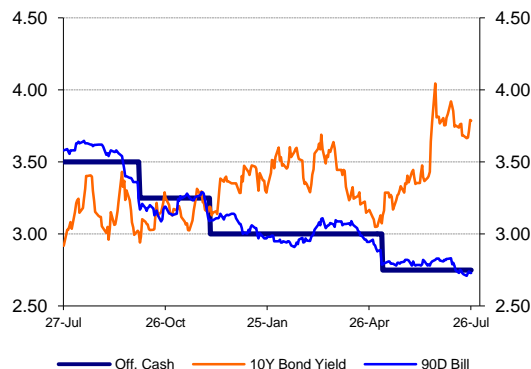


# Weekly Market and Economic Roundup

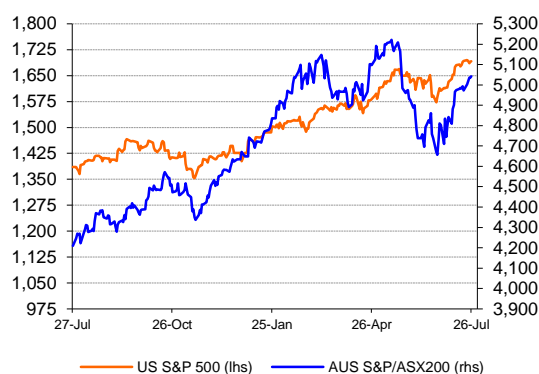
For the week ended 26 July, 2013

This Roundup covers critical economic data and publications used by NSW Treasury for monitoring and analysis.

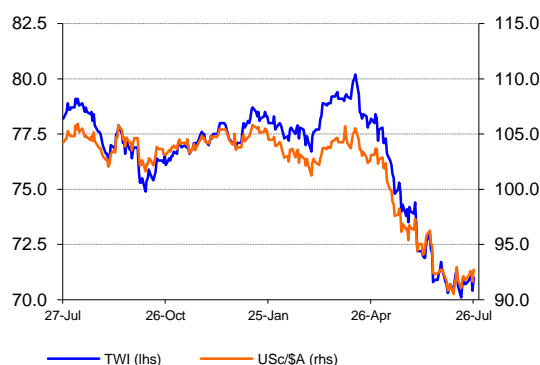
## Chart A: Domestic Interest Rates



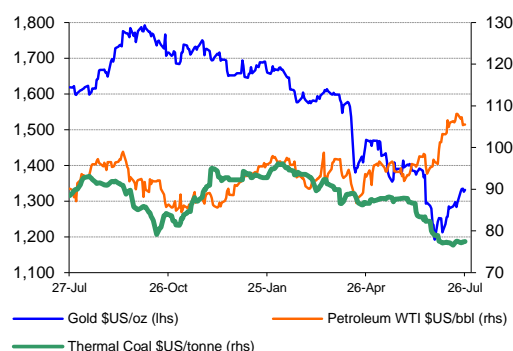
## Chart B: Share Price Index



## Chart C: Exchange Rate



## Chart D: Commodities



## Domestic Data Releases

**Consumer Price Index** data (index, sa, y%ch) for the June quarter showed that inflation was 2.6 per cent in Sydney and 2.4 per cent across the national capitals.

- The weighted median and trimmed mean measures, which are used by the RBA to measure underlying inflation, grew by 2.6 and 2.2 per cent respectively.

CommSec in their July quarter **State of the States** report noted that overall there was little change in NSW, with the state rising on some indicators (up 2 places on dwelling starts to rank 2<sup>nd</sup>) whilst falling on others (down 1 place on both construction and retail to rank 6<sup>th</sup> on both). On economic growth NSW remained ranked at 6<sup>th</sup> place.

CommSec also remarked that:

*"NSW is the fourth strongest economy from Victoria and Queensland... there is still little separating NSW, Victoria and Queensland in terms of relative economic performance. NSW is strongest on unemployment, and third strongest on population growth."*

## Markets

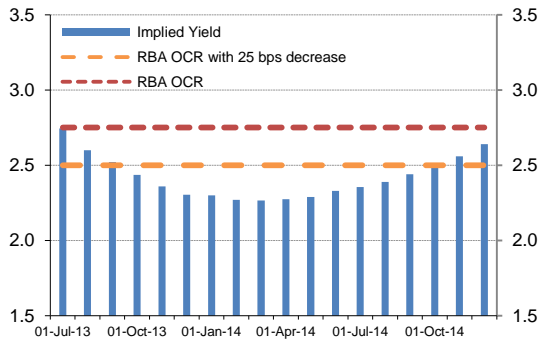
The **Australian stock market** rose 1.4% on the previous Friday, while the **New York stock exchange** was flat.

