

Weekly Market and Economics Roundup

For the week ended 8 November 2013

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

Chart A: Domestic Interest Rates

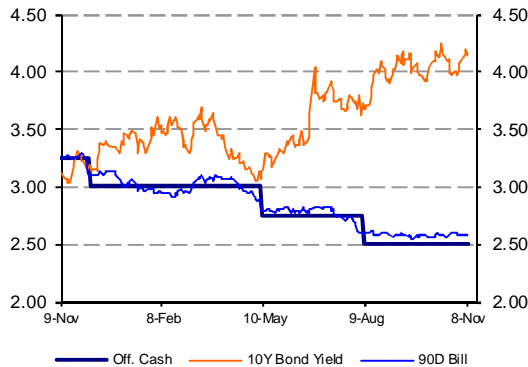


Chart B: Share Price Index

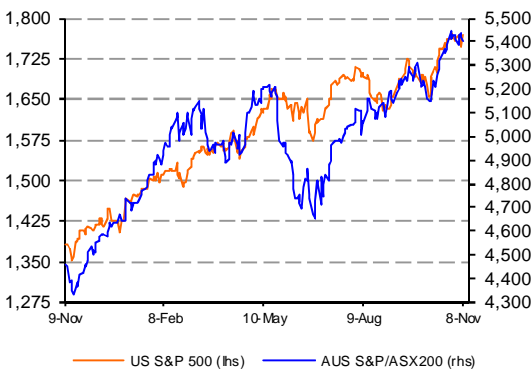


Chart C: Exchange Rate

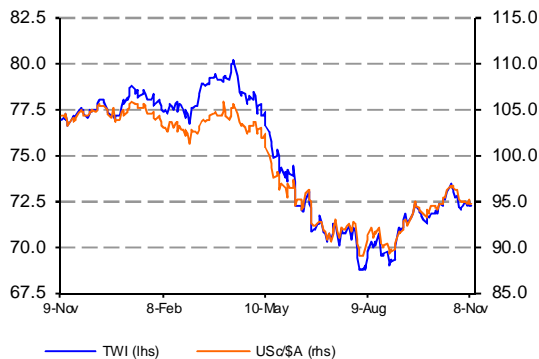
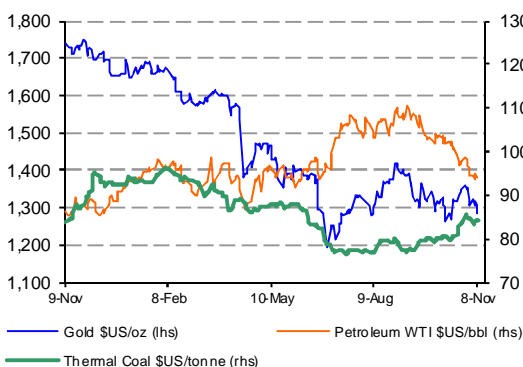


Chart D: Commodities



Domestic Data Releases

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

Labour force data (sa) for October showed that the NSW unemployment rate rose to 5.9% and remained at 5.7% nationally. **Employment** (number, sa) in NSW in October was 0.3% higher than a year ago. Nationally, employment in July was up 0.8% through the year.

House Price Index data for the September quarter showed that prices in Sydney (index, nsa, y%ch) rose 11.4 per cent. The weighted average of all capital cities rose 7.6 per cent.

Retail Sales (value, sa, y%ch) for September were 3.1% higher through the year for NSW and 2.9% higher for Australia. **Real retail sales** (volume, sa, y%ch) for the September quarter were 2.4% higher for NSW and 2.2% for Australia.

The number of **newspaper job ads** (number, sa, y%ch) in October, as measured by ANZ, fell 24.7% in NSW and was down 29.9% nationally.

Overseas Visitors (number, nsa, y%ch) to NSW rose 5.6% in September. The number of visitors nationally increased 4.8%

Merchandise Imports (value, nsa, y%ch) rose 10.2% for NSW and increased 10.2% for Australia in September. **Merchandise Exports** (value, nsa, y%ch) fell 4.1% for NSW and rose 17.7% for Australia.

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

The AiG **Performance of Services Index** (index, sa) rose 0.8 points to 47.9 in October. The AiG-HIA **Performance of Construction Index** (index, sa) rose 6.8 points to 54.4 in October. A reading above 50.0 shows expansion in the industry and below a contraction.

