

Weekly Economic Report

30 January 2023

Financial markets charts

The week that was

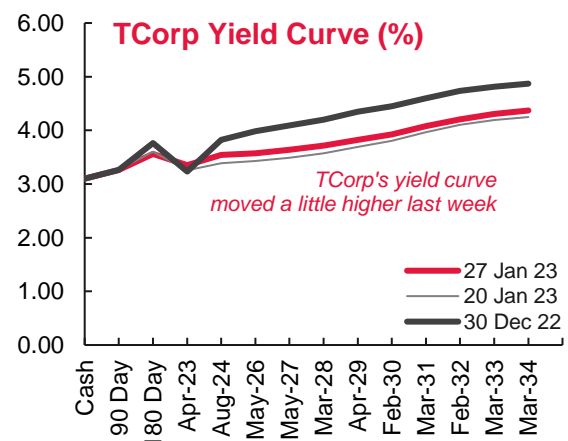
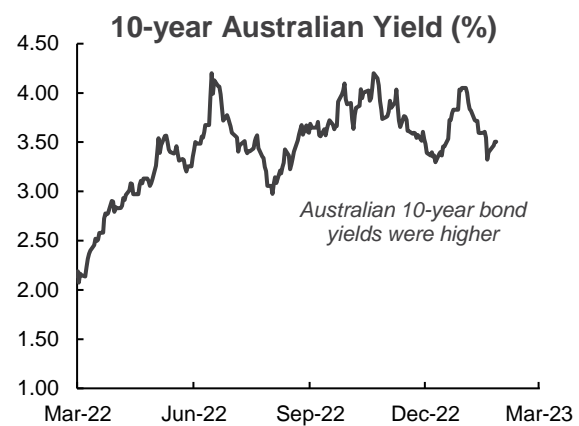
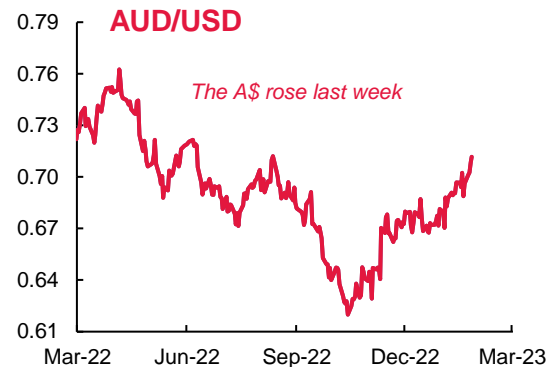
- Australian CPI data for the December quarter came in higher-than-expected and investors priced in further tightening by the Reserve Bank of Australia in response. This drove Australian 10-year bond yields 16bps higher over the week, to 3.56%. Australian equities rose by 0.6% and the Australian dollar reached US\$0.71.
- The first estimate of December quarter US GDP suggested a notable slowing in momentum in the US economy due to weaker domestic demand.
- The US PCE deflator – the Federal Reserve's preferred inflation gauge – was in line with expectations for December. Although US inflation remains elevated, annual inflation continued to slow. US 10-year bond yields ended the week little changed but US equities rose strongly by 2.5%, buoyed by strong gains in the technology sector.
- Preliminary Eurozone PMI data for January was stronger-than-expected supporting European stocks, which rose by 0.7% last week.

Economic calendar

| | |
|---------------------------|--|
| Monday 30/01 | EC: Consumer confidence, Jan (final) US: Dallas Fed Manufacturing Activity, Jan |
| Tuesday 31/01 | AU: Retail trade, Dec EU: GDP, Dec qtr (adv) CH: Official PMIs, Jan |
| Wednesday 1/02 | US: FOMC policy meeting; Employment cost index, Dec qtr; Conference Board consumer confidence, Jan EU: CPI, Jan (prelim) CH: Caixin PMIs, Jan |
| Thursday 2/02 | AU: Building approvals, Dec; NAB business survey US: ADP employment, Jan; ISM Manufacturing, Jan; JOLTS job openings, Dec. UK: Bank of England policy decision |
| Friday 03/02 | EC: ECB policy decision US: Non-farm Payrolls, Jan |

The week ahead

- In Australia, retail trade data will show whether consumer spending slowed in December following strong spending on Black Friday sales in November. Building approvals data will provide an updated read of the housing market.
- The US, UK and EU central banks meet this week and are expected to increase their policy rates. Commentary following the meetings will be closely watched for signs of a potential pause in rate hikes.
- EU CPI and US Employment Cost Index data will provide important updates on price pressures.



