

Weekly Market and Economics Roundup

For the week ended 16 August, 2013

Chart A: Domestic Interest Rates

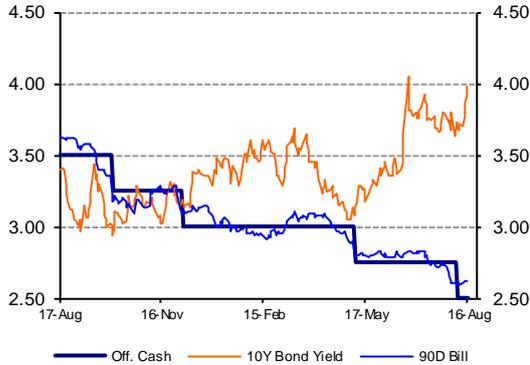


Chart B: Share Price Index

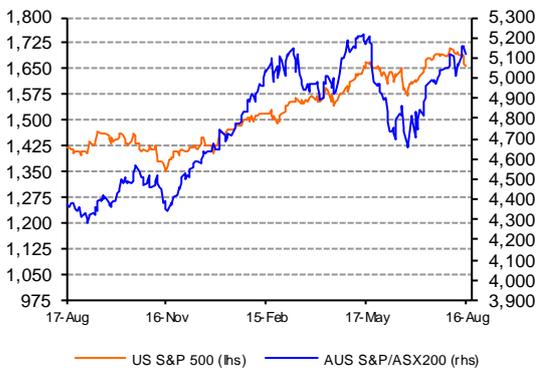


Chart C: Exchange Rate



Chart D: Commodities



Domestic Data Releases

Lending Finance (value, nsa, y%ch,) for investor housing rose 22.4% for NSW and was up 12.5% for Australia in May. **Total Commercial Finance** (value, nsa, y%ch) for NSW rose 21.9% and nationally rose 10%.

In June Quarter, the **Wage Price Index** (ex-bonus, nsa, Q%ch) rose 0.4% for NSW and 0.4% nationally. In year on year terms, **WPI** rose 2.8% in NSW and 2.9% nationally.

The Westpac-MI national **consumer sentiment index** (index, m%ch) increased by 3.5% in August to be 9.4% higher than a year ago. For NSW sentiment rose 3.2% in the month to be 15.6% higher than a year ago.

The **NAB monthly business survey** showed that in July:

- **Business confidence** in NSW fell 1 point to -3 and nationally also fell by 3 points to -3.
- **Business conditions** in NSW fell 1 points to -7 and for Australia remained at -7.

Consensus Economics in their **Asia-Pacific forecasts** expect Australian GDP growth of 2.4% in 2013 and 2.6% in 2014, and inflation of 2.2% in 2013 and 2.6% in 2014.

Markets

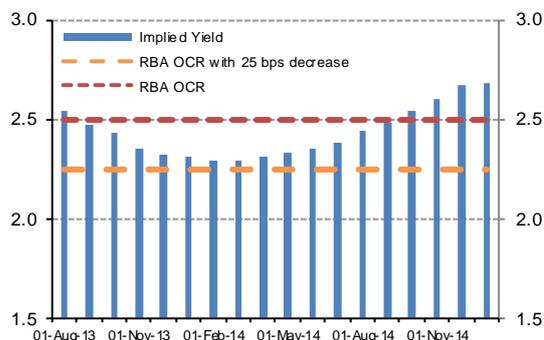
The **Australian stock market** was up 1.2% on the previous Friday, while the **New York stock exchange** fell 2.1%.

