

Weekly Market and Economics Roundup

For the week ended 6 September, 2013

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

Chart A: Domestic Interest Rates

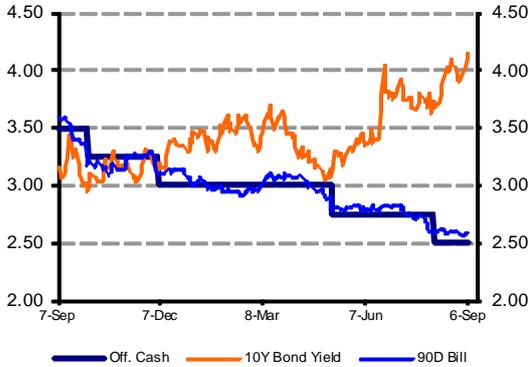


Chart B: Share Price Index



Chart C: Exchange Rate

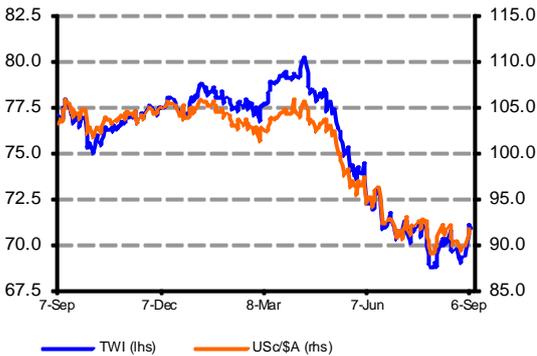
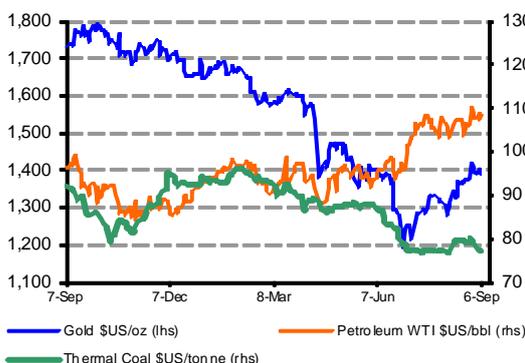


Chart D: Commodities



Domestic Data Releases

At its monthly monetary policy meeting, the RBA board decided to leave the **Overnight Cash Rate** unchanged at 2.5%.

NSW **State Final Demand** (volume, sa, y%ch) rose 1.3% in the June quarter 2013. Nationally **Domestic Final Demand** rose 0.6% while **Gross Domestic Product** rose 2.6%.

Building Approvals data (number, sa, y%ch) for July showed that the number of **residential approvals** in NSW increased 20.4% while approvals nationally were up 28.3%. **Non-Residential approvals** (value, sa, y%ch) were up 87.5% in NSW and 17.7% higher nationally.

Retail Sales (value, sa, y%ch) for July rose 1.5% for NSW and increased 1.9% for Australia.

Overseas Visitors (number, nsa, y%ch) to NSW rose 16.6% in July. The number of visitors nationally increased 8.9%

Merchandise Imports (value, nsa, y%ch) rose 1.5% for NSW and increased 7.5% for Australia in May. **Merchandise Exports** (value, nsa, y%ch) fell 2.5% for NSW and rose 3.4% for Australia.

TD-MI's Inflation Gauge for August (index, nsa, y%ch) showed **Headline Inflation** rose 2.1% and **Underlying Inflation** (as measured by the trimmed mean) rose 2.2% across Australia.

AiG's **Performance of Manufacturing Index** (index, sa) rose to 46.4 in August from 42.0 in July. The AiG-Combank **Performance of Services Index** (index, sa) fell to 39.0 in August from 39.4 in July. The AiG-HIA **Performance of Construction Index** (index, sa) fell to 43.7 in August from 44.1 in July. A reading above 50.0 shows expansion in the industry and below 50.0 a contraction.

