

The week that was

- A hawkish pivot from US Federal Reserve Chair Powell and the spread of the Omicron COVID-19 variant were the key factors driving markets last week, with equities falling and yield curves flattening.
- Powell signalled the Fed would end bond buying more quickly than previously suggested, as he thought inflation would be more persistent. This resulted in US 2-year bond yields rising by 9bps (reflecting expectations of more tightening) while 10-year yields fell 13bps (as that will slow growth and inflation). Australian 10-year yields also fell by 13bps to 1.61%, while TCorp's 10-year yield dropped 14bps to 1.96%.
- Equity markets also fell due to the risk of more aggressive Fed tightening as well as COVID-19 concerns. Japan's Nikkei 225 declined by 2.5%, the Australian stock market fell 0.5% while the US S&P500 fell by 1.2%.
- While oil prices fell by 3.9% on expectations of reduced travel demand due to COVID-19, bulk commodity prices rose on hopes that Chinese authorities would begin stimulating growth. Iron ore prices rose 6.4% while coal prices climbed 4.7%. Despite that, the Australian dollar continued to decline, down 1.7% to US\$0.70.

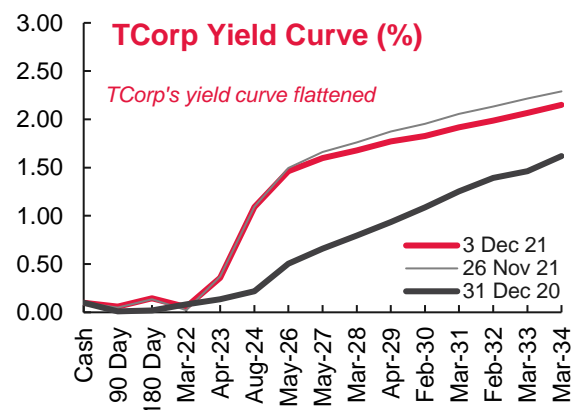
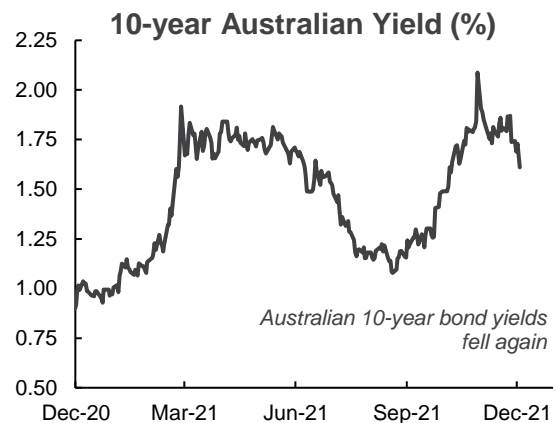
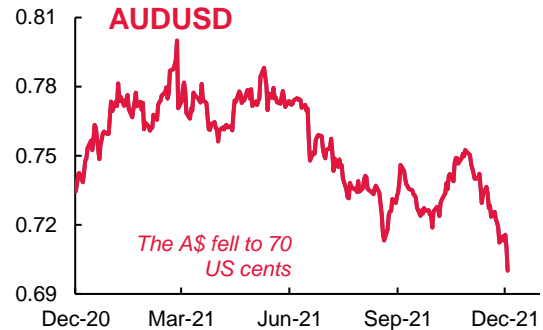
Economic calendar

Monday 6/12	AU: Job advertisements, Nov
Tuesday 7/12	AU: RBA Policy meeting EU: GDP, Q3
Wednesday 8/12	JP: GDP, Q3 CA: Bank of Canada policy meeting
Thursday 9/12	AU: RBA Governor speech CH: Consumer and producer inflation
Friday 10/12	US: Consumer inflation US: Consumer sentiment

The week ahead

- The Reserve Bank of Australia (RBA) holds its final policy meeting of the year this Tuesday, with the next meeting scheduled for February 2022 where the Board will clarify the RBA's plans for its bond buying programme.
- Already, however, some analysts are expecting the RBA to immediately end its bond buying in February which could trigger further volatility in the bond market. Some reassurance from the RBA that the exit from QE will be gradual could certainly provide support to the market over the next 2 months.
- Globally, inflation data in China and the US will be important while the Bank of Canada also meets this week and could begin tightening policy.

Financial markets charts



Financial markets data: Week ending 3 December 2021

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.10	0	—	0	—
90-day BBSW	0.06	1	▲	5	▲
3-year Australian Bond Yield	0.90	-2	▼	79	▲
10-year Australian Bond Yield	1.61	-13	▼	64	▲
20-year Australian Bond Yield	2.17	-13	▼	46	▲
10-year Australian Break-Even Inflation	2.02	-9	▼	25	▲
10-year Australian Real Yield	-0.41	-4	▼	39	▲
Fed Funds Rate (lower bound)	0.00	0	—	0	—
2-year US Treasury Yield	0.59	9	▲	47	▲
10-year US Treasury Yield	1.34	-13	▼	43	▲
30-year US Treasury Yield	1.67	-15	▼	3	▲
10-year German Bund Yield	-0.39	-5	▼	18	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 March 2022	0.06	3	▲	-3	▼
4.00% 20 April 2023	0.36	-1	▼	22	▲
1.00% 8 February 2024	0.91	0	▲	72	▲
5.00% 20 August 2024	1.09	0	▼	87	▲
4.00% 20 May 2026	1.46	-3	▼	96	▲
3.00% 20 May 2027	1.60	-6	▼	94	▲
3.00% 20 March 2028	1.68	-8	▼	88	▲
3.00% 20 April 2029	1.77	-10	▼	84	▲
3.00% 20 February 2030	1.83	-13	▼	74	▲
2.00% 20 March 2031	1.92	-14	▼	67	▲
1.50% 20 February 2032	1.99	-15	▼	60	▲
2.00% 8 March 2033	2.07	-15	▼	60	▲
3.50% 20 March 2034	2.15	-14	▼	53	▲
2.75% 20 November 2025 CIB	-0.81	9	▲	30	▲
2.50% 20 November 2035 CIB	0.23	-6	▼	32	▲
10-year NSW TCorp Bond Yield	1.96	-14	▼	72	▲
10-year TCV (Victoria) Spread	0.02	0	▼	0	▲
10-year QTC (Queensland) Spread	0.02	0	▲	6	▲
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,241	-0.5%	▼	9.9%	▲
S&P500 (US)	4,538	-1.2%	▼	20.8%	▲
FTSE 100 (UK)	7,122	1.1%	▲	10.2%	▲
DJ Stoxx600 (Europe)	463	-0.3%	▼	16.0%	▲
Nikkei 225 (Japan)	28,030	-2.5%	▼	2.1%	▲
Shanghai Composite (China)	3,607	1.2%	▲	3.9%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.700	-1.7%	▼	-9.5%	▼
EUR/USD	1.132	0.0%	▼	-7.9%	▼
USD/JPY	112.80	-0.5%	▼	9.5%	▲
GBP/USD	1.32	-0.8%	▼	-3.2%	▼
US\$ Index	96.12	0.0%	▲	6.9%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	69.88	-3.9%	▼	34.9%	▲
Iron Ore (US\$/t)	100.72	6.4%	▲	-35.4%	▼
Coking Coal (US\$/t)	2,675.00	4.7%	▲	78.3%	▲
Gold (US\$/oz)	1,783.29	-1.1%	▼	-6.1%	▼

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