

The week that was

- The Reserve Bank of Australia left the cash rate at 0.25% following its May policy meeting. It did, however, indicate that it would accept investment grade corporate securities as collateral in the Bank's market operations which will support those bonds.
- The RBA's quarterly Statement of Monetary Policy highlighted the uncertainty surrounding the current climate, with the RBA detailing various potential scenarios for the economy. The base case has the economy shrinking 10% over 2020H1 before activity resumes in 2020H2.
- The US unemployment rate soared to 14.7% in April (up from 4.4% in March) as more than 20 million people lost their jobs in the month. The participation rate dropped 2.5ppts to 60.2%.
- Australia recorded its largest trade surplus on record for March, \$10.6 billion. Export growth was very strong, up 15.1% driven largely by China's reopening, while imports were down 3.6% over the month. This will result in net exports providing a positive contribution to 1Q GDP.

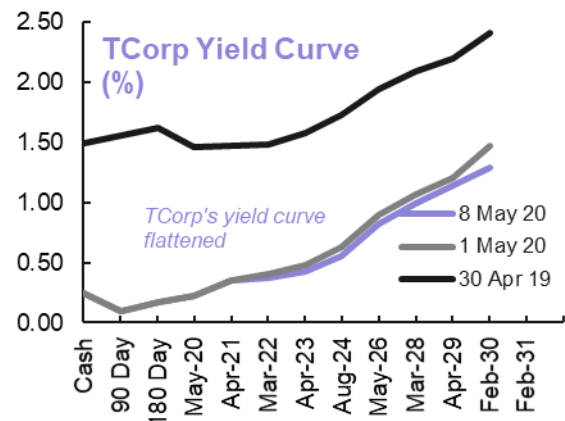
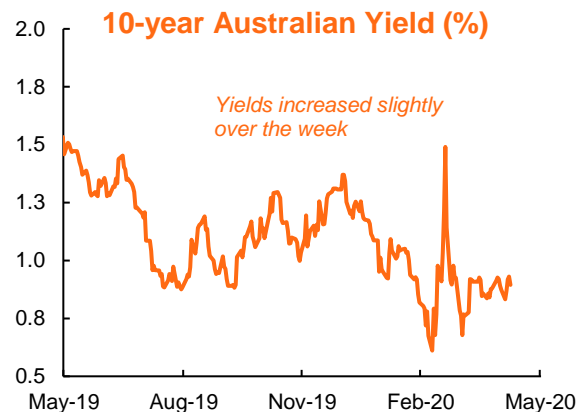
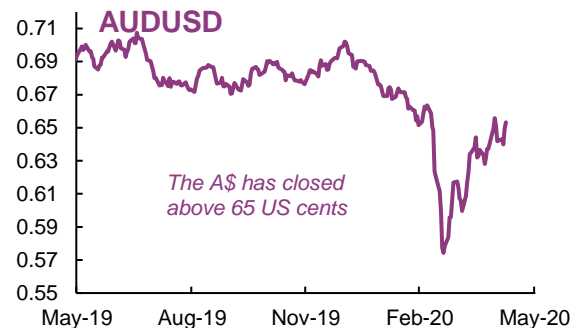
Economic calendar

Monday 11/05	
Tuesday 12/05	US: CPI, Apr
	AU: NAB business survey
Wednesday 13/05	AU: Wage price index, 1Q
	NZ: RBNZ Official cash rate, May
	EC: Industrial production, Mar
Thursday 14/05	AU: Unemployment rate, Apr
Friday 15/05	CH: Retail sales, Industrial production, Apr
	US: Retail sales, Industrial production, Apr

The week ahead

- While the government's JobKeeper wage subsidy package will limit the surge in unemployment, the April unemployment rate is expected to increase sharply from March (5.2%) as around 1 million people have lost their jobs since mid-March.
- Treasurer Frydenberg will make a speech this week focussing on the fiscal stimulus implemented so far and may also provide insight to the impact this response will have on the budget.
- China's industrial production data on Friday will indicate the extent to which economic activity has recovered while retail sales will show if consumers have returned to the shops.