Financial markets data: Week ending 27 January 2023

| Interest Rates | Close (%) | 1 Week (bps) | | YTD (bps) | |
|---|-----------|--------------|---|-----------|---|
| RBA Cash Rate | 3.10 | 0 | — | 0 | — |
| 90-day BBSW | 3.38 | 11 | ▲ | 12 | ▲ |
| 3-year Australian Bond Yield | 3.21 | 21 | ▲ | -29 | ▼ |
| 10-year Australian Bond Yield | 3.56 | 16 | ▲ | -49 | ▼ |
| 20-year Australian Bond Yield | 3.95 | 14 | ▲ | -43 | ▼ |
| 10-year Australian Break-Even Inflation | 2.50 | 4 | ▲ | 4 | ▲ |
| 10-year Australian Real Yield | 1.06 | 12 | ▲ | -53 | ▼ |
| Fed Funds Rate (lower bound) | 4.25 | 0 | — | 0 | — |
| 2-year US Treasury Yield | 4.20 | 3 | ▲ | -23 | ▼ |
| 10-year US Treasury Yield | 3.50 | 2 | ▲ | -37 | ▼ |
| 30-year US Treasury Yield | 3.62 | -4 | ▼ | -34 | ▼ |
| 10-year German Bund Yield | 2.24 | 6 | ▲ | -33 | ▼ |
| NSW TCorp Bonds | Close (%) | 1 Week (bps) | | YTD (bps) | |
| 4.00% 20 April 2023 | 3.38 | 12 | ▲ | 15 | ▲ |
| 1.00% 8 February 2024 | 3.61 | 22 | ▲ | -13 | ▼ |
| 5.00% 20 August 2024 | 3.61 | 22 | ▲ | -21 | ▼ |
| 1.25% 20 March 2025 | 3.55 | 21 | ▲ | -29 | ▼ |
| 4.00% 20 May 2026 | 3.64 | 21 | ▲ | -34 | ▼ |
| 3.00% 20 May 2027 | 3.70 | 22 | ▲ | -38 | ▼ |
| 3.00% 20 March 2028 | 3.78 | 20 | ▲ | -42 | ▼ |
| 3.00% 20 April 2029 | 3.88 | 19 | ▲ | -46 | ▼ |
| 3.00% 20 February 2030 | 3.98 | 18 | ▲ | -47 | ▼ |
| 2.00% 20 March 2031 | 4.14 | 17 | ▲ | -46 | ▼ |
| 1.50% 20 February 2032 | 4.27 | 17 | ▲ | -47 | ▼ |
| 2.00% 8 March 2033 | 4.36 | 17 | ▲ | -45 | ▼ |
| 3.50% 20 March 2034 | 4.42 | 18 | ▲ | -45 | ▼ |
| 2.75% 20 November 2025 CIB | 0.56 | 0 | ▼ | -30 | ▼ |
| 2.50% 20 November 2035 CIB | 1.88 | 14 | ▲ | -56 | ▼ |
| 10-year NSW TCorp Bond Yield | 4.31 | 17 | ▲ | -44 | ▼ |
| 10-year TCV (Victoria) Spread | 0.03 | 0 | ▼ | -2 | ▼ |
| 10-year QTC (Queensland) Spread | -0.06 | 0 | ▲ | 0 | ▼ |
| Equities | Close | 1 Week | | YTD | |
| S&P/ASX 200 (Australia) | 7,494 | 0.6% | ▲ | 6.5% | ▲ |
| S&P 500 (US) | 4,071 | 2.5% | ▲ | 6.0% | ▲ |
| FTSE 100 (UK) | 7,765 | -0.1% | ▼ | 4.2% | ▲ |
| DJ Stoxx 600 (Europe) | 455 | 0.7% | ▲ | 7.1% | ▲ |
| Nikkei 225 (Japan) | 27,383 | 3.1% | ▲ | 4.9% | ▲ |
| Shanghai Composite (China) | 3,265 | 0.0% | — | 5.7% | ▲ |
| Currencies | Close | 1 Week | | YTD | |
| AUD/USD | 0.710 | 2.0% | ▲ | 4.2% | ▲ |
| EUR/USD | 1.087 | 0.1% | ▲ | 1.5% | ▲ |
| USD/JPY | 129.88 | 0.2% | ▲ | -0.9% | ▼ |
| GBP/USD | 1.24 | -0.1% | ▼ | 2.5% | ▲ |
| US\$ Index | 101.93 | -0.1% | ▼ | -1.5% | ▼ |
| Commodities | | | | YTD | |
| Brent Oil (US\$/bbl) | 86.66 | -1.1% | ▼ | 0.9% | ▲ |
| Iron Ore (US\$/t) | 124.19 | 0.9% | ▲ | 11.6% | ▲ |
| Coking Coal (US\$/t) | 2,475.00 | 0.0% | — | -0.4% | ▼ |
| Gold (US\$/oz) | 1,928.04 | 0.1% | ▲ | 5.7% | ▲ |

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