

Weekly Economic Report

16 May 2022

The week that was

- Global growth risks came into focus last week. With aggressive tightening now widely expected across the major central banks, markets indicated that a hard landing is an increasingly likely possibility.
- The US CPI report for April was strong, and only reinforced expectations for tightening from the US Federal Reserve. Headline CPI came in at a yearly pace of 8.3%, with core CPI running at 6.2%. Both were ahead of expectations. The report showed that pressures are also sticky, including with rents rising.
- In Australia, sentiment surveys were mixed and suggest a softer outlook. Consumer sentiment fell to its lowest level since August 2020, with the drag from rate hikes and inflation apparent. The NAB business survey for April was strong, though forward expectations did weaken.
- Bond yields slid, alongside the growth outlook. The US 10-year yield declined 21bps, to 2.92%, the German 10-year yield was down 18bps to 0.95%. Australian 10-year yields fell 7bps, to 3.40%. TCorp's 10-year yield eased 6bps, to 3.78%.
- Equities were choppy. The ASX200 fell 1.8% and the US S&P500 was down 2.4%. Still, Europe's Stoxx600 gained 0.8% and China's Shanghai Composite rose 2.8%.
- The Australian dollar slid 1.9% to US\$0.694.

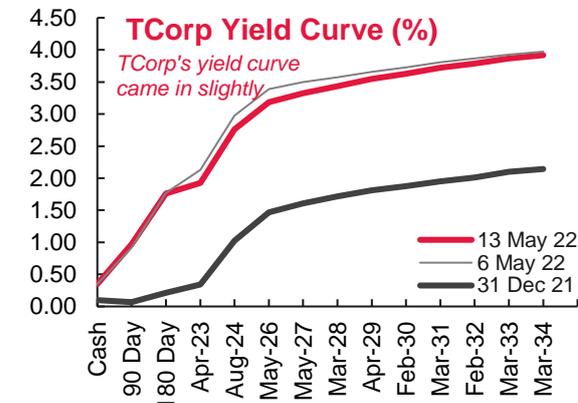
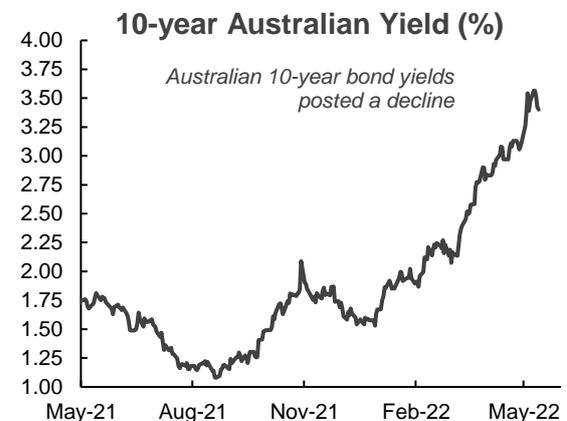
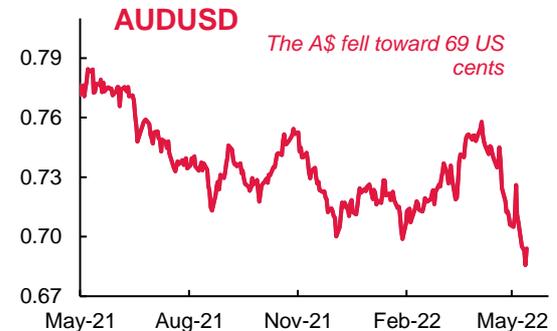
Economic calendar

Monday 16/05	CH: Industrial production, Retail sales, Fixed investment, Apr
Tuesday 17/05	AU: RBA meeting minutes, May US: Retail sales, Apr, Industrial production, Apr
Wednesday 18/05	AU: Wage price index, Mar qtr, Westpac leading index, Apr CH: New home prices, Apr US: Business inventories, Mar, NAHB housing index, May, Housing starts, Apr, Building permits, Apr
Thursday 19/05	AU: Employment, Apr EU: ECB meeting summary, Apr
Friday 20/05	US: Existing home sales, Apr

The week ahead

- In Australia, the focus will be the Reserve Bank of Australia's meeting minutes for May, with investors looking for more clarity on the rationale for the unexpected rate hike. The March quarter wage price index - though a lagging indicator, and the April employment report, will be critical.
- With many US and China economic releases on the docket, there will be a timely update on the strength of activity in these major economies.

Financial markets charts



Financial markets data: Week ending 13 May 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.35	0	–	25	▲
90-day BBSW	0.97	5	▲	90	▲
3-year Australian Bond Yield	2.82	-20	▼	191	▲
10-year Australian Bond Yield	3.40	-7	▼	173	▲
20-year Australian Bond Yield	3.75	-5	▼	148	▲
10-year Australian Break-Even Inflation	2.30	-27	▼	3	▲
10-year Australian Real Yield	1.10	20	▲	170	▲
Fed Funds Rate (lower bound)	0.75	0	–	75	▲
2-year US Treasury Yield	2.58	-15	▼	185	▲
10-year US Treasury Yield	2.92	-21	▼	141	▲
30-year US Treasury Yield	3.08	-15	▼	118	▲
10-year German Bund Yield	0.95	-18	▼	113	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	1.93	-21	▼	158	▲
1.00% 8 February 2024	2.54	-23	▼	172	▲
5.00% 20 August 2024	2.76	-22	▼	174	▲
1.25% 20 March 2025	2.98	-21	▼	176	▲
4.00% 20 May 2026	3.18	-20	▼	172	▲
3.00% 20 May 2027	3.32	-17	▼	172	▲
3.00% 20 March 2028	3.44	-14	▼	172	▲
3.00% 20 April 2029	3.55	-11	▼	174	▲
3.00% 20 February 2030	3.63	-10	▼	175	▲
2.00% 20 March 2031	3.72	-8	▼	177	▲
1.50% 20 February 2032	3.79	-8	▼	178	▲
2.00% 8 March 2033	3.86	-6	▼	177	▲
3.50% 20 March 2034	3.92	-6	▼	178	▲
2.75% 20 November 2025 CIB	0.03	-6	▼	107	▲
2.50% 20 November 2035 CIB	1.65	20	▲	161	▲
10-year NSW TCorp Bond Yield	3.78	-6	▼	181	▲
10-year TCV (Victoria) Spread	0.03	0	▲	-1	▼
10-year QTC (Queensland) Spread	-0.01	-1	▼	-3	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,075	-1.8%	▼	-5.0%	▼
S&P500 (US)	4,024	-2.4%	▼	-15.6%	▼
FTSE 100 (UK)	7,418	0.4%	▲	0.5%	▲
DJ Stoxx600 (Europe)	433	0.8%	▲	-11.1%	▼
Nikkei 225 (Japan)	26,428	-2.1%	▼	-8.2%	▼
Shanghai Composite (China)	3,084	2.8%	▲	-15.3%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.694	-1.9%	▼	-4.4%	▼
EUR/USD	1.041	-1.3%	▼	-8.4%	▼
USD/JPY	129.22	-1.0%	▼	12.3%	▲
GBP/USD	1.23	-0.7%	▼	-9.4%	▼
US\$ Index	104.56	0.9%	▲	9.3%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	111.55	-0.7%	▼	43.4%	▲
Iron Ore (US\$/t)	126.97	-7.9%	▼	4.9%	▲
Coking Coal (US\$/t)	2,638.00	-6.8%	▼	28.5%	▲
Gold (US\$/oz)	1,811.79	-3.8%	▼	-1.0%	▼

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