

The week that was

- The Australian economy shrank by 0.3% in the March quarter with the annual growth rate slowing to 1.4%. While public demand, (+1.8%) and net exports supported growth, private consumption remains a drag slumping 1.1% along with residential construction (-1.7%). With Q2 set to weaken significantly, Treasurer Frydenberg confirmed Australia has entered recession.
- The US unemployment rate was better than expected as it fell to 13.3% in May, from 14.7% in April. Around 2.5 million jobs were added to the economy obliterating expectations of a 7.5 million loss.
- It was risk on this week across markets, as investors cast aside any fears about rising tensions between the US and China and the unrest within the US and instead focussed on loosening COVID-19 restrictions. Equities surged, the ASX200 rose 4.2%, US shares gained 4.9% and European stocks rose 6.7%. The AUD regained its early 2020 value closing the week up 4.5% at US 69.7 cents. Bond yields also increased with Australian 10-year yields climbing 21bps and US 10-year yields up 24bps.
- The Australian Government announced further stimulus in its HomeBuilder package, aiming to support residential construction with \$25k grants for new builds or renovations, estimated to add \$680 million to the economy. Free childcare will be removed from early July which will support a rebound in Q3 headline CPI.

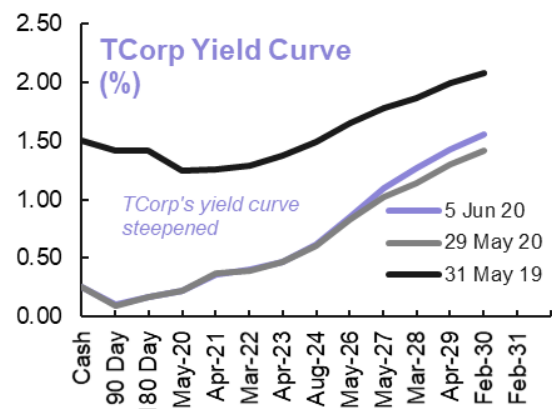
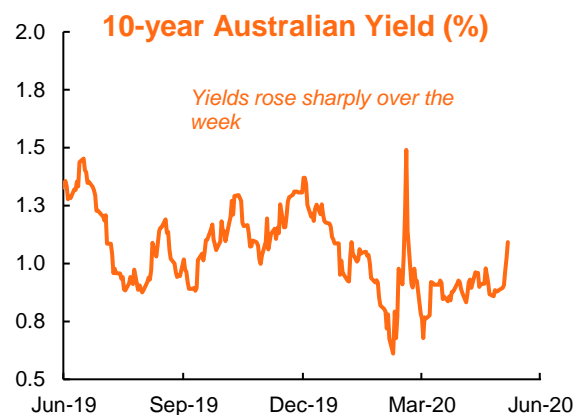
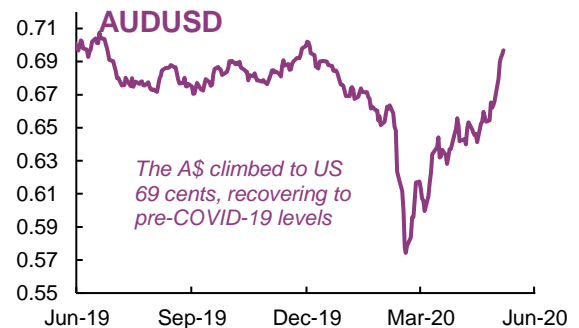
Economic calendar

Monday 08/06	AU: Queen's Birthday public holiday
Tuesday 09/06	OPEC Meeting AU: NAB Business Conditions, May
Wednesday 10/06	OPEC+ Meeting US: FOMC Rate Decision, June
Thursday 11/06	
Friday 12/06	NZ: BusinessNZ Manufacturing PMI, May

The week ahead

- May NAB Business conditions and confidence indicators will provide some insight into the changing environment as COVID-19 restrictions are eased. April is expected to have marked the trough.
- The US central bank's FOMC meeting this week will reveal their latest economic forecasts.

