.651	-1.0%	▼	-4.4%	▼
EUR/USD	1.079	-0.6%	▼	-2.3%	▼
USD/JPY	148.38	0.2%	▲	5.2%	▲
GBP/USD	1.26	-0.6%	▼	-0.8%	▼
US\$ Index	103.92	0.5%	▲	2.6%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	77.33	-7.4%	▼	0.4%	▲
Iron Ore (US\$/t)	128.00	-5.4%	▼	-6.1%	▼
Coking Coal (US\$/t)	249.67	3.6%	▲	-9.4%	▼
Gold (US\$/oz)	2,039.76	1.1%	▲	-1.1%	▼

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