

Weekly Economic Report

09 May 2022

The week that was

- Market focus on the aggressive outlook for global interest rates reached fever pitch, with several key rate decisions during the week. These announcements affirmed the recent run up in expectations that central banks are determined to squash inflation, even with growth slowing.
- The Reserve Bank of Australia (RBA) surprised most with a 25bps hike, taking the cash rate to 0.35%, significantly upgrading its forecasts for inflation. The US Federal Reserve followed with a 50bps rate rise, and 50bps hikes are foreshadowed for the “next couple” of meetings. The Bank of England lifted the bank rate by 25bps to 1.00%.
- Economic data pointed to solid-paced, late cycle activity. US Non-farm payrolls grew 428,000 in April, in line with March. The US ISM manufacturing survey dipped from 57.1 for March to 55.4 for April, still a firm level. In Australia, retail sales and housing finance reports were solid.
- Bond yields unsurprisingly soared. Australian 10-year yields gained 35bps, to 3.47%. TCorp’s 10-year yield rose 33bps, to 3.84%. US 10-year yields increased 19bps to 3.13%. The German 10-year yield rose 19bps to 1.13%.
- Equities fell. The ASX200 dropped 3.1%, the US S&P500 lost 0.2%, Europe’s Stoxx600 was down 4.5%. China’s Shanghai Composite dipped 1.5%.
- The Australian dollar regained 0.2%, to US\$0.708.

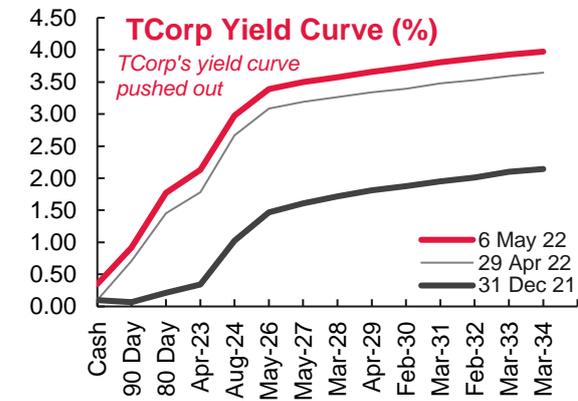
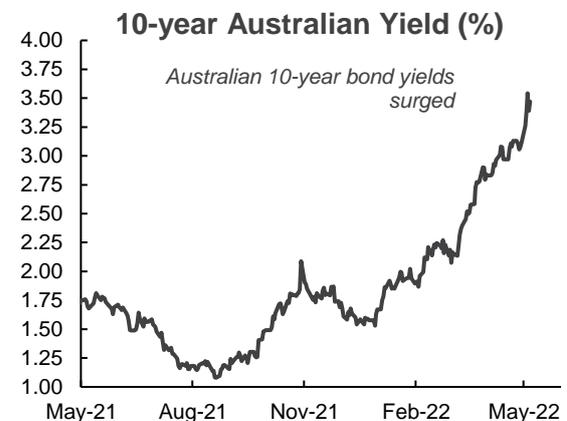
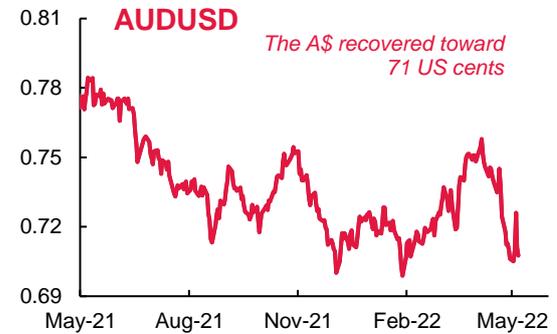
Economic calendar

