

Weekly Economic Report

19 June 2023

Financial markets charts

The week that was

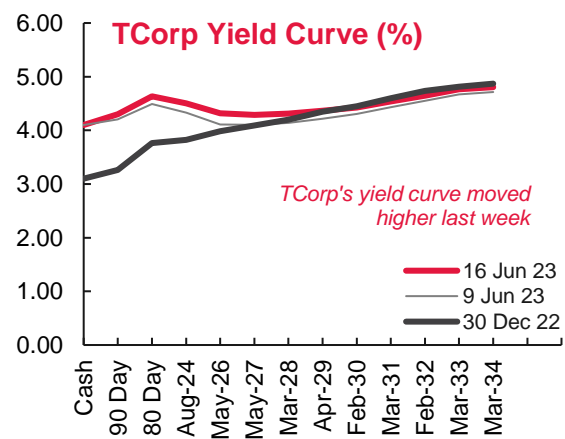
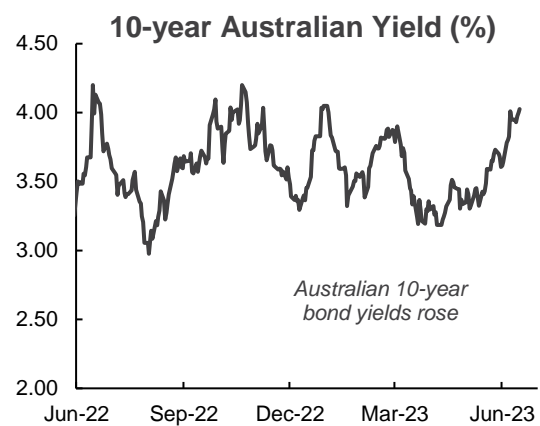
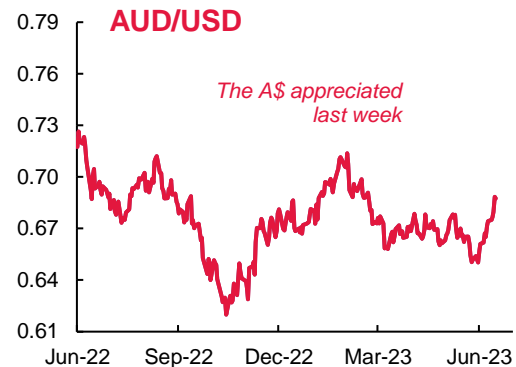
- The US Federal Reserve left its policy rate unchanged for the first time in this tightening cycle, while the European Central Bank raised its policy rate by 25bps. Both central banks signalled that further interest rate hikes are likely and that rate cuts should not be expected any time soon.
- US consumer price inflation was in line with expectations in May and showed that core inflation continues to fall slowly but remains well above the Fed's target rate. US 10-year bond yields rose 12bps and the S&P500 gained 2.6%.
- The Bank of Japan left its monetary policy settings unchanged at its meeting. In contrast, the People's Bank of China cut 2 key interest rates by 10bps, amid concerns around slowing economic momentum.
- Locally, the labour market remains very tight, with employment rising by more than expected in May and the unemployment rate declining to 3.6%. In contrast, business sentiment deteriorated in May and consumer sentiment remained weak. Australian bond yields rose, with 3-year and 10-year yields now at around 4%. The ASX200 rose 1.8% and the Australian dollar appreciated by 2%.
- A technical recession in New Zealand has been confirmed, with the economy contracting by 0.1% in the March quarter and 0.7% the previous quarter

Economic calendar

Monday 19/06	US: NAHB Housing Market Index, Jun
Tuesday 20/06	AU: RBA Minutes, June; RBA Deputy Governor speech US: Building permits & housing starts, May
Wednesday 21/06	US: Fed Chair Powell's congressional testimony (Wed & Thurs) UK: CPI & RPI, May CA: Retail sales, Apr
Thursday 22/06	UK: Bank of England policy decision US: Jobless claims, weekly; Chicago Fed Nat Activity Index, May; Existing home sales, May; Leading index, May
Friday 23/06	Global: PMIs, June (prelim) JN: National CPI, May UK: Retail sales, May

The week ahead

- Investors will pay close attention to the minutes from the Reserve Bank of Australia's June meeting and US Fed Chair Powell's congressional testimony for any insights on the future direction of Australian and US monetary policy.
- The Bank of England's policy decision and latest inflation data will also receive attention.



