

Weekly Market and Economics Roundup

For the week ended 25 October 2013

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

Chart A: Domestic Interest Rates

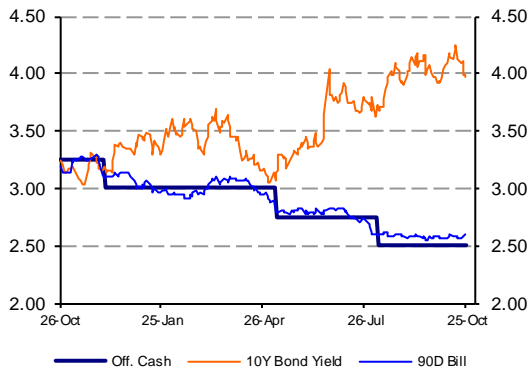


Chart B: Share Price Index

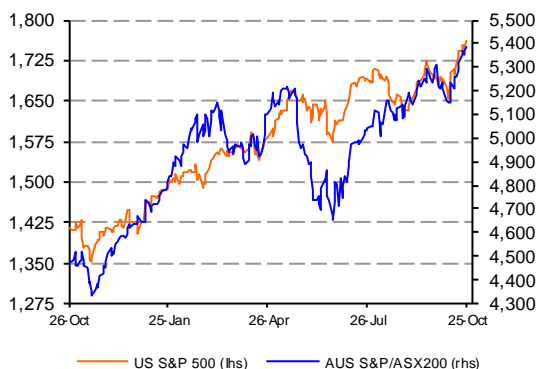


Chart C: Exchange Rate

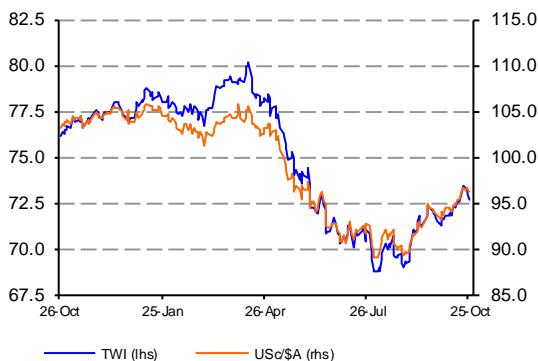
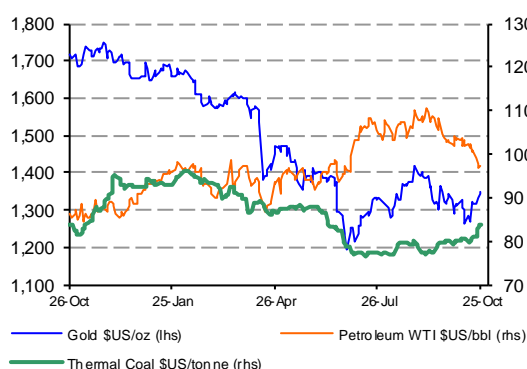


Chart D: Commodities



Domestic Data Releases

Consumer Price Index data (index, nsa, y%ch) for the September quarter showed that inflation was 2.1 per cent in Sydney and 2.2 per cent across the national capitals.

- The weighted median and trimmed mean measures, which are used by the RBA to measure underlying inflation, both grew by 2.3 per cent through the year.

Access Economics in their September **Business Outlook** forecast that:

- NSW GSP is expected to grow 2.3 per cent in 2013-14 and 2.8 per cent in 2014-15.

- National GDP is expected to grow 2.5 per cent and 2.6 per cent in 2013-14 and 2014-15 respectively.

CommSec, in their September quarter **State of the States** report noted that relative to decade averages the NSW economy (overall ranking from CommSec) placed 4th among the states and territories, unchanged since last quarter, equal to Queensland. Currently NSW is ahead of Victoria, South Australia and Tasmania.

- According to CommSec, economic activity was 10.6 per cent above its decade average, an improvement on the 10 per cent reported in the June quarter report. NSW is ranked 7th among the states and territories on economic activity.

- By CommSec's measure, the NSW unemployment rate is 9 per cent above its decade average, giving the State the top ranking.

Markets

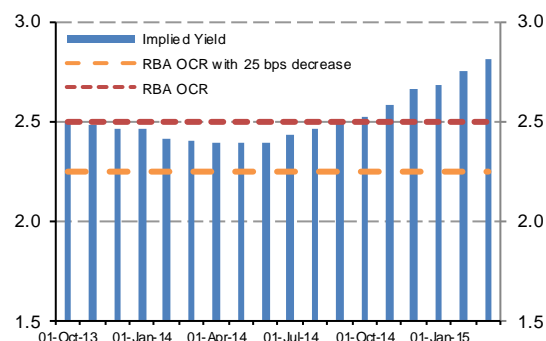
The **Australian stock market** rose 1.2% on the previous Friday, while the **New York stock exchange** rose 0.9%.