	Value	Change on Year	Change on Week
S&P 500	1,655.8	16.8 %	-2.1 %
ASX200	5,113.9	17.0 %	1.2 %
Australian Dollar (USD)	0.9147	-12.7 %	0.3 %
TWI	70.10	-10.7 %	0.6 %
Oil (USD/bbl)	107.33	11.8 %	3.8 %
Gold (USD/oz)	1,369.25	-15.2 %	4.6 %
Thermal Coal (USD/tonne)	79.58	-13.8 %	3.4 %
Australian 10-yr bond	3.98%	57.5 bps	26.0 bps
US 10-yr bond	2.77%	93.0 bps	18.0 bps
Australian 90-day bill	2.62%	-101.2 bps	2.1 bps

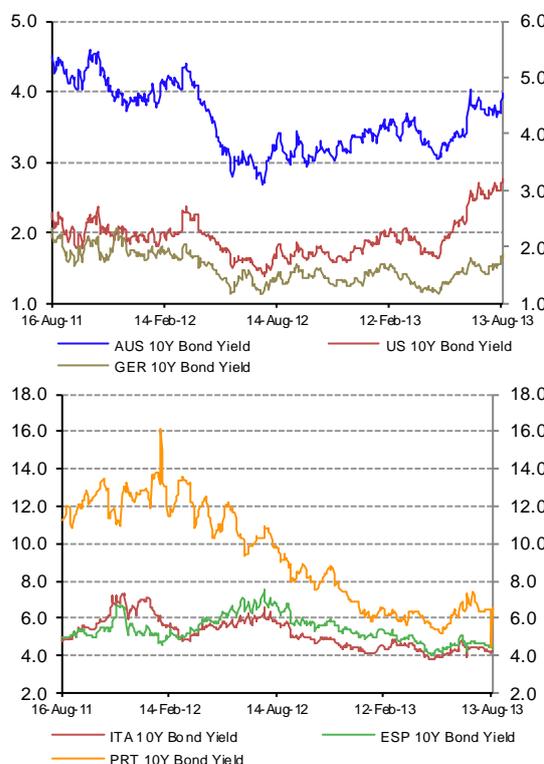
Upcoming Domestic Data Releases (19/8 – 23/8)

- The ABS will release data on new car sales and merchandise imports
- RBA Monetary policy meeting minutes.

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 no change** by the RBA at its next meeting.

According to the **ASX target rate tracker**, as of the 16th of August, there is an 89% expectation that the RBA will keep the cash rate at 2.50% at its September 3rd 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)	3.98%	57.5 bps	26.0 bps	120.7 bps	156.2 bps
United States (US)	2.77%	93.0 bps	18.0 bps	- -	- -
Germany (GER)	1.87%	37.6 bps	17.6 bps	-89.8 bps	-34.4 bps
Italy (ITA)	4.19%	-151.6 bps	0.5 bps	141.8 bps	386.4 bps
Portugal (PRT)	6.36%	-319.8 bps	-13.1 bps	358.9 bps	771.7 bps
Spain (ESP)	4.35%	-209.5 bps	-12.7 bps	157.8 bps	460.3 bps

International Data Releases

US Consumer price index rose 2.0% through the year to July, up from 1.8% through the year to June.

UK CPI fell to 2.8% in July, down from 2.9% in June.

European GDP up 0.3% for the June quarter, and fell 0.7% compared to the June quarter 2012.

The number of **housing starts** (sa) in the **US** rose 5.9 per cent in July, compared to June, to be 20.9 per cent higher than a year ago.

The **unemployment rate** in the **UK** in the July quarter was 7.8 per cent, remaining the same as the previous quarter.

Headline inflation, measured by the **consumer price index**, in the **UK** was 2.9% through the year to June 2013, following a result of 2.7% in April.

UK real retail sales in July 2013 rose 3% on a year ago, sales in **value terms** were also up, by 4.9% compared to a year ago.

The preliminary **consumer confidence index** for the **US** is showing lower levels of confidence with the index falling 5.1 points

Upcoming International Data Releases (19/8 – 23/8)

- Japan: Merchandise Trade
- US: existing home sales, FED FOMC minutes and new home sales
- UK: GDP (second release)
- Europe: PMI surveys
- Germany: PM surveys