Markets

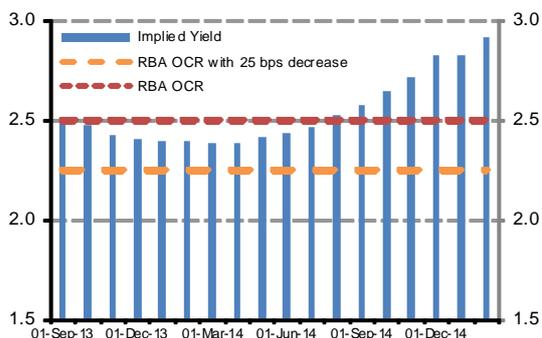
The **Australian stock market** was up 0.2% on the previous Friday, while the **New York stock exchange** rose 1.4%.

	Value	Change on Year	Change on Week
S&P 500	1,655.2	15.1 %	1.4 %
ASX200	5,145.0	18.9 %	0.2 %
Australian Dollar (USD)	0.9131	-11.5 %	2.1 %
TWI	70.80	-8.1 %	2.3 %
Oil (USD/bbl)	108.37	12.4 %	0.7 %
Gold (USD/oz)	1,387.00	-19.7 %	-0.6 %
Thermal Coal (USD/tonne)	76.88	-16.4 %	-2.4 %
Australian 10-yr bond	4.14%	99.2 bps	24.7 bps
US 10-yr bond	2.98%	128.0 bps	21.0 bps
Australian 90-day bill	2.59%	-99.0 bps	0.5 bps

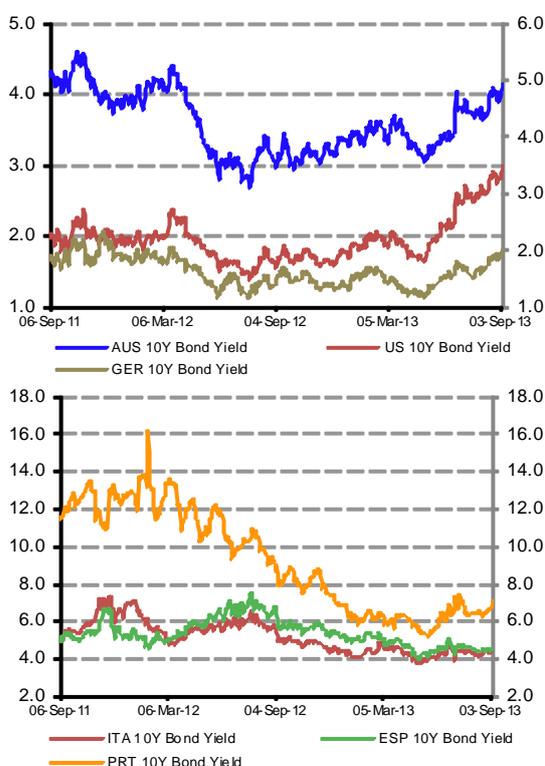
Upcoming Domestic Data Releases (9/9 – 13/9)

- The ABS will release data on housing finance, lending finance and the labour force.
- ABARES will release their Australian crop report.
- W-MI will release their consumer sentiment survey.
- NAB will release their monthly business survey.
- ANZ will release their job advertisements series.
- Consensus Economics will release their Asia-Pacific forecasts.

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 6th of September, there is an 88% expectation that the RBA will keep the cash rate at 2.50% at its October 1st 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)	4.14%	99.2 bps	24.7 bps	116.4 bps	145.2 bps
United States (US)	2.98%	128.0 bps	21.0 bps	- -	- -
Germany (GER)	2.03%	50.6 bps	18.9 bps	-95.5 bps	-18.1 bps
Italy (ITA)	4.50%	-50.5 bps	11.3 bps	152.0 bps	330.5 bps
Portugal (PRT)	7.05%	-95.1 bps	36.0 bps	406.6 bps	629.7 bps
Spain (ESP)	4.52%	-118.3 bps	0.0 bps	153.9 bps	400.2 bps

International Data Releases

The **number of employed** in the **US** fell 0.1% in August to be 1.4% higher through the year. The **unemployment rate** fell to 7.3% in August from 7.4% in July. In August a year ago the unemployment rate was 8.1%.

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 (9/9 – 13/9)

- US: retail sale, consumer credit.
- China: retail sales, inflation
- UK: unemployment.
- New Zealand: Reserve Bank of New Zealand monetary policy decision.