

Weekly economic report

21 August 2023

Financial markets charts

The week that was

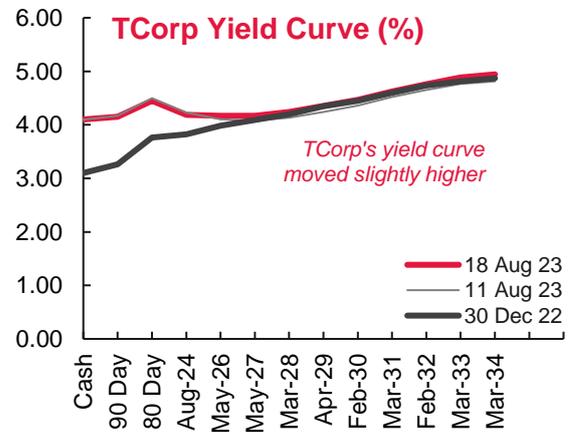
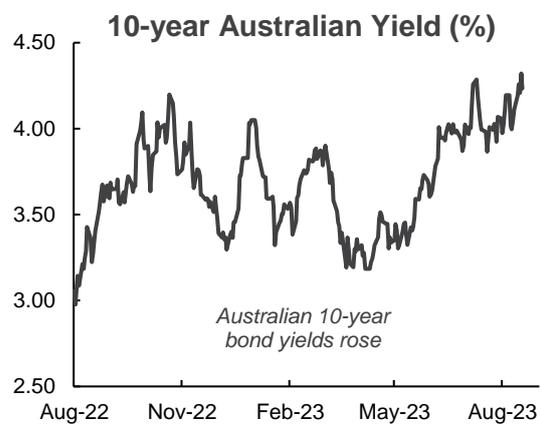
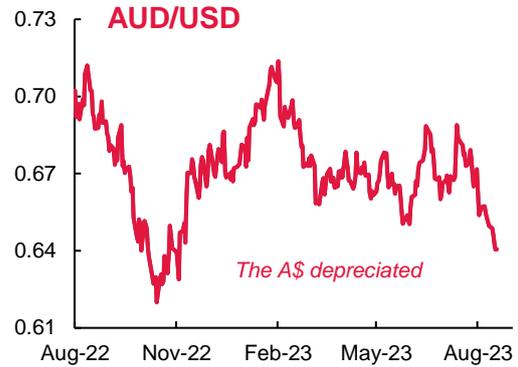
- The Wage Price Index, a key measure of Australian wages growth, rose by 0.8% in the June quarter, slightly less than expected. Reserve Bank of Australia (RBA) August meeting minutes suggest that the RBA is more comfortable that inflation could return to target while securing some of the gains in the labour market. That remains tight, although conditions have loosened, with employment unexpectedly falling in July and the unemployment rate rising to 3.7%. Australian 10-year bond yields rose 12bps and the ASX200 fell 2.6%.
- US retail sales in July were stronger than expected, suggesting that US consumers remain resilient. Minutes from the Federal Open Market Committee's July meeting were interpreted as hawkish but didn't elicit a notable market reaction. US 10-year bond yields rose 10bps and the S&P500 fell 2.1%.
- In China, economic activity was again weaker than expected in July. The People's Bank of China cut 2 key interest rates by 10-15bps to stimulate domestic demand.
- The Reserve Bank of New Zealand left its policy interest rate unchanged, as expected.
- The Australian dollar depreciated further last week and has fallen by 7.5% against the US dollar since mid-July. Oil prices fell by 2.3% last week after rising strongly since late June.

Economic calendar

| | |
|---------------------------|---|
| Monday 21/08 | |
| Tuesday 22/08 | US: Existing home sales, Jul; Richmond Fed Manufacturing index Aug |
| Wednesday 23/08 | Global: PMIs, Aug (prelim) US: Quarterly Census of Employment and Wages, Mar qtr; New homes sales, Jul; Weekly jobless claims; Durable goods orders, Jul (prelim) CA: Retail sales, Jun |
| Thursday 24/08 | US: Federal Reserve Jackson Hole Economic Symposium begins EC: Consumer confidence, Aug (prelim) |
| Friday 25/08 | US: University of Michigan sentiment, Aug (final) GE: GDP, Jun qtr (final); IFO Business climate, Aug JN: Tokyo CPI, Aug |

The week ahead

- The annual US Federal Reserve's Jackson Hole Economic Symposium begins to discuss 'Structural Shifts in the Global Economy.'
- Global Purchasing Managers' Index (PMI) data will provide a preliminary read of global economic activity in August.