Financial markets data: Week ending 16 June 2023

INTEREST RATES	CLOSE (%)	1 WEEK (BPS)		YTD (BPS)	
RBA Cash Rate	4.10	0	—	100	▲
90-day BBSW	4.30	10	▲	104	▲
3-year Australian Bond Yield	4.02	20	▲	52	▲
10-year Australian Bond Yield	4.03	8	▲	-2	▼
20-year Australian Bond Yield	4.32	5	▲	-5	▼
10-year Australian Break-Even Inflation	2.53	8	▲	7	▲
10-year Australian Real Yield	1.49	0	▼	-10	▼
Fed Funds Rate (lower bound)	5.00	0	—	75	▲
2-year US Treasury Yield	4.71	12	▲	29	▲
10-year US Treasury Yield	3.76	2	▲	-11	▼
30-year US Treasury Yield	3.85	-3	▼	-11	▼
10-year German Bund Yield	2.47	10	▲	-10	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
1.00% 8 February 2024	4.52	16	▲	78	▲
5.00% 20 August 2024	4.50	17	▲	68	▲
1.25% 20 March 2025	4.46	20	▲	62	▲
4.00% 20 May 2026	4.32	21	▲	33	▲
3.00% 20 May 2027	4.29	18	▲	20	▲
3.00% 20 March 2028	4.31	17	▲	11	▲
3.00% 20 April 2029	4.37	15	▲	2	▲
3.00% 20 February 2030	4.43	12	▲	-2	▼
2.00% 20 March 2031	4.54	11	▲	-6	▼
1.50% 20 February 2032	4.65	10	▲	-9	▼
2.00% 8 March 2033	4.76	9	▲	-5	▼
3.50% 20 March 2034	4.80	9	▲	-7	▼
2.75% 20 November 2025 CIB	1.27	10	▲	46	▲
2.50% 20 November 2035 CIB	2.29	0	—	-9	▼
10-year NSW TCorp Bond Yield	4.76	10	▲	0	▲
10-year TCV (Victoria) Spread	0.02	1	▲	-2	▼
10-year QTC (Queensland) Spread	-0.11	2	▲	-5	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,251	1.8%	▲	3.0%	▲
S&P500 (US)	4,410	2.6%	▲	14.8%	▲
FTSE 100 (UK)	7,643	1.1%	▲	2.6%	▲
DJ Stoxx600 (Europe)	467	1.5%	▲	9.9%	▲
Nikkei 225 (Japan)	33,706	4.5%	▲	29.2%	▲
Shanghai Composite (China)	3,273	1.3%	▲	6.0%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.688	2.0%	▲	0.9%	▲
EUR/USD	1.094	1.7%	▲	2.2%	▲
USD/JPY	141.82	1.7%	▲	8.2%	▲
GBP/USD	1.28	1.9%	▲	6.1%	▲
US\$ Index	102.24	-1.3%	▼	-1.2%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	76.61	2.4%	▲	-10.8%	▼
Iron Ore (US\$/t)	113.80	0.0%	▲	2.3%	▲
Coking Coal (US\$/t)	200.58	17.0%	▲	-44.3%	▼
Gold (US\$/oz)	1,957.98	-0.2%	▼	7.3%	▲

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

Disclaimer

The opinions, forecasts and data contained in this report is based on the research of TCorp as at the date of publication and is subject to change without notice. TCorp is not responsible for the accuracy, adequacy, currency or completeness of any information in the report provided by third parties. This report is provided for general information purposes only and should not be relied upon for investment or trading purposes. This report is not intended to forecast or predict future events.

Unauthorised copying and distribution of this material is prohibited.

© New South Wales Treasury Corporation 2023. 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\$107 billion of assets under management, TCorp is a top 10 Australian investment manager and is the central borrowing authority of the state of NSW, with a balance sheet of A\$148 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.