	Value	Change on Year	Change on Week
S&P 500	1,759.8	24.5 %	0.9 %
ASX200	5,386.3	20.4 %	1.2 %
Australian Dollar (USD)	0.9615	-6.8 %	0.0 %
WTI	72.70	-4.5 %	-0.4 %
Oil (USD/bbl)	97.11	12.6 %	-3.7 %
Gold (USD/oz)	1,347.75	-21.5 %	2.4 %
Thermal Coal (USD/tonne)	83.69	-0.2 %	3.3 %
Australian 10-yr bond	3.98%	72.8 bps	-14.6 bps
US 10-yr bond	2.51%	71.0 bps	-9.0 bps
Australian 90-day bill	2.59%	-59.9 bps	2.1 bps

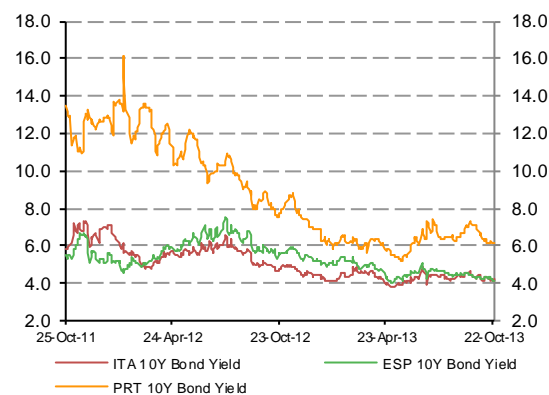
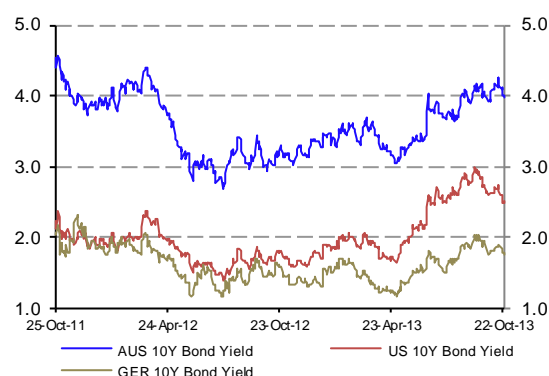
Upcoming Domestic Data Releases (28/10 – 1/11)

- The ABS will release data on the annual national accounts, counts of Australian businesses, selected living cost indexes, building approvals, trade price index and producer price index.
- The RBA will release its commodity price index and financial aggregates
- Deloitte Access Economics will release their Investment Monitor Report
- AiG will release their performance of manufacturing index survey
- HIA will release new home sales
- NSW Treasury will release its NSW Report on State Finances

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 28 October, there is a 93% expectation that the RBA will keep the cash rate at 2.50% at its 5 November 2013 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%	72.8 bps	-14.6 bps	146.8 bps	145.0 bps
United States (US)	2.51%	71.0 bps	-9.0 bps	- -	- -
Germany (GER)	1.77%	18.5 bps	-10.7 bps	-74.2 bps	-21.7 bps
Italy (ITA)	4.21%	-62.2 bps	5.4 bps	170.3 bps	303.5 bps
Portugal (PRT)	6.13%	-178.8 bps	-8.7 bps	362.4 bps	612.2 bps
Spain (ESP)	4.14%	-142.7 bps	-12.5 bps	163.3 bps	377.0 bps

International Data Releases

Data on the **US labour market** showed that:

- The **unemployment rate** fell by 0.1 percentage points in September to be at 7.2%. In September 2012 the unemployment rate stood at 7.8%.
- **Non-farm payroll employment** rose by 148,000 in September, down from an average gain of 185,000 over the previous 12 months.

New residential sales in the US rebounded by 7.9% from in August 2013, after a large decline in July, to be up 12.6% through the year. However, sales remain 7.3% below June 2013 levels.

The **consumer price index** for **Japan** in September 2013 rose 0.3% from the previous month, to be 1.1% higher over the year.

Upcoming International Data Releases (28/-10 – 1/11)

- US: **FOMC monetary policy decision**, inflation, industrial production, pending home sales, retail sales, PPI, S&P/Case Schiller home prices, consumer confidence and ADP employment.
- Japan: **Bank of Japan monetary policy decision**, retail sales, industrial production.
- Germany: unemployment, inflation
- New Zealand: **Reserve Bank of NZ interest rate decision**
- EU: unemployment