Financial markets data: Week ending 18 August 2023

| INTEREST RATES | CLOSE (%) | 1 WEEK (BPS) | | YTD (BPS) | |
|---|------------------|---------------------|---|------------------|---|
| RBA Cash Rate | 4.10 | 0 | – | 100 | ▲ |
| 90-day BBSW | 4.15 | -2 | ▼ | 89 | ▲ |
| 3-year Australian Bond Yield | 3.89 | 6 | ▲ | 38 | ▲ |
| 10-year Australian Bond Yield | 4.23 | 12 | ▲ | 18 | ▲ |
| 20-year Australian Bond Yield | 4.55 | 14 | ▲ | 18 | ▲ |
| 10-year Australian Break-Even Inflation | 2.50 | 5 | ▲ | 4 | ▲ |
| 10-year Australian Real Yield | 1.73 | 8 | ▲ | 14 | ▲ |
| Fed Funds Rate (lower bound) | 5.25 | 0 | – | 100 | ▲ |
| 2-year US Treasury Yield | 4.94 | 5 | ▲ | 52 | ▲ |
| 10-year US Treasury Yield | 4.25 | 10 | ▲ | 38 | ▲ |
| 30-year US Treasury Yield | 4.38 | 11 | ▲ | 41 | ▲ |
| 10-year German Bund Yield | 2.62 | 0 | ▼ | 5 | ▲ |
| NSW TCorp Bonds | Close (%) | 1 Week (bps) | | YTD (bps) | |
| 1.00% 8 February 2024 | 4.18 | -4 | ▼ | 44 | ▲ |
| 5.00% 20 August 2024 | 4.19 | -4 | ▼ | 36 | ▲ |
| 1.25% 20 March 2025 | 4.23 | 4 | ▲ | 39 | ▲ |
| 4.00% 20 May 2026 | 4.17 | 7 | ▲ | 19 | ▲ |
| 3.00% 20 May 2027 | 4.17 | 9 | ▲ | 8 | ▲ |
| 3.00% 20 March 2028 | 4.24 | 11 | ▲ | 4 | ▲ |
| 3.00% 20 April 2029 | 4.35 | 11 | ▲ | 1 | ▲ |
| 3.00% 20 February 2030 | 4.47 | 11 | ▲ | 1 | ▲ |
| 2.00% 20 March 2031 | 4.62 | 11 | ▲ | 3 | ▲ |
| 1.50% 20 February 2032 | 4.76 | 11 | ▲ | 2 | ▲ |
| 2.00% 8 March 2033 | 4.89 | 12 | ▲ | 8 | ▲ |
| 3.50% 20 March 2034 | 4.94 | 13 | ▲ | 7 | ▲ |
| 2.75% 20 November 2025 CIB | 1.26 | -4 | ▼ | 45 | ▲ |
| 2.50% 20 November 2035 CIB | 2.45 | 4 | ▲ | 1 | ▲ |
| 10-year NSW TCorp Bond Yield | 4.88 | 12 | ▲ | 12 | ▲ |
| 10-year TCV (Victoria) Spread | 0.03 | -1 | ▼ | -2 | ▼ |
| 10-year QTC (Queensland) Spread | -0.09 | 0 | ▲ | -3 | ▼ |
| Equities | Close | 1 Week | | YTD | |
| S&P/ASX200 (Australia) | 7,148 | -2.6% | ▼ | 1.6% | ▲ |
| S&P500 (US) | 4,370 | -2.1% | ▼ | 13.8% | ▲ |
| FTSE 100 (UK) | 7,262 | -3.5% | ▼ | -2.5% | ▼ |
| DJ Stoxx600 (Europe) | 448 | -2.3% | ▼ | 5.5% | ▲ |
| Nikkei 225 (Japan) | 31,451 | -3.1% | ▼ | 20.5% | ▲ |
| Shanghai Composite (China) | 3,132 | -1.8% | ▼ | 1.4% | ▲ |
| Currencies | Close | 1 Week | | YTD | |
| AUD/USD | 0.641 | -1.4% | ▼ | -6.0% | ▼ |
| EUR/USD | 1.087 | -0.7% | ▼ | 1.6% | ▲ |
| USD/JPY | 145.39 | 0.3% | ▲ | 10.9% | ▲ |
| GBP/USD | 1.27 | 0.3% | ▲ | 5.4% | ▲ |
| US\$ Index | 103.38 | 0.5% | ▲ | -0.1% | ▼ |
| Commodities | Close | 1 Week | | YTD | |
| Brent Oil (US\$/bbl) | 84.80 | -2.3% | ▼ | -1.3% | ▼ |
| Iron Ore (US\$/t) | 107.25 | 2.3% | ▲ | -3.6% | ▼ |
| Coking Coal (US\$/t) | 201.34 | 0.5% | ▲ | -44.1% | ▼ |
| Gold (US\$/oz) | 1,889.31 | -1.3% | ▼ | 3.6% | ▲ |

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