Markets

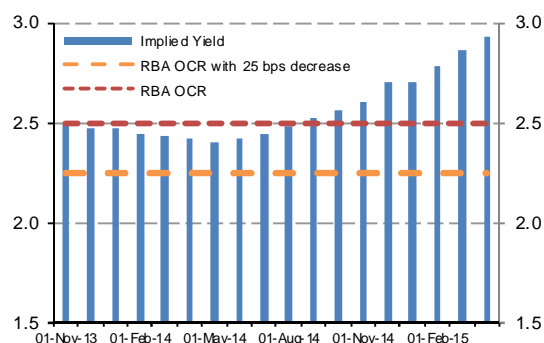
The **Australian stock market** was fell 0.2% on the previous Friday, while the **New York stock exchange** rose 0.5%.

	Value	Change on Year	Change on Week
S&P 500	1,770.6	28.3 %	0.5 %
ASX200	5,400.7	21.0 %	-0.2 %
Australian Dollar (USD)	0.9465	-9.2 %	-0.2 %
TWI	72.20	-6.1 %	0.0 %
Oil (USD/bbl)	94.20	9.4 %	-0.4 %
Gold (USD/oz)	1,285.50	-26.0 %	-1.6 %
Thermal Coal (USD/tonne)	84.40	0.7 %	-0.2 %
Australian 10-yr bond	4.14%	102.2 bps	6.6 bps
US 10-yr bond	2.59%	98.0 bps	3.0 bps
Australian 90-day bill	2.58%	-66.7 bps	0.0 bps

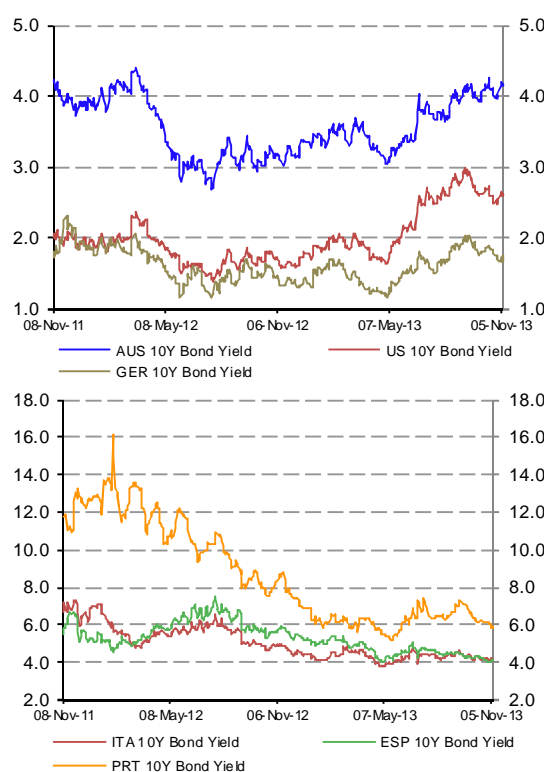
Upcoming Domestic Data Releases (11/11 – 15/11)

- The ABS will release data on housing finance, lending finance, the wage price index, regional labour force and sales of new motor vehicles.
- NAB will release their monthly business survey.
- W-MI will release their consumer sentiment report.
- Consensus Economics will release their forecasts for the Asia-Pacific.

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 8 November, there is an 89% expectation that the RBA will keep the cash rate at 2.50% at its 3 December 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%	102.2 bps	6.6 bps	155.0 bps	150.8 bps
United States (US)	2.59%	98.0 bps	3.0 bps	- -	- -
Germany (GER)	1.68%	33.4 bps	0.9 bps	-90.8 bps	-26.2 bps
Italy (ITA)	4.15%	-74.9 bps	3.2 bps	155.5 bps	328.4 bps
Portugal (PRT)	5.92%	-274.6 bps	-15.2 bps	332.6 bps	705.2 bps
Spain (ESP)	4.12%	-170.1 bps	12.1 bps	152.5 bps	420.6 bps

International Data Releases

US real GDP in the September quarter 2013 increased by 0.7%, following a 0.6% rise in the June quarter, to be 1.6% higher than a year ago. In annualised terms real GDP rose 2.8% in the September quarter.

Real **retail trade** in the **Euro** area fell 0.6% in September compared to August, in the month prior sales rose 0.5%, and though the year sales were 0.3% higher. In the month the strongest performance was in Luxembourg and Poland.

The **European Central Bank** at its **monetary policy meeting** decided to reduce their main refinancing operations interest rate and margin lending facility interest rate by 25 basis points, to 0.25% and 0.75% respectively, and left their deposit facility interest rate unchanged at 0%.

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

Upcoming International Data Releases (11/11 – 15/11)

- Japan: GDP.
- Europe: GDP.
- UK: inflation, unemployment, retail sales.
- Germany: GDP.