Monday 09/05	CH: Trade balance, Apr JP: Bank of Japan meeting minutes
Tuesday 10/05	AU: NAB Business Survey, Apr, Real retail sales, Mar qtr
Wednesday 11/05	AU: Westpac Consumer Survey, May CH: CPI, Apr, PPI, Apr EU: ECB President Lagarde speech US: CPI, Apr, Real earnings, Apr
Thursday 12/05	UK: GDP, Mar qtr (prelim) US: PPI, Apr
Friday 13/05	AU: RBA Deputy Governor Bullock panel presentation US: Import prices and export prices, Apr, University of Michigan Consumer Survey, May (prelim)

The week ahead

- Business and consumer surveys are due in Australia, providing new information on conditions and the outlook. This will be critical given the RBA’s unexpectedly hawkish move. Comments from the Deputy Governor will also be a focus.
- US CPI for April will also be key, given the instrumental role in forthcoming rate hikes.

Financial markets charts



Financial markets data: Week ending 06 May 2022

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.35	25	▲	25	▲
90-day BBSW	0.92	21	▲	85	▲
3-year Australian Bond Yield	3.02	31	▲	210	▲
10-year Australian Bond Yield	3.47	35	▲	180	▲
20-year Australian Bond Yield	3.79	37	▲	152	▲
10-year Australian Break-Even Inflation	2.57	2	▲	30	▲
10-year Australian Real Yield	0.90	33	▲	150	▲
Fed Funds Rate (lower bound)	0.75	50	▲	75	▲
2-year US Treasury Yield	2.73	2	▲	200	▲
10-year US Treasury Yield	3.13	19	▲	162	▲
30-year US Treasury Yield	3.23	23	▲	132	▲
10-year German Bund Yield	1.13	19	▲	131	▲
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	2.13	35	▲	179	▲
1.00% 8 February 2024	2.78	32	▲	195	▲
5.00% 20 August 2024	2.98	31	▲	195	▲
1.25% 20 March 2025	3.19	32	▲	197	▲
4.00% 20 May 2026	3.39	30	▲	192	▲
3.00% 20 May 2027	3.50	31	▲	189	▲
3.00% 20 March 2028	3.58	31	▲	186	▲
3.00% 20 April 2029	3.66	32	▲	185	▲
3.00% 20 February 2030	3.72	33	▲	185	▲
2.00% 20 March 2031	3.81	33	▲	185	▲
1.50% 20 February 2032	3.87	34	▲	186	▲
2.00% 8 March 2033	3.93	34	▲	183	▲
3.50% 20 March 2034	3.97	33	▲	183	▲
2.75% 20 November 2025 CIB	0.09	16	▲	113	▲
2.50% 20 November 2035 CIB	1.45	32	▲	142	▲
10-year NSW TCorp Bond Yield	3.84	33	▲	186	▲
10-year TCV (Victoria) Spread	0.02	0	▼	-2	▼
10-year QTC (Queensland) Spread	0.00	0	▼	-2	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,206	-3.1%	▼	-3.2%	▼
S&P500 (US)	4,123	-0.2%	▼	-13.5%	▼
FTSE 100 (UK)	7,388	-2.1%	▼	0.0%	▲
DJ Stoxx600 (Europe)	430	-4.5%	▼	-11.9%	▼
Nikkei 225 (Japan)	27,004	0.6%	▲	-6.2%	▼
Shanghai Composite (China)	3,002	-1.5%	▼	-17.5%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.708	0.2%	▲	-2.6%	▼
EUR/USD	1.055	0.1%	▲	-7.2%	▼
USD/JPY	130.56	0.7%	▲	13.5%	▲
GBP/USD	1.23	-1.8%	▼	-8.7%	▼
US\$ Index	103.66	0.7%	▲	8.4%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	112.39	2.8%	▲	44.5%	▲
Iron Ore (US\$/t)	137.92	-5.7%	▼	13.9%	▲
Coking Coal (US\$/t)	2,830.00	-5.4%	▼	37.8%	▲
Gold (US\$/oz)	1,883.81	-0.7%	▼	3.0%	▲

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