

Weekly Economic Report

8 May 2023

Financial markets charts

The week that was

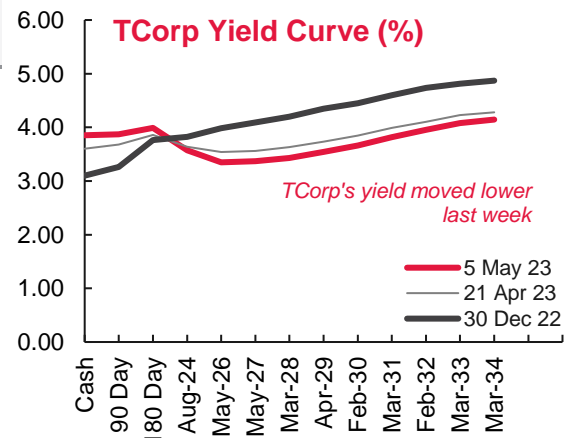
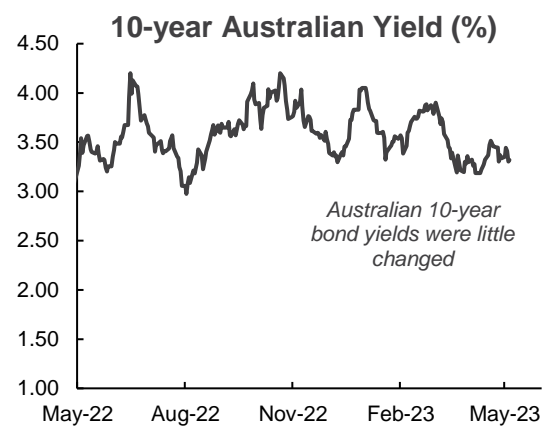
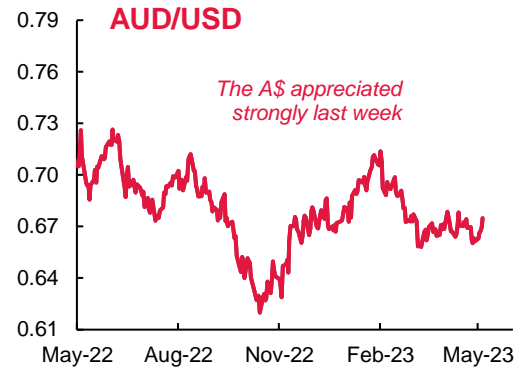
- The Reserve Bank of Australia (RBA) surprised financial markets, raising its policy rate by 25bps, after a pause in April. The RBA Board's priority remains returning inflation to target within a reasonable timeframe, with the RBA forecasting inflation will only fall to 3% by mid-2025. The RBA also now expects weaker economic growth and higher unemployment. The ASX200 fell 1.2% last week, the Australian dollar appreciated by 2% and Australian 10-year bond yields ended the week 2bps lower.
- The US Federal Reserve raised its policy rate by the expected 25bps and appears to be very close to pausing its rate hikes. Ongoing concerns about the health of US regional banks has weighed on sentiment, with the S&P500 falling 0.8% over the week while US 10-year bond yields were little changed.
- The European Central Bank raised rates by the expected 25bps and signalled that further rate rises are likely.
- Retail sales values in Australia rose by more than expected in March, but monthly turnover remains at a similar level to 6 months ago.

Economic calendar

| | |
|----------------------------|--|
| Monday 08/05 | AU: NAB business survey, Apr; Building approvals, Mar US: Senior Loan Officer Opinion Survey GE: Industrial production, Mar |
| Tuesday 09/05 | AU: Retail sales volumes, March qtr; Westpac consumer sentiment, May; 2023/24 Australian Federal budget US: NFIB Small Business Optimism, Apr |
| Wednesday 10/05 | US: CPI, Apr GE: CPI, Apr (final) |
| Thursday 11/05 | UK: Bank of England policy decision US: PPI, Apr CH: CPI & PPI, Apr |
| Friday 12/05 | UK: GDP, March qtr (prelim); Industrial production, Mar US: University of Michigan sentiment, May (prelim) |

The week ahead

- Locally, retail sales volumes data will provide an updated read of household spending. Survey data will show how business and consumer sentiment has evolved. Finally, the Australian Government will hand down its 2023-24 Budget.
- US consumer and producer price inflation data will show whether price pressures have eased. The Fed's Senior Loan Officer Opinion Survey will help gauge the degree of tightening in bank lending.
- The Bank of England is expected to raise its policy interest rate by 25bps this week.



