

Weekly Economic Report

7 November 2022

Financial markets charts

The week that was

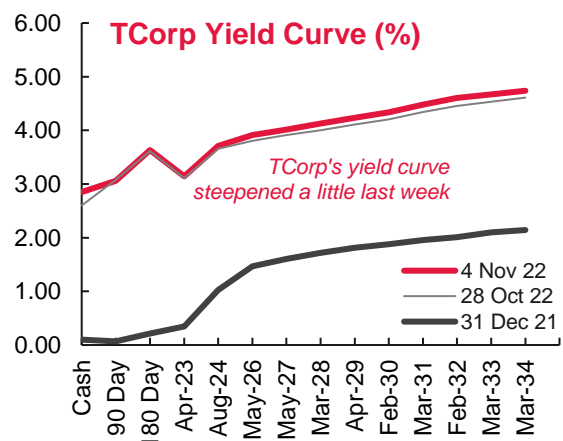
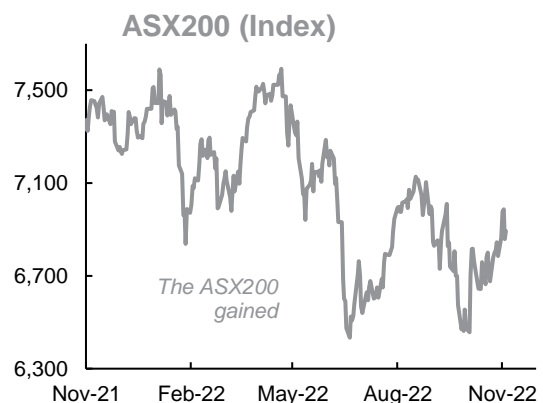
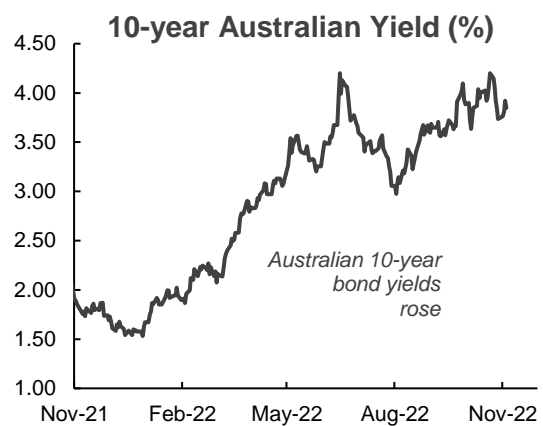
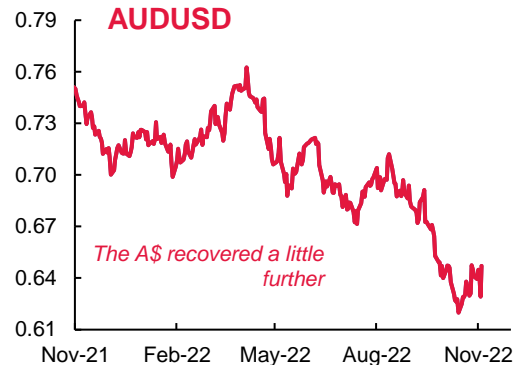
- Lifting interest rates by 75bps at its November policy meeting, the US Federal Reserve indicated that it plans to raise rates further than it did a couple of months ago. In contrast, other central banks indicated that they are nearing the end of their tightening cycles.
- The Fed's aggressive stance resulted in a sharp rise in 2-year bond yields, which climbed 24bps. US 10-year yields rose by 15bps. The outlook for tighter policy also hit the equity market, with the S&P500 falling by 3.3% over the week.
- In contrast, other equity markets recorded healthy gains last week. The Australian equity market rose 1.6% while European shares gained 1.5%.
- The Chinese stock market was the best performer last week, rising by 5.3%. This followed speculation that Chinese authorities were poised to abandon their COVID-zero strategy for dealing with the virus. While that may occur in 2023, officials quashed that speculation over the weekend and indicated that they would continue to pursue this strategy for the foreseeable future.

