

Weekly Economic Report

31 July 2023

Financial markets charts

The week that was

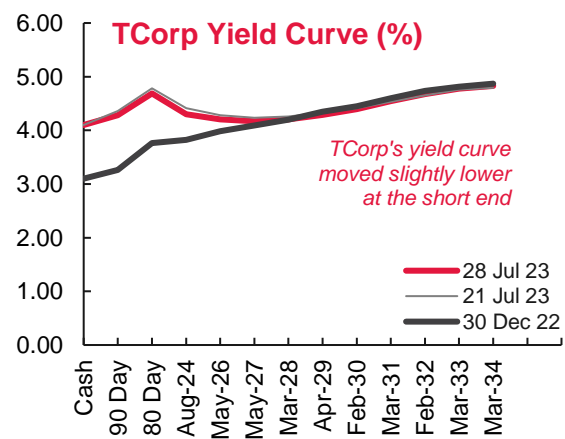
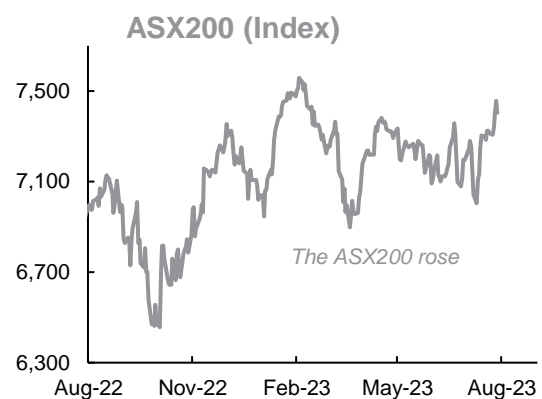
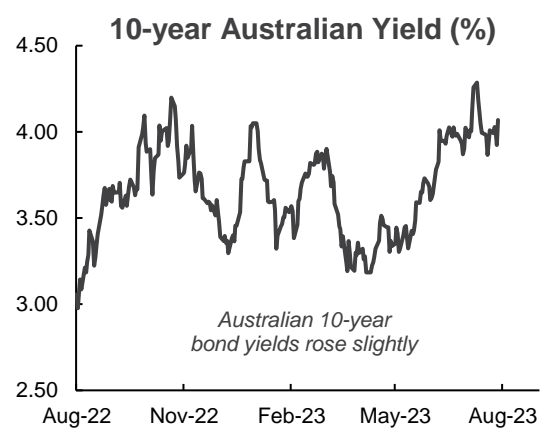
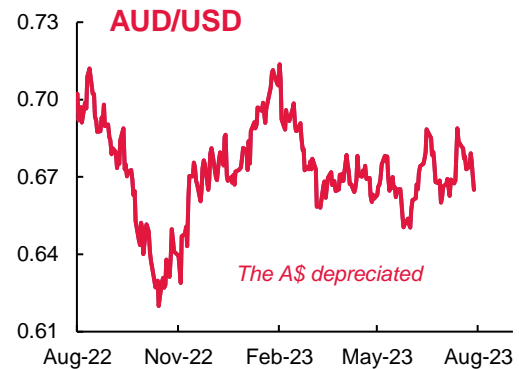
- Australian inflation was weaker than expected in the June quarter. Consumer prices rose by 0.8%, providing further evidence that price pressures are easing. Retail sales fell in June and remain weak, with the level of turnover unchanged since the start of the year despite high inflation. Australian 10-year bond yields rose by 6bps, the ASX200 increased 1.2% and the Australian dollar depreciated by 1.2%.
- The US Federal Reserve increased its policy rate by 25bps, as expected. Fed Chair Powell indicated that future decisions will be data-dependent and that interest rates will remain high for a while. Inflation and wages growth in the US continue to slow, with the June core PCE deflator rose by 0.2% and the Employment Cost Index increasing by 1% in the June quarter. US GDP grew by a stronger-than-expected 2.4% in the June quarter. US 10-year bond yields rose by 12bps and the S&P500 gained 1%.
- The European Central Bank (ECB) also raised its policy rate by 25bs, as expected. The ECB appears less hawkish than previously, with future decisions now more data dependent.
- The Bank of Japan (BoJ) unexpectedly changed its Yield Curve Control policy. The +/-50bps trading range around zero for 10-year Japanese government bonds (JGBs) remains in place but is not a rigid limit. The BoJ will purchase 10-year JGBs at 1%, effectively capping the yield at this level. The announcement saw Japanese bond yields rise and equities fall, with the Yen also ending the day lower.