Financial markets charts



Financial markets data: Week ending 5 June 2020

Interest Rates	Close (%)	1 Week (bps)		YTD (bps)	
RBA Cash Rate	0.25	0	–	-50	▼
90-day BBSW	0.10	1	▲	-82	▼
3-year Australian Bond Yield	0.28	2	▲	-63	▼
10-year Australian Bond Yield	1.09	21	▲	-28	▼
20-year Australian Bond Yield	1.85	26	▲	-2	▼
10-year Australian Break-Even Inflation	1.13	15	▲	-28	▼
10-year Australian Real Yield	-0.03	6	▲	0	▲
Fed Funds Rate (lower bound)	0.00	0	–	-150	▼
2-year US Treasury Yield	0.21	5	▲	-136	▼
10-year US Treasury Yield	0.90	24	▲	-102	▼
30-year US Treasury Yield	1.67	26	▲	-72	▼
10-year German Bund Yield	-0.28	17	▲	-9	▼
NSW TCorp Bonds	Close (%)	1 Week (bps)		YTD (bps)	
4.00% 8 April 2021	0.36	-1	▼	-64	▼
6.00% 1 March 2022	0.40	1	▲	-66	▼
4.00% 20 April 2023	0.47	0	▲	-70	▼
1.00% 8 February 2024	0.57	0	▼	-71	▼
5.00% 20 August 2024	0.61	0	▲	-67	▼
4.00% 20 May 2026	0.86	3	▲	-60	▼
3.00% 20 May 2027	1.10	8	▲	-47	▼
3.00% 20 March 2028	1.27	13	▲	-40	▼
3.00% 20 April 2029	1.43	13	▲	-35	▼
3.00% 20 February 2030	1.56	14	▲	-28	▼
2.00% 20 March 2031	1.71	15	▲	-25	▼
2.00% 20 March 2032	1.93	15	▲	n/a	n/a
2.00% 20 March 2033	2.03	19	▲	-17	▼
3.75% 20 August 2020 CIB	-0.83	41	▲	-13	▼
2.75% 20 November 2025 CIB	0.47	0	▲	38	▲
2.50% 20 November 2035 CIB	0.92	-2	▼	n/a	n/a
10-year NSW TCorp Bond Yield	1.62	15	▲	-22	▼
10-year TCV (Victoria) Spread	-0.10	-2	▼	-8	▼
10-year QTC (Queensland) Spread	-0.01	0	▼	-4	▼
Equities	Close	1 Week		YTD	
S&P/ASX 200 (Australia)	5,999	4.2%	▲	-10.3%	▼
S&P 500 (US)	3,194	4.9%	▲	-1.1%	▼
FTSE 100 (UK)	6,484	6.7%	▲	-14.0%	▼
DJ Stoxx 600 (Europe)	375	7.1%	▲	-9.7%	▼
Nikkei 225 (Japan)	22,864	4.5%	▲	-3.4%	▼
Shanghai Composite (China)	2,931	2.8%	▲	-3.9%	▼
Currencies	Close	1 Week		YTD	
AUD/USD	0.697	4.5%	▲	-0.7%	▼
EUR/USD	1.129	1.7%	▲	0.7%	▲
USD/JPY	109.59	1.6%	▲	0.9%	▲
GBP/USD	1.27	2.6%	▲	-4.4%	▼
US\$ Index	96.94	-1.4%	▼	0.6%	▲
Commodities	Close	1 Week		YTD	
Brent Oil (US\$/bbl)	42.30	19.7%	▲	-35.9%	▼
Iron Ore (US\$/t)	100.21	8.3%	▲	9.5%	▲
Coking Coal (US\$/t)	1,185.00	0.0%	–	-1.8%	▼
Gold (US\$/oz)	1,685.06	-2.6%	▼	11.1%	▲

Brian Redican
Chief Economist
brian.redican@tcorp.nsw.gov.au

Dana Rice
Economist
dana.rice@tcorp.nsw.gov.au

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TCorp

Level 7, Deutsche Bank Place,
126 Phillip Street, Sydney, NSW 2000

Tel: +61 2 9325 9325
www.tcorp.nsw.gov.au

www.linkedin.com/company/tcorp-nswtreasurycorporation/