Financial markets charts



Financial markets data: Week ending 8 May 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	—	-50	▼
90-day BBSW	0.10	0	—	-83	▼
3-year Australian Bond Yield	0.23	-1	▼	-67	▼
10-year Australian Bond Yield	0.89	2	▲	-48	▼
20-year Australian Bond Yield	1.61	2	▲	-26	▼
10-year Australian Break-Even Inflation	0.65	-3	▼	-76	▼
10-year Australian Real Yield	0.25	6	▲	28	▲
Fed Funds Rate (lower bound)	0.00	0	—	-150	▼
2-year US Treasury Yield	0.16	-3	▼	-141	▼
10-year US Treasury Yield	0.68	7	▲	-123	▼
30-year US Treasury Yield	1.38	13	▲	-101	▼
10-year German Bund Yield	-0.54	5	▲	-35	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.22	0	—	-71	▼
4.00% 8 April 2021	0.35	0	▼	-65	▼
6.00% 1 March 2022	0.37	-4	▼	-69	▼
4.00% 20 April 2023	0.42	-6	▼	-75	▼
1.00% 8 February 2024	0.53	-7	▼	-75	▼
5.00% 20 August 2024	0.56	-7	▼	-72	▼
4.00% 20 May 2026	0.83	-7	▼	-63	▼
3.00% 20 May 2027	0.99	-8	▼	-58	▼
3.00% 20 March 2028	1.14	-6	▼	-53	▼
3.00% 20 April 2029	1.29	-6	▼	-49	▼
3.00% 20 February 2030	1.41	-7	▼	-43	▼
2.00% 20 March 2031	1.56	-6	▼	-40	▼
2.00% 20 March 2032	1.81	-2	▼	n/a	n/a
2.00% 20 March 2033	1.82	-1	▼	-38	▼
3.75% 20 August 2020 CIB	-0.82	0	—	-14	▼
2.75% 20 November 2025 CIB	0.50	-9	▼	41	▲
2.50% 20 November 2035 CIB	1.13	-5	▼	n/a	n/a
10-year NSW TCorp Bond Yield	1.46	-8	▼	-38	▼
10-year TCV (Victoria) Spread	-0.10	-1	▼	-8	▼
10-year QTC (Queensland) Spread	-0.04	0	▼	-7	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	5,391	2.8%	▲	-19.3%	▼
S&P 500 (US)	2,930	3.5%	▲	-9.3%	▼
FTSE 100 (UK)	5,936	3.0%	▲	-21.3%	▼
DJ Stoxx 600 (Europe)	341	1.1%	▲	-18.0%	▼
Nikkei 225 (Japan)	20,179	2.9%	▲	-14.7%	▼
Shanghai Composite (China)	2,895	1.2%	▲	-5.1%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.653	1.8%	▲	-7.0%	▼
EUR/USD	1.084	-1.3%	▼	-3.3%	▼
USD/JPY	106.65	-0.2%	▼	-1.8%	▼
GBP/USD	1.24	-0.8%	▼	-6.4%	▼
US\$ Index	99.73	0.7%	▲	3.5%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	30.97	17.1%	▲	-53.1%	▼
Iron Ore (US\$/t)	87.18	4.0%	▲	-4.8%	▼
Coking Coal (US\$/t)	1,250.50	1.3%	▲	3.6%	▲
Gold (US\$/oz)	1,702.70	0.1%	▲	12.2%	▲

Brian Redican
Chief Economist
brian.redican@tcorp.nsw.gov.au

Dana Rice
Economist
dana.rice@tcorp.nsw.gov.au

This material has been prepared by New South Wales Treasury Corporation ABN 99 095 235 825 (TCorp), a statutory corporation of New South Wales.

This material is of a general nature only and does not take into account your investment objectives, financial situation or needs. This material does not constitute investment advice. It should not be relied upon in determining whether to invest in a TCorpIM Fund. TCorp recommends you seek your own legal and financial advice before proceeding with any investment decision.

While this material has been formulated with all due care, TCorp does not warrant or represent that the material is free from errors or omissions, or that it is exhaustive. TCorp takes no responsibility for the accuracy, adequacy, currency or completeness of any information included in the material provided by third parties. Except where contrary to law, TCorp will not be liable for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of the use of, or reliance on, the information contained in this material.

This material is not intended to forecast or predict future events. Past performance is not a guarantee or a reliable indicator of future performance. The material is subject to change without notice and TCorp is not under any obligation to update the information or correct any inaccuracy which may become apparent at a later date.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2020. All rights reserved.

About New South Wales Treasury Corporation (TCorp)

TCorp provides best-in-class investment management, financial management, solutions and advice to the New South Wales (NSW) public sector. With A\$100 billion of funds under management, TCorp is a top five Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$95 billion. It is rated AAA by S&P and Aaa by Moody's.

TCorp

Level 7, Deutsche Bank Place,
126 Phillip Street, Sydney, NSW 2000

Tel: +61 2 9325 9325

www.tcorp.nsw.gov.au

www.linkedin.com/company/tcorp-nswtreasurycorporation/

