

Weekly economic report

28 August 2023

Financial markets charts

The week that was

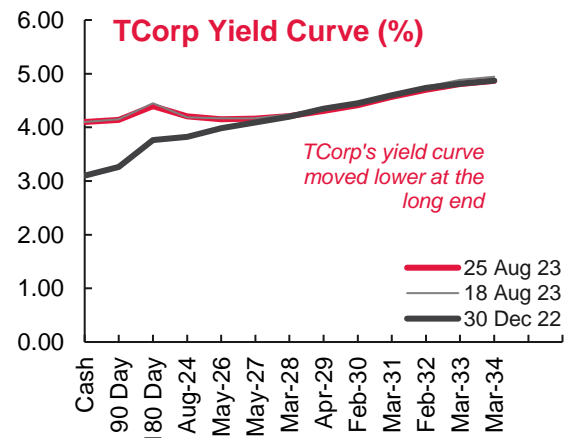
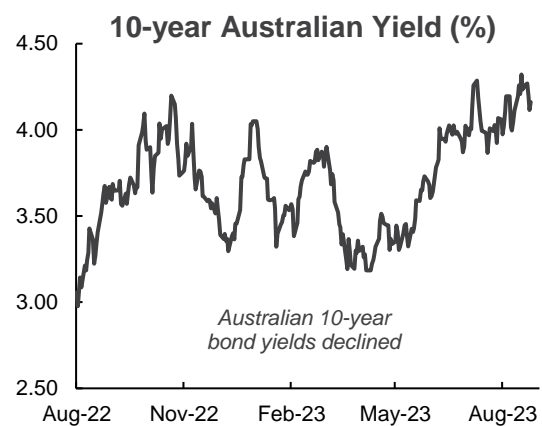
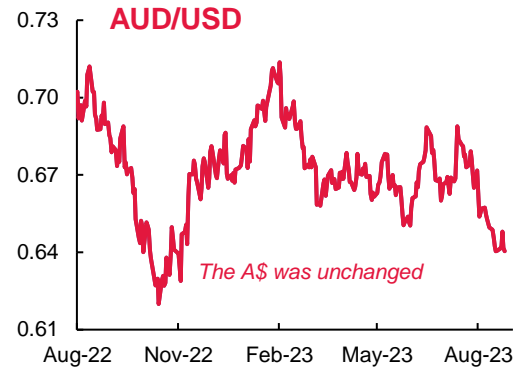
- US Federal Reserve Chairman Powell's speech at the annual Jackson Hole Economic Symposium retained the Fed's hawkish bias, noting that it was too soon to declare the hiking cycle over. He stated that the Fed will keep policy restrictive until it is confident that inflation is falling sustainably to 2%. US 10-year bond yields ended the week 2bps lower, while 2-year yields rose 14bps to above 5%.
- Global equity markets were boosted by a stronger-than-expected earnings report and sales outlook from Nvidia. The S&P500 rose 0.8% last week.
- Preliminary global PMI data for August was weaker than expected, indicating a widespread slowing in activity, particularly in Europe and the UK. This supported equity markets as investors believed it would reduce the likelihood of further interest rate hikes by central banks globally.
- In a quiet data week locally, Australian 10-year bond yields declined 7bps, the ASX200 fell 0.5% and the Australian dollar was unchanged against the US dollar.

Economic calendar

Monday 28/08	AU: Retail sales, Jul US: Dallas Fed Manufacturing Activity, Aug
Tuesday 29/08	US: JOLTS job openings, Jul; Conference Board consumer confidence, Aug AU: RBA Deputy Governor speech
Wednesday 30/08	US: ADP Employment, Aug; GDP, Jun qtr (second) AU: Monthly CPI, Jul; Building approvals, Jul GE: CPI, Aug (prelim)
Thursday 31/08	US: Core PCE deflator, Jul AU: Private sector credit, Jul; Private capex, Jun qtr CH: Official PMIs, Aug EC: CPI, Aug (prelim)
Friday 01/09	US: Non-farm payrolls, Aug; ISM Manufacturing, Aug AU: New housing lending, Jul; CoreLogic dwelling prices, Aug CH: Caixin Manufacturing PMI, Aug