	Value	Change on Year	Change on Week
<b>S&amp;P 500</b>	1,691.7	22.1 %	0.0 %
<b>ASX200</b>	5,042.0	19.8 %	1.4 %
<b>Australian Dollar (USD)</b>	0.9271	-11.1 %	1.0 %
<b>TWI</b>	71.00	-9.2 %	0.4 %
<b>Oil (USD/bbl)</b>	105.49	17.0 %	-2.4 %
<b>Gold (USD/oz)</b>	1,331.00	-17.8 %	2.7 %
<b>Thermal Coal (USD/tonne)</b>	77.46	-12.4 %	-0.1 %
<b>Australian 10-yr bond</b>	3.79%	86.9 bps	10.5 bps
<b>US 10-yr bond</b>	2.58%	112.0 bps	6.0 bps
<b>Australian 90-day bill</b>	2.73%	-85.0 bps	1.0 bps

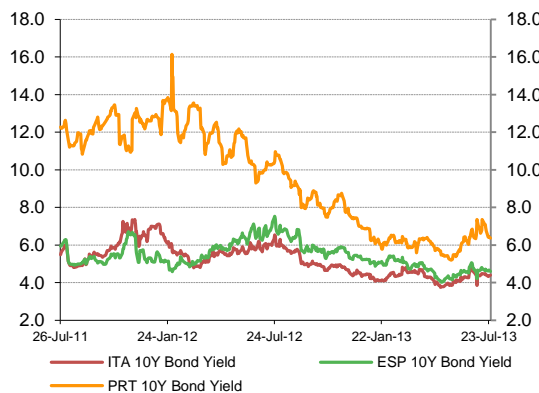
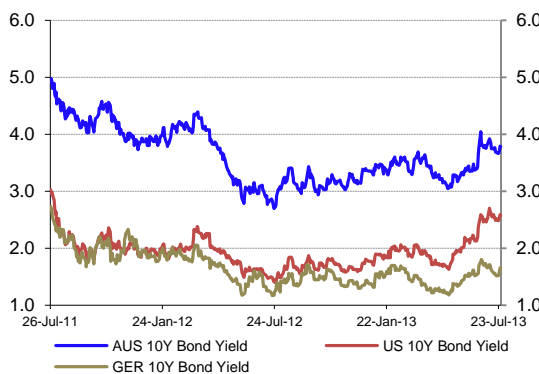
## Upcoming Domestic Data Releases (29/7 – 2/8)

- The ABS will release data on building approvals, the cost of living index, household income and distribution, international trade price indexes, producer price index, and overseas arrivals and departures.
- The RBA will release financial aggregates data and their commodity price index.
- Access Economics will release their investment monitor.
- HIA will release new home sales data.
- AiG will release their performance of manufacturing survey.

### Chart E: Interest Rate Expectations



### Charts F & G: International Bond Yields



### Market Interest Rate Expectations

Current **market expectations**, as shown by the implied yield curve on ASX 30 day interbank cash rate futures, **favour a reduction** by the RBA at its next meeting.

According to the **ASX target rate tracker**, as of 26 July, there is a 74% expectation that the RBA will reduce the cash rate by 25 basis points to 2.50% at its August 6<sup>th</sup> policy meeting.

### International Bond Yield Spreads

10-yr bond yield	Yield	Change on Year	Change on Week	Spread on 10-yr US bond week end	Spread on 10-yr US bond year ago
Australian (AUS)	3.79%	86.9 bps	10.5 bps	120.7 bps	145.8 bps
United States (US)	2.58%	112.0 bps	6.0 bps	- -	- -
Germany (GER)	1.66%	26.5 bps	14.8 bps	-91.7 bps	-6.2 bps
Italy (ITA)	4.40%	-154.9 bps	-0.8 bps	182.4 bps	449.3 bps
Portugal (PRT)	6.37%	-442.9 bps	-37.8 bps	379.3 bps	934.2 bps
Spain (ESP)	4.61%	-211.9 bps	-5.5 bps	202.8 bps	526.7 bps

### International Data Releases

The annualised number of **new house sales** in the **US** rose 8.3% in June compared to May, to be 38.1% above a year ago.

**New orders for manufactured durable goods** in the **US** increased 4.2% in June, following a 5.2% increase in May.

**Real GDP** in the **UK** increased 0.6% in the June quarter, following a 0.3% rise in the March quarter, to be 1.4% higher than a year ago.

The **Reserve Bank of New Zealand** in their July **monetary policy meeting** decided to leave the official cash rate unchanged at 2.5%.

### Upcoming International Data Releases (29/7 – 2/8)

- US: non-farm payrolls, unemployment, GDP, Federal Open Market Committee interest rate decision.
- UK: Bank of England interest rate decision.
- Europe: European Central Bank interest rate decision.
- Germany: inflation, unemployment.