

Weekly Market and Economics Roundup

For the week ended 20th September, 2013

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

Chart A: Domestic Interest Rates

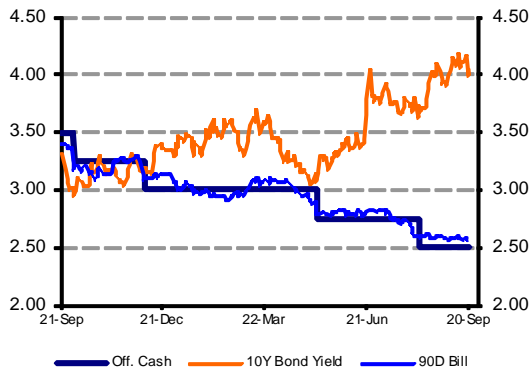


Chart B: Share Price Index

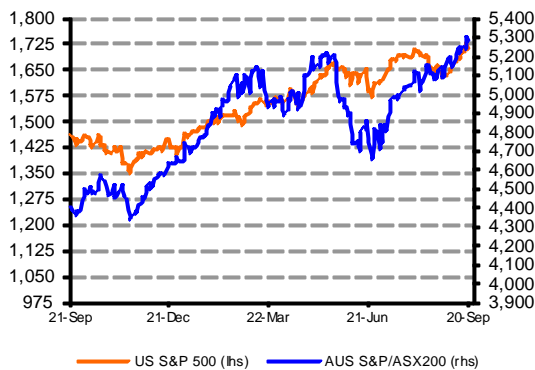


Chart C: Exchange Rate

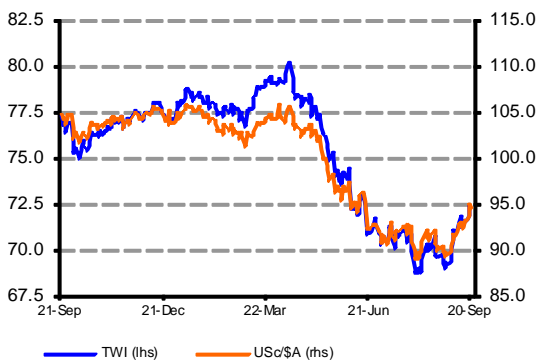
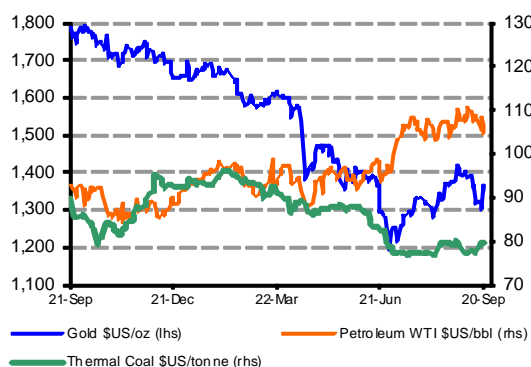


Chart D: Commodities



Domestic Data Releases

Sales of **New motor vehicles** (number, sa, y%ch) in August were 2.5% higher in NSW and up 0.2% nationally.

In August **Merchandise Imports** (value, nsa, y%ch) rose 5.6% for NSW and rose 0.6% for Australia.

The **ACCI-Westpac survey of Industrial trends** actual composite index (index, national) fell 4.3 points to 47.3 in the September quarter. Indicating a moderate contraction in activity. An index above the 50 threshold level signifies expansion, while below the threshold indicates contraction.

Points from RBA monetary policy meeting minutes:

"For the domestic economy, GDP looked to have grown at a pace that was a little below trend in the June quarter and more timely data suggested a similar pace of growth over recent months. Household spending looked to have been growing at somewhat below average, although measures of consumer confidence had picked up and were a little above average. Conditions in the housing market had continued to improve in response to the current low level of lending rates."

Given the substantial degree of policy stimulus in place, the Board judged that it was appropriate to retain the current setting of interest rates. Members agreed that the Bank should again neither close off the possibility of reducing rates further nor signal an imminent intention to reduce them. The Board would continue to examine the data over the months ahead to assess whether monetary policy was appropriately configured."

