

Weekly economic report

4 September 2023

Financial markets charts

The week that was

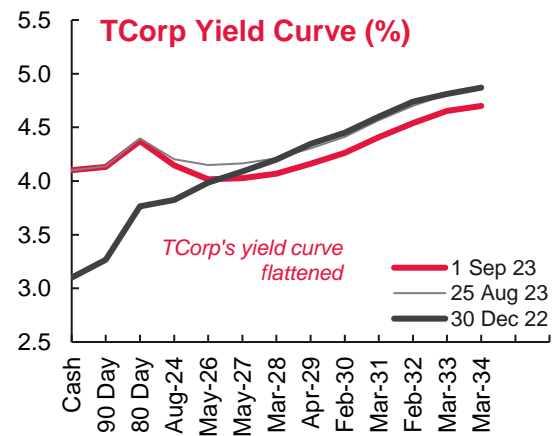
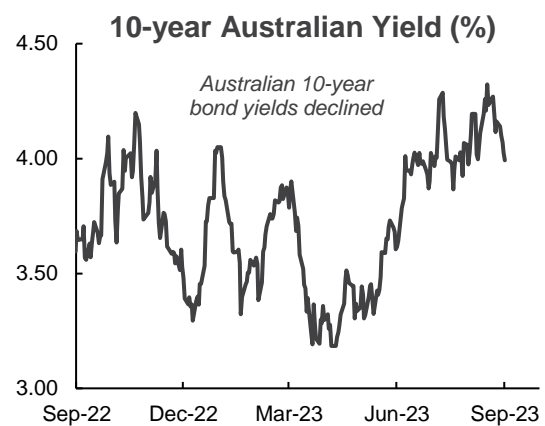
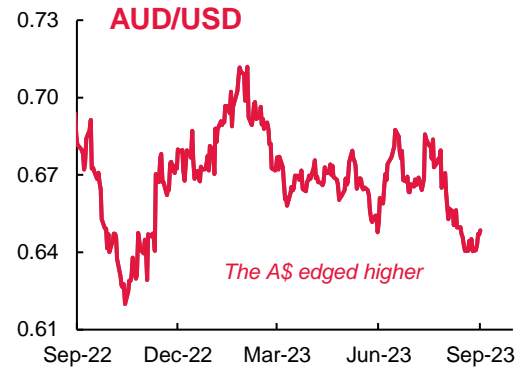
- Bond yields fell and equity markets rose last week as investors became more confident that central banks won't need to raise rates much further.
- Inflation reports in the US and Australia suggested that price pressures have moderated, while the US unemployment rate rose from 3.5% in July to 3.8% in August indicating that the labour market is beginning to cool.
- Australian 10-year bond yields fell by 16bps as did TCorp's 2034 bond yield. US 10-year bond yields recorded a more modest 6bps decline.
- Australian stocks rose by 2.3% while the US S&P500 increased by 2.5%. The improvement in investor sentiment also supported the Australian dollar which rose by 0.8% to US\$0.646.
- There were also strong gains in most commodity prices with Brent crude oil rising by 4.8% and iron ore prices gaining 6.1%

Economic calendar

Monday 4/09	AU: Company profits, Q2
Tuesday 5/09	AU: RBA policy meeting AU: Balance of payments, Q2
Wednesday 6/09	AU: Economic growth, Q2 US: Fed Beige Book
Thursday 7/09	AU: RBA Governor speech US: Initial jobless claims
Friday 8/09	EU: German inflation, Aug

The week ahead

- While the global economic calendar is fairly light this week there is an abundance of Australian data and events. On Wednesday the National Accounts are likely to show that the Australian economy grew modestly in the June quarter after a similar weak outcome in March. Ahead of that, company profits, business inventories and the Q2 balance of payments will enable economists to fine-tune their growth forecasts.
- The Reserve Bank of Australia (RBA) will also hold its September policy meeting on Tuesday, followed by a speech from the RBA Governor on Thursday. The RBA is expected to keep rates unchanged this week and while the Governor is likely to touch upon what factors might trigger a further rate hike, as it is his final speech as Governor, we suspect he will look back over his tenure and what lessons have been learnt.
- Overseas, the US central bank will release its 'Beige Book' – a summary of regional economic anecdotes. Investors will look to this to confirm whether the labour market is loosening.



Financial markets data: Week ending 1 September 2023

INTEREST RATES	CLOSE (%)	1 WEEK (BPS)		YTD (BPS)	
RBA Cash Rate	4.10	0	—	100	▲
90-day BBSW	4.13	0	▼	87	▲
3-year Australian Bond Yield	3.73	-12	▼	23	▲
10-year Australian Bond Yield	4.00	-16	▼	-5	▼
20-year Australian Bond Yield	4.33	-15	▼	-5	▼
10-year Australian Break-Even Inflation	2.47	-2	▼	2	▲
10-year Australian Real Yield	1.53	-14	▼	-6	▼
Fed Funds Rate (lower bound)	5.25	0	—	100	▲
2-year US Treasury Yield	4.88	-20	▼	45	▲
10-year US Treasury Yield	4.18	-6	▼	30	▲
30-year US Treasury Yield	4.29	1	▲	33	▲
10-year German Bund Yield	2.55	-1	▼	-2	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
1.00% 8 February 2024	4.13	-3	▼	39	▲
5.00% 20 August 2024	4.16	-4	▼	33	▲
1.25% 20 March 2025	4.12	-8	▼	28	▲
4.00% 20 May 2026	4.03	-12	▼	5	▲
3.00% 20 May 2027	4.04	-13	▼	-5	▼
3.00% 20 March 2028	4.08	-13	▼	-12	▼
3.00% 20 April 2029	4.17	-13	▼	-17	▼
3.00% 20 February 2030	4.27	-14	▼	-18	▼
2.00% 20 March 2031	4.42	-15	▼	-18	▼
1.50% 20 February 2032	4.55	-15	▼	-18	▼
2.00% 8 March 2033	4.66	-15	▼	-15	▼
3.50% 20 March 2034	4.71	-16	▼	-16	▼
2.75% 20 November 2025 CIB	1.22	-1	▼	41	▲
2.50% 20 November 2035 CIB	2.24	-13	▼	-20	▼
10-year NSW TCorp Bond Yield	4.67	-14	▼	-9	▼
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)	7,278	2.3%	▲	3.4%	▲
S&P500 (US)	4,516	2.5%	▲	17.6%	▲
FTSE 100 (UK)	7,465	1.7%	▲	0.2%	▲
DJ Stoxx600 (Europe)	458	1.5%	▲	7.8%	▲
Nikkei 225 (Japan)	32,711	3.4%	▲	25.4%	▲
Shanghai Composite (China)	3,133	2.3%	▲	1.4%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.646	0.8%	▲	-5.2%	▼
EUR/USD	1.078	-0.1%	▼	0.7%	▲
USD/JPY	146.22	-0.2%	▼	11.5%	▲
GBP/USD	1.26	0.1%	▲	4.2%	▲
US\$ Index	104.24	0.2%	▲	0.7%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	88.55	4.8%	▲	3.1%	▲
Iron Ore (US\$/t)	116.27	6.1%	▲	4.5%	▲
Coking Coal (US\$/t)	217.78	2.9%	▲	-39.6%	▼
Gold (US\$/oz)	1,940.06	1.3%	▲	6.4%	▲

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