

# Weekly Economic Report

7 August 2023

## Financial markets charts

### The week that was

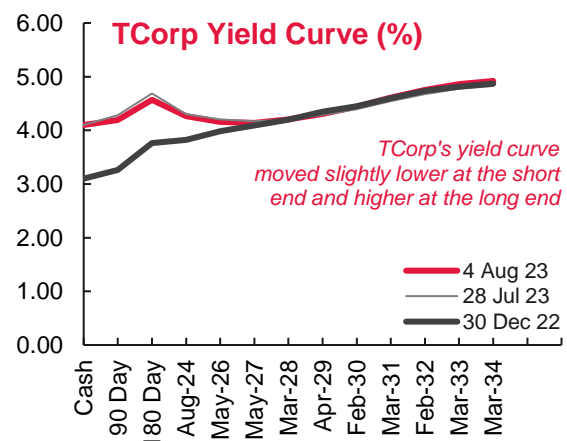
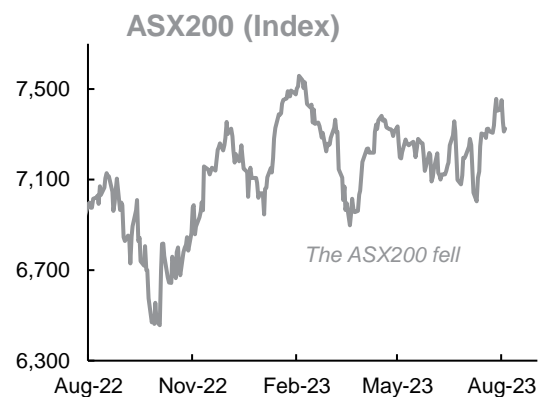
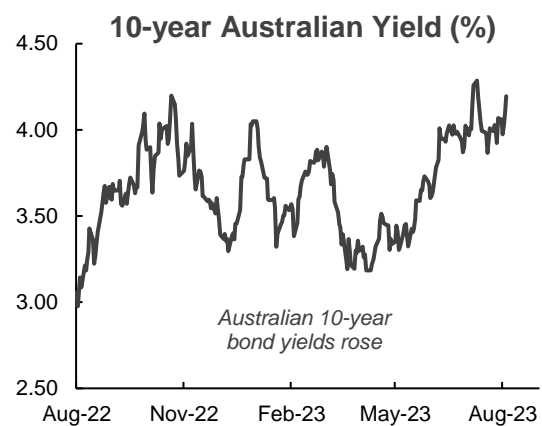
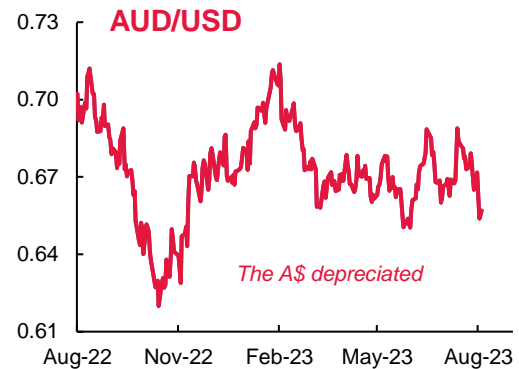
- The Reserve Bank of Australia (RBA) left its policy rate unchanged at 4.10%, noting that future decisions will depend upon incoming data and the evolving assessment of risks. The RBA expects headline inflation to return to the 2-3% target band in the second half of 2025, a touch later than previously forecast. It also lowered its GDP growth forecasts slightly, reflecting subdued household spending, with retail sales volumes falling by 0.5% in the June quarter.
- Australian house prices rose by 0.8% in July, a slower pace than in the preceding 2 months. New lending for housing fell in June and building approvals remained weak. Australian 10-year bond yields rose 13bps, the ASX200 fell 1.1% and the Australian dollar depreciated by 1.2% last week.
- Fitch Ratings lowered the US sovereign credit rating from AAA to AA+, citing high and rising government debt as a key factor in its decision. This coincided with the US Treasury announcing a larger-than-expected borrowing programme for the September quarter. In response, 10-year bond yields rose, though the move was partly reversed by non-farm payrolls rising less than expected in July. The ISM manufacturing and services indexes were also weaker than expected in July. US 10-year bond yields ended the week 8bps higher and the S&P500 fell 2.3%.
- The Bank of England increased its policy rate by 25bps, to 5.25%, and is widely expected to raise rates further to combat high inflation.
- PMI data suggests that China's services sector expanded in July while manufacturing contracted.

