

## Retail sales jump in May, fanning expectations of an August RBA hike. In the US, the labour market shows signs of cooling.

### Economic data

In Australia, retail sales came in higher than expected for May, growing 0.6% against forecasts of a 0.3% increase, after a 0.1% rise in April. The YoY figure came in at 1.7%.

In the US, the unemployment rate climbed from 4.0% to 4.1% in June. The economy added 206,000 jobs against the 190,000 expected, while job gains from April and May were revised 111,000 lower.

### Rates

Australian yields increased over the week, with 2-year yields rising 0.07% to 4.24%, while 10-year yields moved up by 0.09% to 4.40%.

Retail sales growth saw its biggest increase in four months in May, rising 0.6% MoM, twice as strong as expected. Coming amidst heightened concerns about stubborn inflation risks after the surprise CPI print the previous week, this was an outcome that further strengthened the case for a hike this year. In response, yields saw an increase as traders boosted the odds for a hike at the next RBA meeting in August. Yet, underlying momentum remains weak, as the YoY retail turnover was 1.7%. Earlier in the week, minutes of the June RBA meeting showed that the central bank pondered whether a hike was needed due to “upside risks to inflation”, but decided to hold rates steady to preserve recent labour market gains and with economic data remaining mixed.

In the US, yields fell across the week, as 2-year yields finished 0.15% lower at 4.60%, while 10-year yields dipped 0.12% to 4.28%.

The jobs report on Friday saw the labour market showing signs of slackening in June, as the unemployment rate hit 4.1%, the highest level since November 2021. This was against expectations that the figure would remain unchanged at 4.0% from May. Meanwhile, April and May’s job gains were revised 111,000 lower, suggesting the trend in payrolls growth was slowing. The report could boost the Fed’s confidence in the inflation outlook, and pave the way for an easing cycle starting September, which is currently expected by the markets. On Tuesday, Fed Chair Powell cited signals that the US is “back on the disinflationary path”, acknowledging that risks to inflation and employment have come “much closer to balance”. Bonds reacted with a rally. Minutes of the June FOMC meeting released Wednesday showed that the Fed needed “greater confidence” to cut rates despite inflation moving in the right direction, and agreed that there should be no rush to cut.

### Credit

Credit spreads tightened, with the Australian iTraxx index narrowing by 6 bps to end at 64bps.

### Other markets

Commodities were positive over the week, with the CRB index gaining 0.5% to 542.1. Oil turned upwards, climbing 2.9% to USD 83.9 per barrel, while gold increased 2.8% to USD 2,392 per ounce. Iron ore price also spiked, ending the week 7.6% higher at USD 113.5 per ton.

In FX, the US dollar continued to broadly weaken against major currencies. The AUD/USD increased by 1.2% to 0.675, while the EUR/USD also gained 1.2% to end at 1.084. The GBP/USD rose 1.3% to 1.282. Meanwhile, the Yen bucked its decline, with the USD/JPY creeping 0.1% lower to finish at 160.8.

Equities saw a strong week, as the S&P 500 index set a new record, ending the week 2.0% higher at 5,567. The FTSE 100 rose 0.5% to end at 8,204, while the ASX200 climbed 0.7% to 7,822. The Nikkei pushed past 40,000 again to finish 3.4% higher at 40,912.

### The week ahead

In Australia, this week will be a quieter week domestically. In the US, inflation data will be in focus as CPI prints are released.

## **BlackRock Fixed Income Product Strategy**

The Market Data Dashboard is for wholesale clients only and not for distribution to retail clients. The next page provides an overview of changes in key market rates and prices over the week and the month. Focus is given to fixed income markets, but there is also some currency, commodity, and equity market data. The dashboard provides start and end values for each period as well as “sparkline” charts which provide an indication of the path of changes over the period.

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### BlackRock Australia Fixed Income