Economic calendar

Monday 31/07	EC: CPI, Jul (prelim); GDP, June qtr (adv) AU: Private sector credit, Jun US: Dallas Fed Manufacturing Activity, Jul
Tuesday 01/08	AU: RBA policy decision; Building approvals, Jun; Lending indicators, Jun US: ISM Manufacturing, Jul; JOLTS job openings, Jun
Wednesday 02/08	US: ADP Employment, Jul
Thursday 03/08	UK: Bank of England policy decision Global: PMIs, Jul (final) US: ISM Services, Jul; Durable goods and factory orders, Jul (final) AU: Retail sales volumes, Jun qtr
Friday 04/08	AU: RBA Statement on Monetary Policy US: Non-farm payrolls, Jul

The week ahead

- The Reserve Bank of Australia's policy meeting and the Statement on Monetary Policy will be the focus.
- The Bank of England is widely expected to increase its policy rate this week, by either 25bps or 50bps.
- Non-farm payrolls and ISM surveys will provide updated reads on US activity and the labour market.



Financial markets data: Week ending 28 July 2023

INTEREST RATES	CLOSE (%)	1 WEEK (BPS)		YTD (BPS)	
RBA Cash Rate	4.10	0	—	100	▲
90-day BBSW	4.28	-8	▼	102	▲
3-year Australian Bond Yield	3.89	-6	▼	38	▲
10-year Australian Bond Yield	4.07	6	▲	2	▲
20-year Australian Bond Yield	4.36	9	▲	-2	▼
10-year Australian Break-Even Inflation	2.46	-2	▼	0	▼
10-year Australian Real Yield	1.61	8	▲	2	▲
Fed Funds Rate (lower bound)	5.25	25	▲	100	▲
2-year US Treasury Yield	4.87	4	▲	45	▲
10-year US Treasury Yield	3.95	12	▲	8	▲
30-year US Treasury Yield	4.01	11	▲	5	▲
10-year German Bund Yield	2.49	2	▲	-8	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
1.00% 8 February 2024	4.27	-10	▼	53	▲
5.00% 20 August 2024	4.30	-11	▼	48	▲
1.25% 20 March 2025	4.32	-9	▼	48	▲
4.00% 20 May 2026	4.20	-8	▼	22	▲
3.00% 20 May 2027	4.17	-7	▼	8	▲
3.00% 20 March 2028	4.20	-5	▼	0	▲
3.00% 20 April 2029	4.29	-4	▼	-6	▼
3.00% 20 February 2030	4.40	-2	▼	-5	▼
2.00% 20 March 2031	4.54	1	▲	-6	▼
1.50% 20 February 2032	4.67	2	▲	-6	▼
2.00% 8 March 2033	4.78	2	▲	-3	▼
3.50% 20 March 2034	4.83	3	▲	-4	▼
2.75% 20 November 2025 CIB	1.30	6	▲	49	▲
2.50% 20 November 2035 CIB	2.26	2	▲	-18	▼
10-year NSW TCorp Bond Yield	4.76	2	▲	0	▲
10-year TCV (Victoria) Spread	0.04	0	▼	-1	▼
10-year QTC (Queensland) Spread	-0.09	1	▲	-4	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,404	1.2%	▲	5.2%	▲
S&P500 (US)	4,582	1.0%	▲	19.3%	▲
FTSE 100 (UK)	7,694	0.4%	▲	3.3%	▲
DJ Stoxx600 (Europe)	471	1.2%	▲	10.8%	▲
Nikkei 225 (Japan)	32,759	1.4%	▲	25.5%	▲
Shanghai Composite (China)	3,276	3.4%	▲	6.0%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.665	-1.2%	▼	-2.4%	▼
EUR/USD	1.102	-1.0%	▼	2.9%	▲
USD/JPY	141.16	-0.4%	▼	7.7%	▲
GBP/USD	1.29	0.0%	▼	6.4%	▲
US\$ Index	101.62	0.5%	▲	-1.8%	▼
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	84.99	4.8%	▲	-1.1%	▼
Iron Ore (US\$/t)	112.45	-0.6%	▼	1.1%	▲
Coking Coal (US\$/t)	204.13	-2.5%	▼	-43.4%	▼
Gold (US\$/oz)	1,959.49	-0.1%	▼	7.4%	▲

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.