

Weekly Economic Report

05 October 2021

The week that was

- Hawkish signals from major central banks globally, concern on the US government shutdown and debt ceiling and unease on regulatory developments in China were catalysts for lower equities and higher bond yields for the final week of Q3 2021.
- While overshadowed, economic data were mixed. The picture in the US and Europe was of slowing momentum. In Australia, positive surprises to August credit, dwelling approvals and job vacancies pointed to resilient underlying conditions.
- Bond yields rose over the week, however the march higher slowed compared to the prior week. US 10-year bond yields were up 1bp to 1.46% and German 10-year yields were flat at -0.22%. Larger gains were seen in Australian 10-year yields, up 9bps to 1.49%. TCorp's 10-year yield was up 8bps, to 1.82%.
- Equity markets were firmly in the red. The ASX200 recorded a weekly loss of -2.1%, the S&P500 -2.3% and the Stoxx600 -2.2%.
- The Australian dollar was flat at US\$0.726, with the stabilising iron ore price likely again supportive.

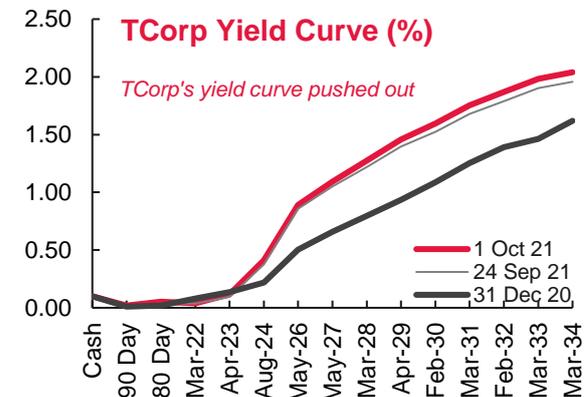
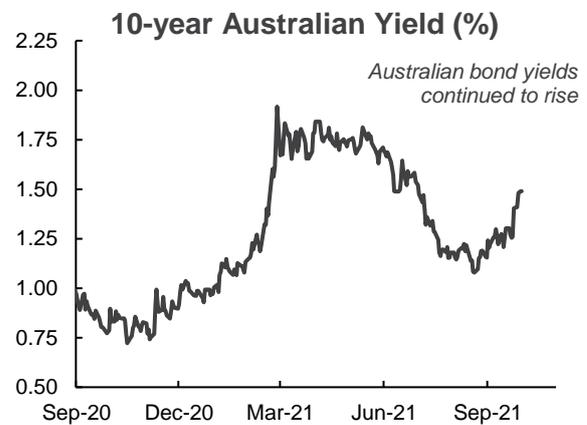
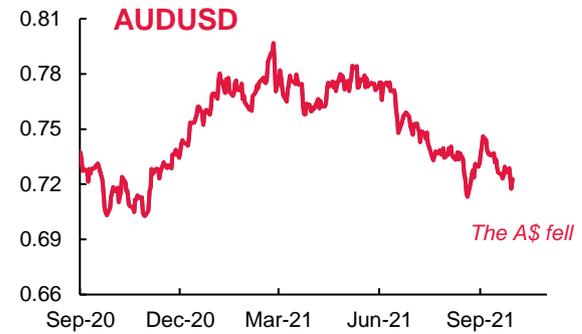
Economic calendar

Tuesday 05/10	AU: Reserve Bank of Australia policy decision, Oct, ANZ Job ads, Sep, Markit Services PMI, Sep (final), Markit Manufacturing PMI, Sep (final), Trade balance, Aug US: Durable goods orders, Aug (final), Trade balance, Aug
Wednesday 06/10	EC: ECB Lagarde speaks US: ISM Services Index, Sep, ADP employment, Sep
Thursday 07/10	US: Challenger job cuts, Sep
Friday 08/10	AU: RBA Financial Stability Review CH: Caixin China Composite PMI and Services PMI, Sep US: Non-Farm Payrolls, Sep, Unemployment rate, Sep, Average earnings, Sep, Consumer credit, Aug

The week ahead

- In Australia, the Reserve Bank of Australia's (RBA) October decision is a key focus. Markets are looking for any update from the RBA on its asset tapering plans or economic outlook. In September, the RBA delayed review of the pace of purchases to early 2022 and has been clear that rate hikes are not until 2024.
- US Non-Farm Payrolls are another highlight, following the weak August report. Employment conditions are important for forthcoming plans from the Federal Reserve on its own asset tapering.

Financial markets charts



Financial markets data: Week ending 01 October 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	–	0	–
90-day BBSW	0.02	0	▲	1	▲
3-year Australian Bond Yield	0.33	4	▲	23	▲
10-year Australian Bond Yield	1.49	9	▲	52	▲
20-year Australian Bond Yield	2.19	10	▲	48	▲
10-year Australian Break-Even Inflation	1.90	-11	▼	13	▲
10-year Australian Real Yield	-0.41	19	▲	39	▲
Fed Funds Rate (lower bound)	0.00	0	–	0	–
2-year US Treasury Yield	0.26	-1	▼	14	▲
10-year US Treasury Yield	1.46	1	▲	55	▲
30-year US Treasury Yield	2.03	5	▲	38	▲
10-year German Bund Yield	-0.22	0	▲	35	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.04	1	▲	-4	▼
4.00% 20 April 2023	0.12	2	▲	-2	▼
1.00% 8 February 2024	0.30	4	▲	11	▲
5.00% 20 August 2024	0.41	4	▲	19	▲
4.00% 20 May 2026	0.89	3	▲	39	▲
3.00% 20 May 2027	1.09	4	▲	43	▲
3.00% 20 March 2028	1.28	5	▲	48	▲
3.00% 20 April 2029	1.46	6	▲	52	▲
3.00% 20 February 2030	1.59	7	▲	51	▲
2.00% 20 March 2031	1.75	8	▲	50	▲
1.50% 20 February 2032	1.87	8	▲	48	▲
2.00% 8 March 2033	1.98	8	▲	52	▲
3.50% 20 March 2034	2.04	8	▲	42	▲
2.75% 20 November 2025 CIB	-1.08	13	▲	2	▲
2.50% 20 November 2035 CIB	0.10	0	–	19	▲
10-year NSW TCorp Bond Yield	1.82	8	▲	58	▲
10-year TCV (Victoria) Spread	0.02	-1	▼	0	▼
10-year QTC (Queensland) Spread	-0.02	-1	▼	2	▲
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,186	-2.1%	▼	9.1%	▲
S&P500 (US)	4,357	-2.2%	▼	16.0%	▲
FTSE 100 (UK)	7,027	-0.3%	▼	8.8%	▲
DJ Stoxx600 (Europe)	453	-2.2%	▼	13.5%	▲
Nikkei 225 (Japan)	28,771	-4.9%	▼	4.8%	▲
Shanghai Composite (China)	3,568	-1.2%	▼	2.7%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.726	-0.1%	▼	-5.7%	▼
EUR/USD	1.160	-1.1%	▼	-5.1%	▼
USD/JPY	111.05	0.3%	▲	7.6%	▲
GBP/USD	1.35	-1.0%	▼	-0.9%	▼
US\$ Index	94.04	0.8%	▲	4.6%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	79.28	1.5%	▲	53.1%	▲
Iron Ore (US\$/t)	114.47	3.1%	▲	-27.7%	▼
Coking Coal (US\$/t)	3,764.00	2.4%	▲	150.8%	▲
Gold (US\$/oz)	1,760.98	0.6%	▲	-7.2%	▼

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