Financial markets data: Week ending 5 May 2023

| Interest Rates | Close (%) | 1 Week (bps) | | YTD (bps) | |
|---|-----------|--------------|---|-----------|---|
| RBA Cash Rate | 3.85 | 25 | ▲ | 75 | ▲ |
| 90-day BBSW | 3.87 | 19 | ▲ | 61 | ▲ |
| 3-year Australian Bond Yield | 2.96 | -4 | ▼ | -54 | ▼ |
| 10-year Australian Bond Yield | 3.32 | -2 | ▼ | -73 | ▼ |
| 20-year Australian Bond Yield | 3.80 | 1 | ▲ | -58 | ▼ |
| 10-year Australian Break-Even Inflation | 2.28 | -8 | ▼ | -18 | ▼ |
| 10-year Australian Real Yield | 1.04 | 6 | ▲ | -56 | ▼ |
| Fed Funds Rate (lower bound) | 5.00 | 25 | ▲ | 75 | ▲ |
| 2-year US Treasury Yield | 3.91 | -9 | ▼ | -51 | ▼ |
| 10-year US Treasury Yield | 3.44 | 1 | ▲ | -44 | ▼ |
| 30-year US Treasury Yield | 3.75 | 8 | ▲ | -21 | ▼ |
| 10-year German Bund Yield | 2.29 | -2 | ▼ | -28 | ▼ |
| NSW TCorp Bonds | Close (%) | 1 Week (bps) | | YTD (bps) | |
| 1.00% 8 February 2024 | 0.00 | 0 | — | -323 | ▼ |
| 5.00% 20 August 2024 | 3.75 | 9 | ▲ | 1 | ▲ |
| 1.25% 20 March 2025 | 3.57 | 4 | ▲ | -26 | ▼ |
| 4.00% 20 May 2026 | 3.42 | 1 | ▲ | -42 | ▼ |
| 3.00% 20 May 2027 | 3.35 | -5 | ▼ | -64 | ▼ |
| 3.00% 20 March 2028 | 3.37 | -5 | ▼ | -72 | ▼ |
| 3.00% 20 April 2029 | 3.43 | -5 | ▼ | -77 | ▼ |
| 3.00% 20 February 2030 | 3.54 | -3 | ▼ | -80 | ▼ |
| 2.00% 20 March 2031 | 3.66 | -4 | ▼ | -79 | ▼ |
| 1.50% 20 February 2032 | 3.82 | -3 | ▼ | -78 | ▼ |
| 2.00% 8 March 2033 | 3.95 | -2 | ▼ | -78 | ▼ |
| 3.50% 20 March 2034 | 4.08 | -2 | ▼ | -73 | ▼ |
| | 4.15 | -1 | ▼ | -73 | ▼ |
| 2.75% 20 November 2025 CIB | | | | | |
| 2.50% 20 November 2035 CIB | 0.30 | 2 | ▲ | -51 | ▼ |
| | 1.85 | 5 | ▲ | -54 | ▼ |
| 10-year NSW TCorp Bond Yield | | | | | |
| 10-year TCV (Victoria) Spread | 4.05 | -1 | ▼ | -71 | ▼ |
| 10-year QTC (Queensland) Spread | -0.02 | 1 | ▲ | -6 | ▼ |
| Equities | Close | 1 Week | | YTD | |
| S&P/ASX200 (Australia) | 7,220 | -1.2% | ▼ | 2.6% | ▲ |
| S&P500 (US) | 4,136 | -0.8% | ▼ | 7.7% | ▲ |
| FTSE 100 (UK) | 7,778 | -1.2% | ▼ | 4.4% | ▲ |
| DJ Stoxx600 (Europe) | 465 | -0.3% | ▼ | 9.5% | ▲ |
| Nikkei 225 (Japan) | 29,158 | 1.0% | ▲ | 11.7% | ▲ |
| Shanghai Composite (China) | 3,335 | 0.3% | ▲ | 7.9% | ▲ |
| Currencies | Close | 1 Week | | YTD | |
| AUD/USD | 0.675 | 2.0% | ▲ | -0.9% | ▼ |
| EUR/USD | 1.102 | 0.0% | — | 2.9% | ▲ |
| USD/JPY | 134.80 | -1.1% | ▼ | 2.8% | ▲ |
| GBP/USD | 1.26 | 0.5% | ▲ | 4.6% | ▲ |
| US\$ Index | 101.21 | -0.4% | ▼ | -2.2% | ▼ |
| Commodities | Close | 1 Week | | YTD | |
| Brent Oil (US\$/bbl) | 75.30 | -5.3% | ▼ | -12.4% | ▼ |
| Iron Ore (US\$/t) | 102.33 | -11.9% | ▼ | -8.0% | ▼ |
| Coking Coal (US\$/t) | 178.52 | -6.8% | ▼ | -50.5% | ▼ |
| Gold (US\$/oz) | 2,016.79 | 1.3% | ▲ | 10.6% | ▲ |

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

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