The week ahead

- In the US, non-farm payrolls, the core PCE deflator and the ISM manufacturing survey will provide important reads on the labour market, inflation, and activity in the manufacturing sector.
- Locally, investors will focus on the monthly inflation report and various activity indicators – retail sales, building approvals, investment, and credit growth.
- PMI data in China will show whether economic activity has slowed further. Inflation data in Europe will also be closely watched.



Financial markets data: Week ending 25 August 2023

INTEREST RATES	CLOSE (%)	1 WEEK (BPS)		YTD (BPS)	
RBA Cash Rate	4.10	0	—	100	▲
90-day BBSW	4.14	-1	▼	87	▲
3-year Australian Bond Yield	3.85	-4	▼	35	▲
10-year Australian Bond Yield	4.16	-7	▼	11	▲
20-year Australian Bond Yield	4.47	-8	▼	10	▲
10-year Australian Break-Even Inflation	2.49	-1	▼	3	▲
10-year Australian Real Yield	1.67	-6	▼	8	▲
Fed Funds Rate (lower bound)	5.25	0	—	100	▲
2-year US Treasury Yield	5.08	14	▲	65	▲
10-year US Treasury Yield	4.24	-2	▼	36	▲
30-year US Treasury Yield	4.28	-9	▼	32	▲
10-year German Bund Yield	2.56	-6	▼	-1	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
1.00% 8 February 2024	4.16	-1	▼	42	▲
5.00% 20 August 2024	4.20	1	▲	38	▲
1.25% 20 March 2025	4.21	-2	▼	37	▲
4.00% 20 May 2026	4.15	-2	▼	17	▲
3.00% 20 May 2027	4.16	-1	▼	8	▲
3.00% 20 March 2028	4.21	-3	▼	1	▲
3.00% 20 April 2029	4.30	-5	▼	-4	▼
3.00% 20 February 2030	4.41	-5	▼	-4	▼
2.00% 20 March 2031	4.57	-6	▼	-3	▼
1.50% 20 February 2032	4.70	-6	▼	-4	▼
2.00% 8 March 2033	4.81	-8	▼	0	▼
3.50% 20 March 2034	4.87	-8	▼	0	▼
2.75% 20 November 2025 CIB	1.23	-3	▼	42	▲
2.50% 20 November 2035 CIB	2.37	-8	▼	-7	▼
10-year NSW TCorp Bond Yield	4.81	-7	▼	5	▲
10-year TCV (Victoria) Spread	0.02	0	▼	-2	▼
10-year QTC (Queensland) Spread	-0.09	0	▼	-3	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,115	-0.5%	▼	1.1%	▲
S&P500 (US)	4,406	0.8%	▲	14.7%	▲
FTSE 100 (UK)	7,339	1.0%	▲	-1.5%	▼
DJ Stoxx600 (Europe)	451	0.7%	▲	6.2%	▲
Nikkei 225 (Japan)	31,624	0.6%	▲	21.2%	▲
Shanghai Composite (China)	3,064	-2.2%	▼	-0.8%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.640	0.0%	▼	-6.0%	▼
EUR/USD	1.080	-0.7%	▼	0.9%	▲
USD/JPY	146.44	0.7%	▲	11.7%	▲
GBP/USD	1.26	-1.2%	▼	4.1%	▲
US\$ Index	104.08	0.7%	▲	0.5%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	84.48	-0.4%	▼	-1.7%	▼
Iron Ore (US\$/t)	109.55	2.1%	▲	-1.6%	▼
Coking Coal (US\$/t)	211.72	5.2%	▲	-41.2%	▼
Gold (US\$/oz)	1,914.96	1.4%	▲	5.0%	▲

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\$108 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\$154 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P.