

Weekly Economic Report

16 January 2023

Financial markets charts

The week that was

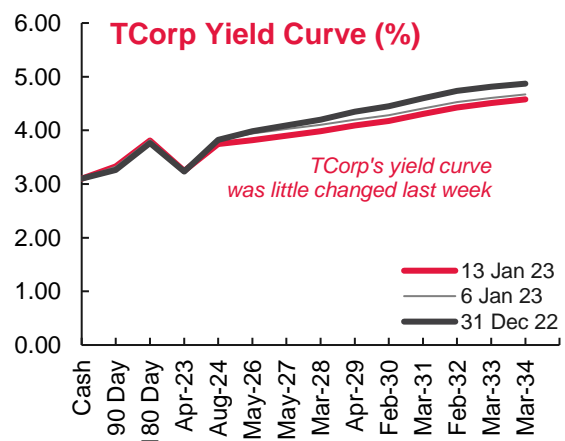
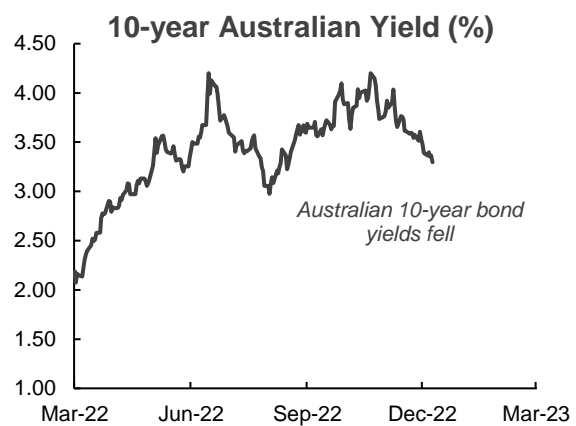
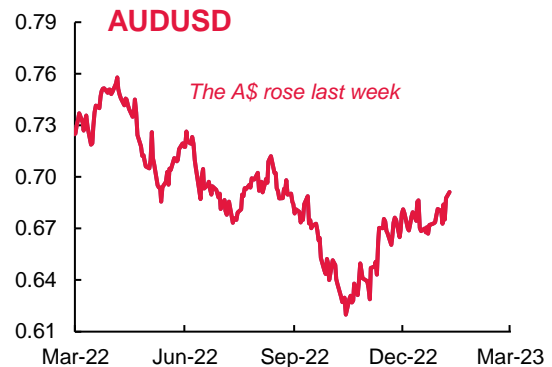
- US December inflation was the focus last week, with both headline and core inflation data in line with market expectations. Year-on-year, headline inflation slowed to 6.5% and core inflation slowed to 5.7%. The data has been interpreted as an encouraging sign that US inflation is slowing, which could allow the Fed to pause its current tightening cycle.
- The CPI figures drove US 10-year yields 5bps lower to 3.50% and Australian 10-year yields 23bps lower to 3.59%.
- Lower bond yields pushed equities higher, with the US S&P500 rising by 2.7%. Australian equities rose by 3.1% and European stocks gained 1.8%.
- The Australian dollar rose to just under US\$0.70 amid broad-based US dollar weakness.
- The Brent crude oil price rose by 8.5% last week as the recent data flow has strengthened expectations for a 'soft landing' in the global economy.

Economic calendar

| | |
|----------------------------------|--|
| Monday 16/01 | |
| Tuesday 17/01 | CH: GDP, Dec qtr |
| Wednesday 18/01 | JP: Bank of Japan policy decision, Jan UK: CPI, Dec |
| Thursday 19/01 | AU: Employment report, Dec EU: ECB minutes, Dec US: Retail sales, Dec US: NAHB housing index, Jan |
| Friday 20/01 | US: building permits, housing starts, Jan |

The week ahead

- A key event on Wednesday is the Bank of Japan (BoJ) policy decision; last month's unexpected adjustment to the BoJ's yield curve control policy caused a global sell-off in bond markets. Investors will watch to see if the BoJ makes further policy adjustments to address any market distortions.
- In Australia, December employment data will be released. November employment growth was much stronger than expected and the unemployment rate remained at a low 3.4%.
- US earnings season commences this week, which will be in focus as US inflation has started to ease.



