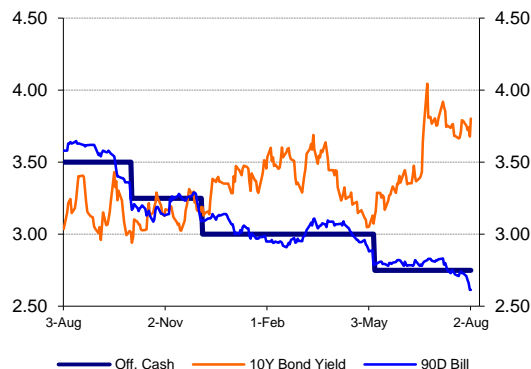


# Weekly Market and Economic Roundup

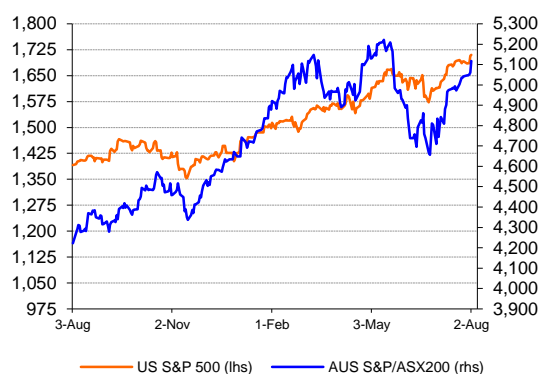
For the week ended 2 August, 2013

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

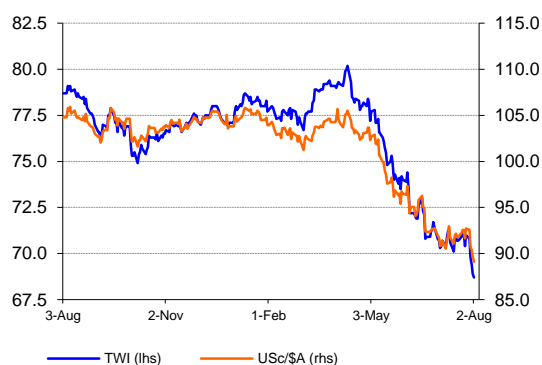
**Chart A: Domestic Interest Rates**



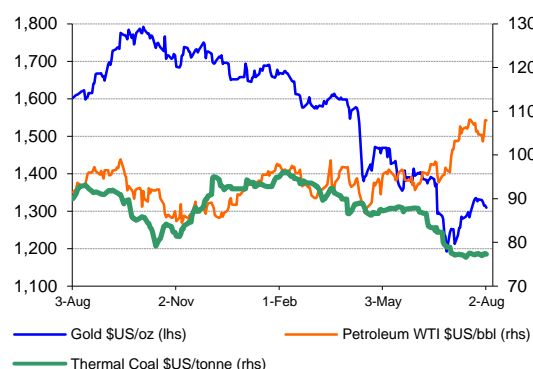
**Chart B: Share Price Index**



**Chart C: Exchange Rate**



**Chart D: Commodities**



## Domestic Data Releases

Building Approvals data (number, sa, y%ch) for June showed that the number of **residential approvals** in NSW rose 5.1% approvals nationally were down 13.0%. **Non-Residential approvals** (value, sa, y%ch) were down 50.3% in NSW and 13.8% lower nationally.

**Producer Price Index** data (index, nsa, y%ch) showed the price of final stage commodities increased 1.2 per cent nationally in the June quarter.

- Output prices for total building (index, nsa, y%ch) rose 2.0 per cent in NSW and rose 1.5 per cent nationally.

The **international trade price indexes** (index, nsa, y%ch) showed import prices fell 2.4% and export prices fell 6.4% in the June quarter.

**Overseas Visitors** (number, nsa, y%ch) to NSW rose 4.8% in June. The number of visitors nationally increased 4.1%

The RBA released **total private sector credit** data (value, sa, y%ch) for June. Credit for housing rose 4.6%, business credit increased 0.9% and other personal credit fell by 0.2%. There was an overall increase of 3.1%.

**New home sales** (number, sa, y%ch) in June increased 45.9% for NSW and increased 13.8% for Australia.

AiG's **Performance of Manufacturing Index** (index, sa) fell to 42.0 in July from 49.6 in June. A reading above 50.0 shows expansion in the industry and below 50.0 a contraction.

## Markets

The **Australian stock market** rose 1.5% on the previous Friday, while the **New York stock exchange** rose 1.1%.

