

# Weekly Economic Report

6 February 2023

## Financial markets charts

### The week that was

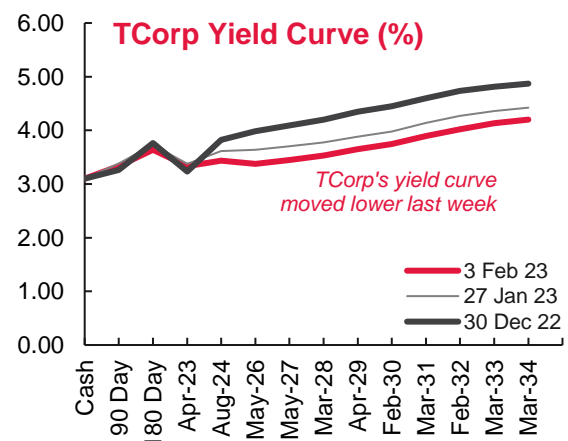
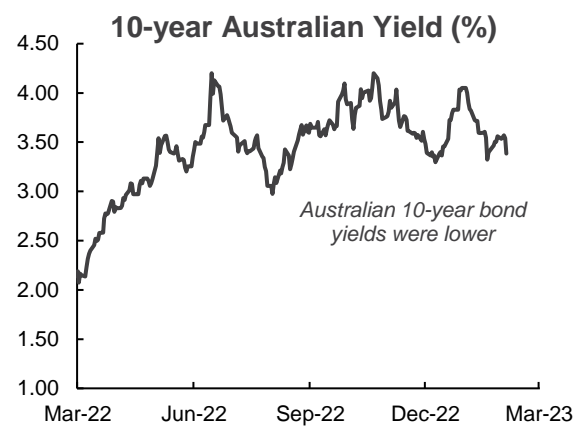
- The US Federal Reserve raised its policy interest rate by 25bps last week as expected and Chair Powell indicated that US interest rates were close to their peak levels. US equity prices rose strongly in response to be 1.6% higher over the week. US 10-year bond yields fell sharply after the decision, though ended the week 2bps higher at 3.52%.
- US data released suggested that wages growth slowed in the December quarter but that the labour market remained very tight in January, with a surprisingly large rise in non-farm payrolls. The ISM Services index indicated that the US services sector remained resilient in January.
- The European Central Bank and Bank of England raised their policy rates by 50bps. Both central banks noted that they will deliver further interest rate rises but that rates were approaching their peaks. Headline CPI inflation in the Eurozone was also weaker than expected in January. European and UK stocks rose by 1.2% and 1.8% over the week.
- In Australia, retail sales for December were much weaker than expected, following strong sales in November.
- The ASX200 rose by 0.9% and Australian 10-year bond yields fell by 18bps.

### Economic calendar

<b>Monday</b> <b>06/02</b>	AU: Retail sales volumes, Dec qtr
<b>Tuesday</b> <b>07/02</b>	AU: RBA policy decision US: Fed Chair Powell speaking Germany: Industrial production, Dec
<b>Wednesday</b> <b>08/02</b>	
<b>Thursday</b> <b>09/02</b>	Germany: CPI, Jan (prelim)
<b>Friday</b> <b>10/02</b>	AU: RBA Statement on Monetary Policy UK: GDP, Dec qtr (prelim) CH: CPI and PPI, Jan JP: PPI, Jan

### The week ahead

- The Reserve Bank of Australia (RBA) is expected to raise its policy rate by 25bps on Tuesday. Attention will focus on signs that the RBA is getting close to pausing its rate hikes. The RBA Statement on Monetary Policy will also be released on Friday, which will contain updated forecasts for inflation and GDP growth.
- Investors will also be listening closely to Fed Chair Powell on Tuesday for comments about the US economy and hints about future Fed policy.



## Financial markets data: Week ending 3 February 2023

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	3.10	0	—	0	—
90-day BBSW	3.34	-5	▼	7	▲
3-year Australian Bond Yield	3.01	-20	▼	-49	▼
10-year Australian Bond Yield	3.38	-18	▼	-67	▼
20-year Australian Bond Yield	3.82	-13	▼	-56	▼
10-year Australian Break-Even Inflation	2.47	-3	▼	1	▲
10-year Australian Real Yield	0.91	-15	▼	-68	▼
Fed Funds Rate (lower bound)	4.50	25	▲	25	▲
2-year US Treasury Yield	4.29	9	▲	-14	▼
10-year US Treasury Yield	3.52	2	▲	-35	▼
30-year US Treasury Yield	3.61	-1	▼	-35	▼
10-year German Bund Yield	2.19	-5	▼	-38	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 20 April 2023	3.33	-4	▼	10	▲
1.00% 8 February 2024	3.47	-15	▼	-27	▼
5.00% 20 August 2024	3.43	-18	▼	-39	▼
1.25% 20 March 2025	3.33	-22	▼	-51	▼
4.00% 20 May 2026	3.38	-26	▼	-61	▼
3.00% 20 May 2027	3.45	-26	▼	-64	▼
3.00% 20 March 2028	3.53	-25	▼	-67	▼
3.00% 20 April 2029	3.65	-24	▼	-70	▼
3.00% 20 February 2030	3.74	-24	▼	-71	▼
2.00% 20 March 2031	3.89	-25	▼	-71	▼
1.50% 20 February 2032	4.02	-25	▼	-72	▼
2.00% 8 March 2033	4.13	-23	▼	-68	▼
3.50% 20 March 2034	4.20	-22	▼	-67	▼
2.75% 20 November 2025 CIB	0.44	-12	▼	-42	▼
2.50% 20 November 2035 CIB	1.69	-20	▼	-75	▼
10-year NSW TCorp Bond Yield	4.09	-22	▼	-66	▼
10-year TCV (Victoria) Spread	0.03	0	▼	-2	▼
10-year QTC (Queensland) Spread	-0.07	-1	▼	-1	▼
Equities	Close	1 Week		YTD	
S&P/ASX200 (Australia)	7,558	0.9%	▲	7.4%	▲
S&P500 (US)	4,136	1.6%	▲	7.7%	▲
FTSE 100 (UK)	7,902	1.8%	▲	6.0%	▲
DJ Stoxx600 (Europe)	461	1.2%	▲	8.4%	▲
Nikkei 225 (Japan)	27,509	0.5%	▲	5.4%	▲
Shanghai Composite (China)	3,263	0.0%	▼	5.6%	▲
Currencies	Close	1 Week		YTD	
AUD/USD	0.692	-2.5%	▼	1.6%	▲
EUR/USD	1.080	-0.7%	▼	0.8%	▲
USD/JPY	131.19	1.0%	▲	0.1%	▲
GBP/USD	1.21	-2.6%	▼	-0.2%	▼
US\$ Index	102.92	1.0%	▲	-0.6%	▼
Commodities				YTD	
Brent Oil (US\$/bbl)	79.94	-7.8%	▼	-6.9%	▼
Iron Ore (US\$/t)	125.56	1.1%	▲	12.8%	▲
Coking Coal (US\$/t)	2,666.50	7.7%	▲	7.3%	▲
Gold (US\$/oz)	1,864.97	-3.3%	▼	2.2%	▲

**Brian Redican**  
**Chief Economist**  
[brian.redican@tcorp.nsw.gov.au](mailto:brian.redican@tcorp.nsw.gov.au)

**Emily Perry**  
**Senior Economist**  
[emily.perry@tcorp.nsw.gov.au](mailto: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](http://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\$104 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\$138 billion. It is rated Aaa (Stable) by Moody's, AAA (Stable) by Fitch, and AA+ (Stable) by S&P