Financial markets data: Week ending 13 January 2023

| Interest Rates | Close (%) | 1 Week (bps) | | YTD (bps) | |
|---|-----------|--------------|---|-----------|---|
| RBA Cash Rate | 3.10 | 0 | — | 0 | — |
| 90-day BBSW | 3.31 | -1 | ▼ | 5 | ▲ |
| 3-year Australian Bond Yield | 3.22 | -26 | ▼ | -29 | ▼ |
| 10-year Australian Bond Yield | 3.59 | -23 | ▼ | -46 | ▼ |
| 20-year Australian Bond Yield | 3.97 | -19 | ▼ | -40 | ▼ |
| 10-year Australian Break-Even Inflation | 2.41 | 1 | ▲ | -5 | ▼ |
| 10-year Australian Real Yield | 1.19 | -23 | ▼ | -41 | ▼ |
| Fed Funds Rate (lower bound) | 4.25 | 0 | — | 0 | — |
| 2-year US Treasury Yield | 4.23 | -2 | ▼ | -19 | ▼ |
| 10-year US Treasury Yield | 3.50 | -5 | ▼ | -37 | ▼ |
| 30-year US Treasury Yield | 3.61 | -8 | ▼ | -35 | ▼ |
| 10-year German Bund Yield | 2.17 | -4 | ▼ | -40 | ▼ |
| NSW TCorp Bonds | Close (%) | 1 Week (bps) | | YTD (bps) | |
| 4.00% 20 April 2023 | 3.24 | -1 | ▼ | 0 | ▲ |
| 1.00% 8 February 2024 | 3.56 | -20 | ▼ | -18 | ▼ |
| 5.00% 20 August 2024 | 3.58 | -24 | ▼ | -24 | ▼ |
| 1.25% 20 March 2025 | 3.55 | -26 | ▼ | -29 | ▼ |
| 4.00% 20 May 2026 | 3.65 | -29 | ▼ | -33 | ▼ |
| 3.00% 20 May 2027 | 3.72 | -31 | ▼ | -37 | ▼ |
| 3.00% 20 March 2028 | 3.81 | -30 | ▼ | -40 | ▼ |
| 3.00% 20 April 2029 | 3.92 | -28 | ▼ | -43 | ▼ |
| 3.00% 20 February 2030 | 4.02 | -26 | ▼ | -43 | ▼ |
| 2.00% 20 March 2031 | 4.15 | -26 | ▼ | -45 | ▼ |
| 1.50% 20 February 2032 | 4.28 | -25 | ▼ | -46 | ▼ |
| 2.00% 8 March 2033 | 4.37 | -24 | ▼ | -44 | ▼ |
| 3.50% 20 March 2034 | 4.43 | -24 | ▼ | -44 | ▼ |
| 2.75% 20 November 2025 CIB | 0.70 | -8 | ▼ | -16 | ▼ |
| 2.50% 20 November 2035 CIB | 1.88 | -30 | ▼ | -56 | ▼ |
| 10-year NSW TCorp Bond Yield | 4.33 | -23 | ▼ | -43 | ▼ |
| 10-year TCV (Victoria) Spread | 0.04 | -2 | ▼ | -1 | ▼ |
| 10-year QTC (Queensland) Spread | -0.05 | 0 | ▼ | 1 | ▲ |
| Equities | Close | 1 Week | | YTD | |
| S&P/ASX 200 (Australia) | 7,328 | 3.1% | ▲ | 4.1% | ▲ |
| S&P 500 (US) | 3,999 | 2.7% | ▲ | 4.2% | ▲ |
| FTSE 100 (UK) | 7,844 | 1.9% | ▲ | 5.3% | ▲ |
| DJ Stoxx 600 (Europe) | 453 | 1.8% | ▲ | 6.5% | ▲ |
| Nikkei 225 (Japan) | 26,120 | 0.6% | ▲ | 0.1% | ▲ |
| Shanghai Composite (China) | 3,195 | 1.2% | ▲ | 3.4% | ▲ |
| Currencies | Close | 1 Week | | YTD | |
| AUD/USD | 0.697 | 1.3% | ▲ | 2.3% | ▲ |
| EUR/USD | 1.083 | 1.7% | ▲ | 1.2% | ▲ |
| USD/JPY | 127.87 | -3.2% | ▼ | -2.5% | ▼ |
| GBP/USD | 1.22 | 1.1% | ▲ | 1.2% | ▲ |
| US\$ Index | 0.697 | 1.3% | ▲ | -1.3% | ▼ |
| Commodities | | | | YTD | |
| Brent Oil (US\$/bbl) | 85.28 | 8.5% | ▲ | -0.7% | ▼ |
| Iron Ore (US\$/t) | 123.59 | 4.1% | ▲ | 11.1% | ▲ |
| Coking Coal (US\$/t) | 2,579.00 | 4.7% | ▲ | 3.7% | ▲ |
| Gold (US\$/oz) | 1,920.23 | 2.9% | ▲ | 5.3% | ▲ |

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

Emily Perry
Senior Economist
emily.perry@tcorp.nsw.gov.au



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

T +61 2 9325 9325

W www.tcorp.nsw.gov.au

ABN 99 095 235 825

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 2021. 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 over A\$112 billion of assets under management, TCorp is a top 5 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$132 billion. It is rated Aaa (Stable) by Moody's and AA+ (Stable) by S&P.