Markets

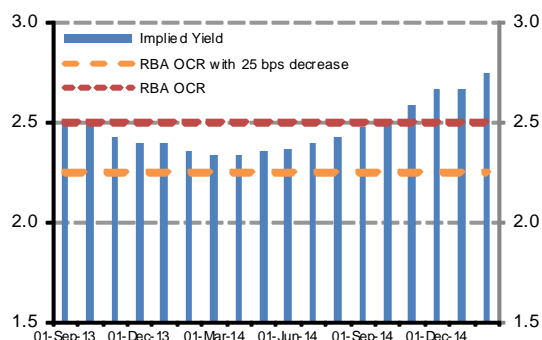
The **Australian stock market** was up 1.1% on the previous Friday, while the **New York stock exchange** rose 1.3%.

	Value	Change on Year	Change on Week
S&P 500	1,709.9	17.1 %	1.3 %
ASX200	5,276.7	19.7 %	1.1 %
Australian Dollar (USD)	0.9454	-9.7 %	2.4 %
WTI	72.20	-6.5 %	1.4 %
Oil (USD/bbl)	104.67	12.7 %	-3.3 %
Gold (USD/oz)	1,349.25	-24.4 %	2.3 %
Thermal Coal (USD/tonne)	79.52	-11.4 %	2.6 %
Australian 10-yr bond	4.04%	74.1 bps	-6.3 bps
US 10-yr bond	2.73%	95.0 bps	-21.0 bps
Australian 90-day bill	2.55%	-85.0 bps	-4.0 bps

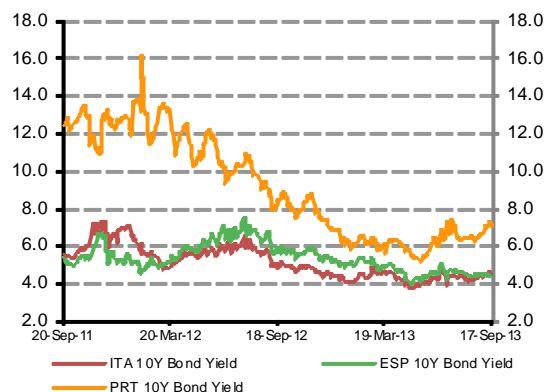
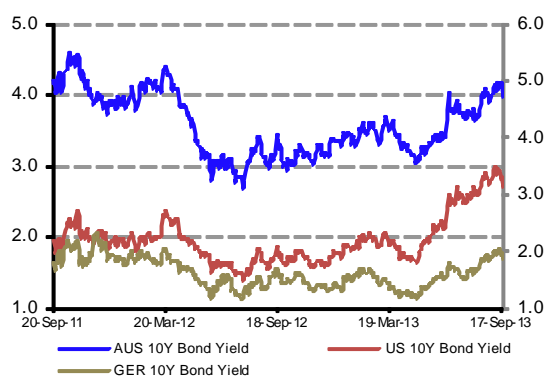
Upcoming Domestic Data Releases (23/9 – 27/9)

- The ABS will release data on: National Financial accounts, job vacancies and demographic statistics.
- RBA: Financial stability review.

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 20th of September, there is a 94% 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)	4.04%	74.1 bps	-6.3 bps	131.4 bps	152.3 bps
United States (US)	2.73%	95.0 bps	-21.0 bps	- -	- -
Germany (GER)	1.92%	32.0 bps	-12.1 bps	-81.4 bps	-18.4 bps
Italy (ITA)	4.29%	-69.0 bps	-31.0 bps	155.9 bps	319.9 bps
Portugal (PRT)	7.08%	-131.2 bps	-24.6 bps	435.3 bps	661.5 bps
Spain (ESP)	4.29%	-144.9 bps	-19.4 bps	155.6 bps	395.5 bps

International Data Releases

Inflation in the **UK** grew by 2.7% in the year to August down from 2.8% in July.

US interest rates range remained between 0-0.25.

Inflation in the **US** grew by 1.5% in the year to August down from 2% in July.

US industrial production rose by 0.4% compared to July and 2.7 through the year to August.

Upcoming International Data Releases (23/9 – 27/9)

- Germany: Federal Election, PMI Surveys, CPI, GfK consumer confidence and Ifo Business Climate.
- Europe: PMI Surveys and confidence indicators.
- US: S&P/ Case-Schiller home prices, conference board confidence, durable goods orders, new home sales, personal income and spending, University of Michigan confidence.
- UK: GDP.
- Japan: CPI.