

The week that was

- Treasurer Frydenberg provided an update on the upheaval of COVID-19 on the economy. Forecasts were bleak with household consumption expected to fall 16%, while business and housing investment could drop 18%. The Budget has been deferred to October.
- Unemployment in Australia increased 1ppt to 6.2% in April. While this was a smaller rise than consensus expectation, the devil is in the detail. The underemployment rate spiked 4.9ppts to 13.7% and the participation rate slumped 2.4ppts to 63.5%. Hours worked also plunged 9.2% during April.
- Industrial production in the US suffered its largest ever decline, down 11.2% in April. Retail sales also fell a sharp 16.4%. While the NY Fed manufacturing index showed some improvement rising 30pts, it remained firmly negative at -48.5.
- China's recovery continues to make strides with industrial production up 3.9% y/y and business investment increasing 1% y/y. The services sector and retail sales remain negative over the year, but have improved since March.

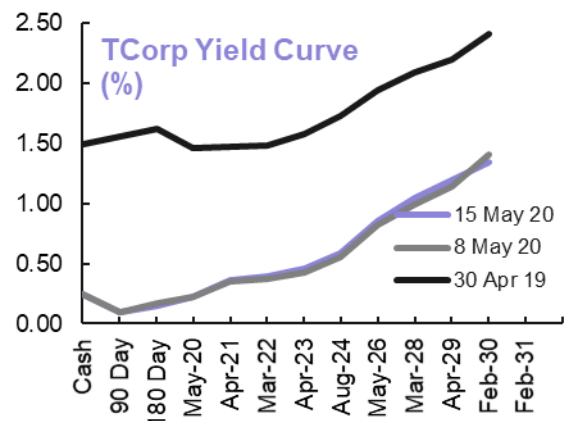
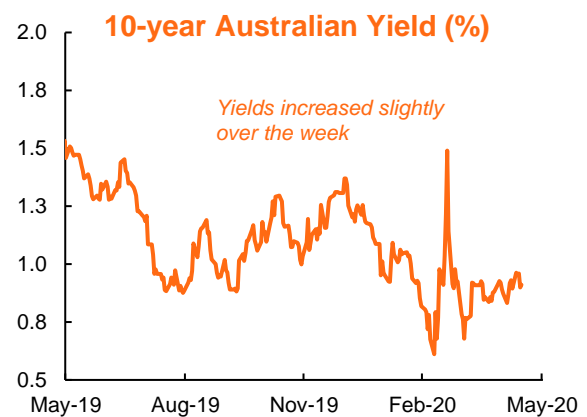
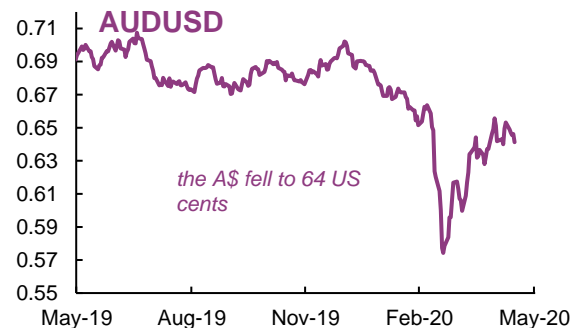
Economic calendar

Monday 18/05	AU: ABS Household Impact of COVID-19 JP: GDP, 1Q20
Tuesday 19/05	AU: RBA Monetary Policy Minutes AU: ABS Weekly Payrolls
Wednesday 20/05	AU: ABS Preliminary Retail Trade, Apr
Thursday 21/05	US: FOMC Minutes AU: RBA Governor – panel on regulation US: Manufacturing & Services PMIs, May
Friday 22/05	EC: Manufacturing & Services PMIs, May

The week ahead

- As economies begin to emerge from lockdowns in May, the expectation is the contraction in April PMIs will mark the trough of the COVID-19 pandemic. Thus, global PMIs for May, released this week, should show some improvement.
- Payrolls data to be published by the ABS will cover the last two weeks of April – notably before any easing of restrictions – so further job and wage losses are expected.
- Preliminary retail trade for April is expected to decline sharply following March's spike in sales of household staples.

Financial markets charts



Financial markets data: Week ending 15 May 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	—	-50	▼
90-day BBSW	0.10	0	▲	-82	▼
3-year Australian Bond Yield	0.24	1	▲	-66	▼
10-year Australian Bond Yield	0.91	2	▲	-46	▼
20-year Australian Bond Yield	1.59	-2	▼	-28	▼
10-year Australian Break-Even Inflation	0.80	15	▲	-61	▼
10-year Australian Real Yield	0.11	-14	▼	15	▲
Fed Funds Rate (lower bound)	0.00	0	—	-150	▼
2-year US Treasury Yield	0.15	-1	▼	-142	▼
10-year US Treasury Yield	0.64	-4	▼	-127	▼
30-year US Treasury Yield	1.33	-6	▼	-106	▼
10-year German Bund Yield	-0.53	1	▲	-35	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
6.00% 1 May 2020	0.22	0	—	-71	▼
4.00% 8 April 2021	0.37	1	▲	-64	▼
6.00% 1 March 2022	0.39	2	▲	-67	▼
4.00% 20 April 2023	0.46	3	▲	-71	▼
1.00% 8 February 2024	0.57	4	▲	-71	▼
5.00% 20 August 2024	0.59	3	▲	-69	▼
4.00% 20 May 2026	0.86	3	▲	-60	▼
3.00% 20 May 2027	1.04	5	▲	-53	▼
3.00% 20 March 2028	1.19	5	▲	-47	▼
3.00% 20 April 2029	1.34	5	▲	-44	▼
3.00% 20 February 2030	1.46	5	▲	-38	▼
2.00% 20 March 2031	1.60	4	▲	-36	▼
2.00% 20 March 2032	1.84	3	▲	n/a	n/a
2.00% 20 March 2033	1.84	3	▲	-36	▼
3.75% 20 August 2020 CIB	-1.30	2	▲	-60	▼
2.75% 20 November 2025 CIB	0.51	1	▲	42	▲
2.50% 20 November 2035 CIB	1.11	-2	▼	n/a	n/a
10-year NSW TCorp Bond Yield	1.52	6	▲	-32	▼
10-year TCV (Victoria) Spread	-0.10	0	▼	-8	▼
10-year QTC (Queensland) Spread	-0.02	1	▲	-5	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	5,405	0.3%	▲	-19.1%	▼
S&P 500 (US)	2,864	-2.3%	▼	-11.4%	▼
FTSE 100 (UK)	5,800	-2.3%	▼	-23.1%	▼
DJ Stoxx 600 (Europe)	328	-3.8%	▼	-21.1%	▼
Nikkei 225 (Japan)	20,037	-0.7%	▼	-15.3%	▼
Shanghai Composite (China)	2,868	-0.9%	▼	-6.0%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.641	-1.8%	▼	-8.7%	▼
EUR/USD	1.082	-0.2%	▼	-3.5%	▼
USD/JPY	107.06	0.4%	▲	-1.4%	▼
GBP/USD	1.21	-2.4%	▼	-8.6%	▼
US\$ Index	100.40	0.7%	▲	4.2%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	32.50	4.9%	▲	-50.8%	▼
Iron Ore (US\$/t)	90.66	4.0%	▲	-1.0%	▼
Coking Coal (US\$/t)	1,225.00	-2.0%	▼	1.5%	▲
Gold (US\$/oz)	1,743.67	2.4%	▲	14.9%	▲

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/