Economic calendar

Monday 7/11	CH: Trade balance, Sep
Tuesday 8/11	AU: NAB business survey, Oct AU: Consumer sentiment, Nov
Wednesday 9/11	AU: RBA deputy Governor speech
Thursday 10/11	US: Consumer inflation, Oct US: Jobless claims
Friday 11/11	US: Consumer sentiment, Nov

The week ahead

- It's a relatively quiet week for economic data releases but 2 notable events will be the focus of investors.
- First, the Deputy Governor of the Reserve Bank of Australia (RBA), Michelle Bullock, will speak about the economic outlook. The RBA has recently said that it is open minded about the future path of policy; it will be interesting to see if the Deputy Governor provides clarity on what the RBA will be watching.
- Globally, US inflation will be the key data release. Upside inflation surprises in recent months has prompted US policymakers to raise their estimate of how high interest rates need to go to tame price pressures. As such, investors will be hoping for some sign that the breadth and size of inflationary pressures are moderating.



Financial markets data: Week ending 4 November 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	2.85	25	▲	275	▲
90-day BBSW	3.06	-2	▼	299	▲
3-year Australian Bond Yield	3.35	7	▲	244	▲
10-year Australian Bond Yield	3.85	12	▲	218	▲
20-year Australian Bond Yield	4.22	13	▲	195	▲
10-year Australian Break-Even Inflation	2.37	3	▲	10	▲
10-year Australian Real Yield	1.48	8	▲	208	▲
Fed Funds Rate (lower bound)	3.75	75	▲	375	▲
2-year US Treasury Yield	4.66	24	▲	393	▲
10-year US Treasury Yield	4.16	15	▲	265	▲
30-year US Treasury Yield	4.25	10	▲	234	▲
10-year German Bund Yield	2.30	19	▲	247	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	3.14	2	▲	280	▲
1.00% 8 February 2024	3.64	2	▲	281	▲
5.00% 20 August 2024	3.71	5	▲	269	▲
1.25% 20 March 2025	3.72	10	▲	250	▲
4.00% 20 May 2026	3.91	11	▲	245	▲
3.00% 20 May 2027	4.01	10	▲	241	▲
3.00% 20 March 2028	4.13	13	▲	241	▲
3.00% 20 April 2029	4.23	13	▲	242	▲
3.00% 20 February 2030	4.34	13	▲	246	▲
2.00% 20 March 2031	4.48	14	▲	253	▲
1.50% 20 February 2032	4.60	15	▲	259	▲
2.00% 8 March 2033	4.67	14	▲	257	▲
3.50% 20 March 2034	4.74	13	▲	260	▲
2.75% 20 November 2025 CIB	0.49	-2	▼	152	▲
2.50% 20 November 2035 CIB	2.24	13	▲	220	▲
10-year NSW TCorp Bond Yield	4.60	13	▲	263	▲
10-year TCV (Victoria) Spread	0.00	0	▼	-4	▼
10-year QTC (Queensland) Spread	-0.07	0	▲	-8	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	6,892	1.6%	▲	-7.4%	▼
S&P 500 (US)	3,771	-3.3%	▼	-20.9%	▼
FTSE 100 (UK)	7,335	4.1%	▲	-0.7%	▼
DJ Stoxx 600 (Europe)	417	1.5%	▲	-14.5%	▼
Nikkei 225 (Japan)	27,200	0.3%	▲	-5.5%	▼
Shanghai Composite (China)	3,071	5.3%	▲	-15.6%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.647	0.9%	▲	-10.9%	▼
EUR/USD	0.996	-0.1%	▼	-12.4%	▼
USD/JPY	146.62	-0.7%	▼	27.4%	▲
GBP/USD	1.14	-2.0%	▼	-15.9%	▼
US\$ Index	110.88	0.1%	▲	15.9%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	98.57	2.9%	▲	26.7%	▲
Iron Ore (US\$/t)	86.97	-6.1%	▼	-22.7%	▼
Coking Coal (US\$/t)	3,080.00	-5.5%	▼	50.0%	▲
Gold (US\$/oz)	1,681.87	2.3%	▲	-8.1%	▼

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