# Market Data Dashboard

		Week							Month							
		28-Jun	5-Jul	Move	%	Min	Max	Range	5-Jun	5-Jul	Move	%	Min	Max	Range	
Rates	Australia	RBA Cash	4.35	4.35	0.00		4.35	4.35	0.00	4.35	4.35	0.00	4.35	4.35	0.00	
		12m Implied Cash	4.36	4.26	(0.10)		4.26	4.36	0.10	4.13	4.26	0.14	3.97	4.36	0.39	
		30 day BBSW	4.30	4.31	0.00		4.30	4.31	0.01	4.28	4.31	0.02	4.28	4.31	0.03	
		90 day BBSW	4.45	4.46	0.02		4.45	4.46	0.02	4.35	4.46	0.11	4.35	4.46	0.12	
		2Y Govt Bond	4.16	4.24	0.07		4.16	4.24	0.07	4.01	4.24	0.23	3.89	4.26	0.38	
		10Y Govt Bond	4.31	4.40	0.09		4.31	4.43	0.12	4.25	4.40	0.16	4.11	4.43	0.32	
		3-10 Fut. Curve	26.5	28.0	1.5		26.5	30.5	4.0	32.5	28.0	-4.5		24.5	35.5	11.0
		Nov-2027 Real Yield	1.65	1.69	0.04		1.65	1.69	0.04	1.53	1.69	0.16		1.47	1.75	0.28
		US	Fed Funds Target	5.50	5.50	0.00		5.50	5.50	0.00	5.50	5.50	0.00	5.50	5.50	0.00
			2Y Treasury	4.75	4.60	(0.15)		4.60	4.76	0.15	4.72	4.60	(0.12)	4.60	4.89	0.28
		10Y Treasury	4.40	4.28	(0.12)		4.28	4.46	0.18	4.28	4.28	0.00	4.22	4.47	0.25	
		2-10 Curve	(36)	(33)	3		(36)	(29)	6	(45)	(33)	12	(49)	(29)	20	
		10Y Real Yield	2.11	2.00	(0.10)		2.00	2.14	0.14	1.98	2.00	0.03	1.98	2.16	0.18	
	Aus/US	2Y Spread	(59)	(37)	22		(44)	(37)	7	(71)	(37)	34	(72)	(62)	10	
		10Y Spread	(9)	12	21		3	12	9	(3)	12	16	(11)	(4)	7	
	UK	BoE Bank Rate	5.25	5.25	0.00		5.25	5.25	0.00	5.25	5.25	0.00	5.25	5.25	0.00	
	Euro	ECB Refi Rate	4.25	4.25	0.00		4.25	4.25	0.00	4.50	4.25	(0.25)	4.25	4.50	0.25	
Credit	Australia	Aus iTraxx	70	64	(6)		64	70	6	66	64	(1)	64	72	8	
		AA 5Y vs Bond	97	94	(3)		94	97	(3)	95	94	(0)	88	113	(25)	
		BBB 5Y vs Bond	162	164	2		162	165	(4)	162	164	1	152	175	(22)	
	US	CDX Inv. Grade	53	50	(4)		50	53	4	50	50	(0)	49	54	5	
		CDX High Yield	344	333	(11)		333	344	11	333	333	1	330	347	17	
	Euro	Euro iTraxx	61	54	(7)		54	61	7	52	54	2	51	64	13	
Currencies		AUD/USD	0.667	0.675	0.008	1.2%	0.666	0.675	0.009	0.665	0.675	0.010	1.5%	0.658	0.675	0.017
		EUR/USD	1.071	1.084	0.013	1.2%	1.071	1.084	0.013	1.087	1.084	-0.003	-0.3%	1.068	1.089	0.021
		GBP/USD	1.265	1.282	0.017	1.3%	1.265	1.282	0.017	1.279	1.282	0.003	0.2%	1.262	1.282	0.019
		USD/JPY	160.9	160.8	-0.1	-0.1%	160.8	161.7	0.9	156.1	160.8	4.6	3.0%	155.6	161.7	6.1
		AUD/JPY	107.3	108.5	1.2	1.1%	107.3	108.5	1.2	103.8	108.5	4.7	4.5%	103.1	108.5	5.4
Comds	Oil	WTI Crude	81.5	83.9	2.3	2.9%	81.5	83.9	2.3	74.1	83.9	9.8	13.2%	74.1	83.9	9.8
	Gold	US\$	2,327	2,392	65	2.8%	2,327	2,392	65	2,355	2,392	37	1.6%	2,294	2,392	98
	Iron Ore	US\$	105.50	113.50	8	7.6%	105.50	113.50	8.0	111.5	113.5	2.0	1.8%	102.5	113.5	11.0
	All	CRB Index	539.3	542.1	3	0.5%	539.3	542.1	2.8	544.0	542.1	-1.9	-0.3%	539.2	547.4	8.2
Equities	Australia	ASX200 Price Index	7,767	7,822	55	0.7%	7,718	7,832	114	7,769	7,822	53	0.7%	7,700	7,860	160
	US	S&P500 Price Index	5,460	5,567	107	2.0%	5,460	5,567	107	5,354	5,567	213	4.0%	5,347	5,567	220
	Japan	Nikkei 225 Price Index	39,583	40,912	1,329	3.4%	39,583	40,914	1,331	38,490	40,912	2,422	6.3%	38,102	40,914	2,811
	UK	FTSE 100 Price Index	8,164	8,204	40	0.5%	8,121	8,241	120	8,247	8,204	(43)	-0.5%	8,121	8,285	164

Source: Bloomberg

Australia Fixed Income