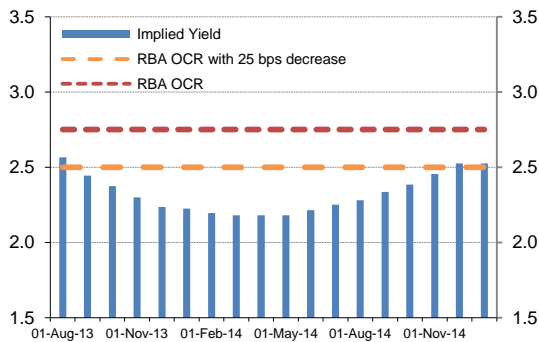
|                                 | Value    | Change on<br>Year | Change on<br>Week |
|---------------------------------|----------|-------------------|-------------------|
| <b>S&amp;P 500</b>              | 1,709.7  | 22.9 %            | 1.1 %             |
| <b>ASX200</b>                   | 5,116.8  | 21.2 %            | 1.5 %             |
| <b>Australian Dollar (USD)</b>  | 0.8909   | -15.0 %           | -3.9 %            |
| <b>TWI</b>                      | 68.70    | -12.7 %           | -3.2 %            |
| <b>Oil (USD/bbl)</b>            | 107.89   | 18.0 %            | 3.0 %             |
| <b>Gold (USD/oz)</b>            | 1,309.25 | -18.3 %           | -1.6 %            |
| <b>Thermal Coal (USD/tonne)</b> | 77.31    | -14.1 %           | -0.2 %            |
| <b>Australian 10-yr bond</b>    | 3.80%    | 76.5 bps          | 1.5 bps           |
| <b>US 10-yr bond</b>            | 2.72%    | 124.0 bps         | 14.0 bps          |
| <b>Australian 90-day bill</b>   | 2.62%    | -96.5 bps         | -11.5 bps         |

## Upcoming Domestic Data Releases (5/8 – 9/8)

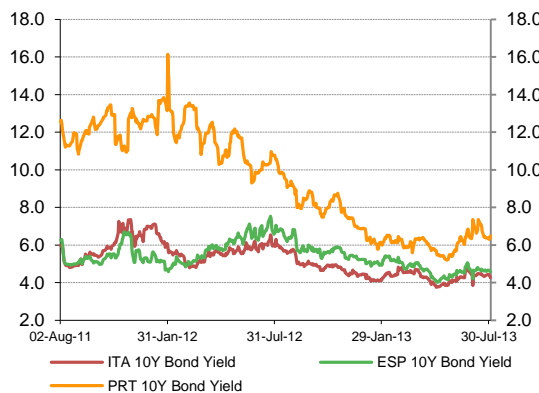
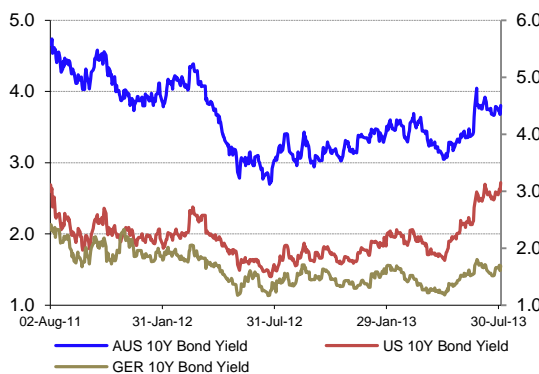
- The ABS will release data on retail sales, international trade, the house price index, housing finance and the labour force.
- The RBA will announce their monthly monetary policy decision and release their statement on monetary policy.
- ANZ will release their job advertisements series.
- TD-MI inflation gauge.
- AiG will release their performance of services and performance of construction surveys.
- Consensus Economics will release their Asia-Pacific forecasts.

## Market Interest Rate Expectations

Chart E: Interest Rate Expectations



Charts F & G: International Bond Yields



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 2 August, there is a 91% 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 |
|---------------------------|-------|----------------|----------------|----------------------------------|----------------------------------|
| <b>Australian (AUS)</b>   | 3.80% | 76.5 bps       | 1.5 bps        | 108.2 bps                        | 155.7 bps                        |
| <b>United States (US)</b> | 2.72% | 124.0 bps      | 14.0 bps       | - -                              | - -                              |
| <b>Germany (GER)</b>      | 1.69% | 26.7 bps       | 2.8 bps        | -102.9 bps                       | -5.6 bps                         |
| <b>Italy (ITA)</b>        | 4.26% | -180.1 bps     | -14.4 bps      | 154.0 bps                        | 458.1 bps                        |
| <b>Portugal (PRT)</b>     | 6.49% | -405.5 bps     | 11.7 bps       | 377.0 bps                        | 906.5 bps                        |
| <b>Spain (ESP)</b>        | 4.58% | -224.0 bps     | -2.5 bps       | 186.3 bps                        | 534.3 bps                        |

### International Data Releases

**US real GDP** in the 2<sup>nd</sup> quarter for 2013 increased at an annualised rate of 1.7%, this followed growth of 1.1% in the previous quarter.

The **number of employed** in the **US** rose 0.2% in July to be 1.4% higher through the year. The **unemployment rate** fell to 7.4% in July from 7.6% in June. In July a year ago the unemployment rate was 8.2%.

The **European Central Bank** at its **monetary policy meeting** decided to leave their key policy rates unchanged.

The **bank of England** in its **monetary policy meeting** decided to leave their official bank rate unchanged at 0.5%.

### Upcoming International Data Releases (5/8 – 9/8)

- Japan: Bank of Japan monetary policy decision.
- China: trade balance, inflation, retail sales.
- Europe: retail sales.
- UK: Bank of England forecasts, trade balance.