### Economic calendar

<b>Monday</b> <b>07/08</b>	GE: Industrial production, Jun US: NFIB Small Business Optimism, Jul
<b>Tuesday</b> <b>08/08</b>	AU: NAB Business survey, Jul; Westpac consumer sentiment, Aug GE: CPI, Jul (final)
<b>Wednesday</b> <b>09/08</b>	CH: CPI & PPI, Jul
<b>Thursday</b> <b>10/08</b>	US: CPI, Jul
<b>Friday</b> <b>11/08</b>	US: PPI, Jul; University of Michigan sentiment, Aug (prelim) UK: GDP, Jun qtr (prelim)

### The week ahead

- US inflation data will be the focus globally for an updated read on price pressures. Inflation data for China will also be closely watched.
- Locally, survey data will show how consumer and business sentiment is faring. Investors will also pay attention to local earnings reports.
- UK GDP for the June quarter will also be released.



## Financial markets data: Week ending 4 August 2023

INTEREST RATES	CLOSE (%)	1 WEEK (BPS)		YTD (BPS)	
RBA Cash Rate	4.10	0	—	100	▲
90-day BBSW	4.19	-9	▼	93	▲
3-year Australian Bond Yield	3.87	-1	▼	37	▲
10-year Australian Bond Yield	4.19	13	▲	14	▲
20-year Australian Bond Yield	4.49	13	▲	12	▲
10-year Australian Break-Even Inflation	2.48	2	▲	2	▲
10-year Australian Real Yield	1.71	10	▲	12	▲
Fed Funds Rate (lower bound)	5.25	0	—	100	▲
2-year US Treasury Yield	4.76	-11	▼	34	▲
10-year US Treasury Yield	4.03	8	▲	16	▲
30-year US Treasury Yield	4.20	19	▲	24	▲
10-year German Bund Yield	2.56	7	▲	-1	▼
<b>NSW TCorp Bonds</b>	<b>Close (%)</b>	<b>1 Week (bps)</b>		<b>YTD (bps)</b>	
1.00% 8 February 2024	4.25	-3	▼	51	▲
1.00% 20 August 2024	4.26	-4	▼	44	▲
1.25% 20 March 2025	4.25	-7	▼	41	▲
4.00% 20 May 2026	4.16	-4	▼	18	▲
3.00% 20 May 2027	4.14	-3	▼	5	▲
3.00% 20 March 2028	4.20	0	▲	0	▲
3.00% 20 April 2029	4.31	2	▲	-4	▼
3.00% 20 February 2030	4.45	5	▲	-1	▼
2.00% 20 March 2031	4.61	7	▲	1	▲
1.50% 20 February 2032	4.75	8	▲	1	▲
2.00% 8 March 2033	4.86	9	▲	5	▲
3.50% 20 March 2034	4.92	9	▲	5	▲
2.75% 20 November 2025 CIB	1.32	2	▲	51	▲
2.50% 20 November 2035 CIB	2.45	18	▲	0	▲
10-year NSW TCorp Bond Yield	4.84	9	▲	9	▲
10-year TCV (Victoria) Spread	0.03	-1	▼	-1	▼
10-year QTC (Queensland) Spread	-0.09	0	—	-4	▼
<b>Equities</b>	<b>Close</b>	<b>1 Week</b>		<b>YTD</b>	
S&P/ASX200 (Australia)	7,325	-1.1%	▼	4.1%	▲
S&P500 (US)	4,478	-2.3%	▼	16.6%	▲
FTSE 100 (UK)	7,564	-1.7%	▼	1.5%	▲
DJ Stoxx600 (Europe)	459	-2.4%	▼	8.1%	▲
Nikkei 225 (Japan)	32,193	-1.7%	▼	23.4%	▲
Shanghai Composite (China)	3,288	0.4%	▲	6.4%	▲
<b>Currencies</b>	<b>Close</b>	<b>1 Week</b>		<b>YTD</b>	
AUD/USD	0.657	-1.2%	▼	-3.6%	▼
EUR/USD	1.101	-0.1%	▼	2.8%	▲
USD/JPY	141.76	0.4%	▲	8.1%	▲
GBP/USD	1.27	-0.8%	▼	5.5%	▲
US\$ Index	102.02	0.4%	▲	-1.5%	▼
<b>Commodities</b>	<b>Close</b>	<b>1 Week</b>		<b>YTD</b>	
Brent Oil (US\$/bbl)	86.24	1.5%	▲	0.4%	▲
Iron Ore (US\$/t)	104.22	-7.3%	▼	-6.3%	▼
Coking Coal (US\$/t)	195.10	-4.4%	▼	-45.9%	▼
Gold (US\$/oz)	1,942.91	-0.8%	▼	6.5%	▲

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