

Weekly Market and Economics Roundup

For the week ended 15 November 2013

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

Chart A: Domestic Interest Rates

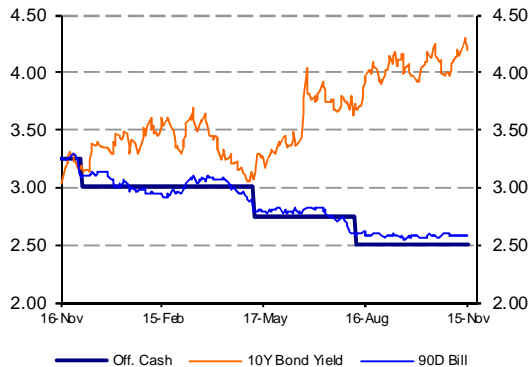


Chart B: Share Price Index

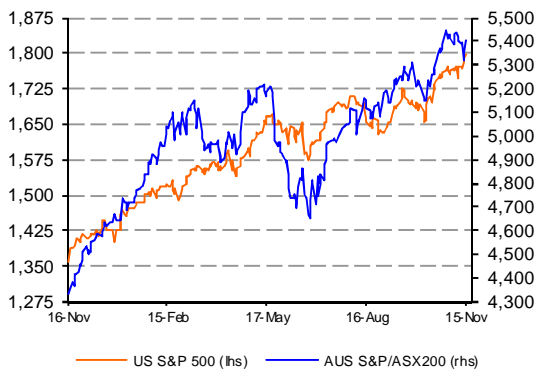


Chart C: Exchange Rate

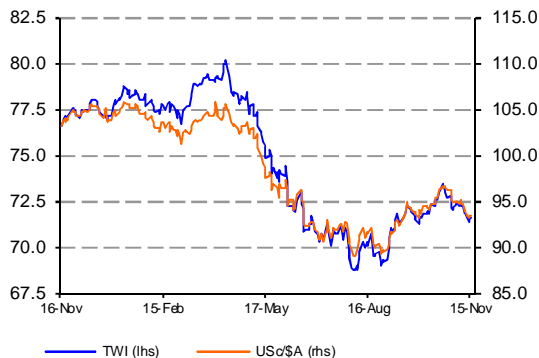
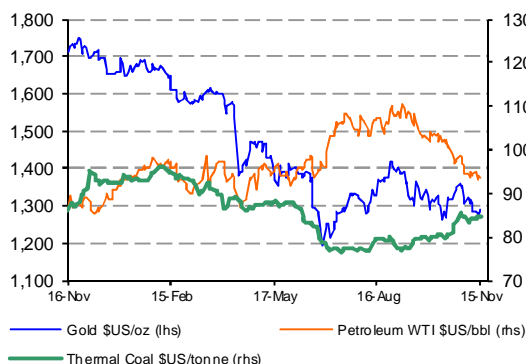


Chart D: Commodities



Domestic Data Releases

Housing Finance (number, excl. re-fi., nsa, y%ch,) for September rose 12.4% for NSW and was up 14.8% for Australia. First home buyers fell 55.7% in NSW and were down 24.2% nationally.

Lending Finance (value, nsa, y%ch,) for investor housing rose 35.6% for NSW and was up 28.1% for Australia in September. **Total Commercial Finance** (value, nsa, y%ch) for NSW rose 25.0% and nationally rose 26.4%.

In the September quarter, the **Wage Price Index** (ex-bonus, nsa, Q%ch) rose 0.9% for NSW and 1.0% nationally. In year on year terms, **WPI** rose 2.3% in NSW and 2.7% nationally.

Sales of new motor vehicles (number, sa, y%ch) in October were 1.9% lower in NSW and down 3.1% nationally.

The Westpac-MI national **consumer sentiment index** (index, m%ch) increased by 1.9% in November to be 5.8% higher than a year ago. For NSW sentiment increased 7.7% in the month to be 1.5% higher than a year ago.

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

- **Business confidence** in NSW fell 4 points since September to 6 and nationally, fell 6 points to 6.
- **Business conditions** in NSW rose 4 points since September to -6 and for Australia, remained at -4.

Consensus Economics in their **Asia-Pacific forecasts** expect Australian GDP growth of 2.5% in 2013 and 2.7% in 2014, and inflation of 2.4% in 2013 and 2.7% in 2014.

Markets

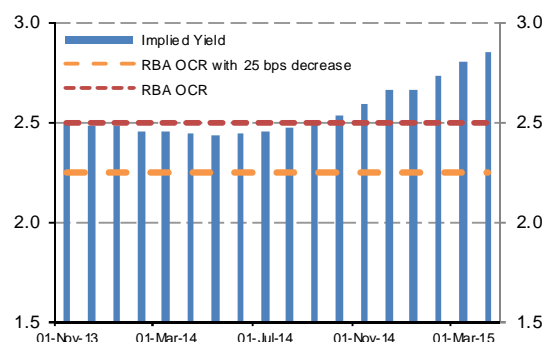
The **Australian stock market** was flat since the previous Friday, while the **New York stock exchange** rose 1.6%.

	Value	Change on Year	Change on Week
S&P 500	1,798.2	32.2 %	1.6 %
ASX200	5,401.7	24.6 %	0.0 %
Australian Dollar (USD)	0.9344	-9.5 %	-1.3 %
TWI	71.60	-6.5 %	-0.8 %
Oil (USD/bbl)	93.76	8.2 %	-0.9 %
Gold (USD/oz)	1,287.25	-24.9 %	0.1 %
Thermal Coal (USD/tonne)	84.61	-1.8 %	0.2 %
Australian 10-yr bond	4.20%	117.9 bps	6.4 bps
US 10-yr bond	2.70%	112.0 bps	11.0 bps
Australian 90-day bill	2.58%	-67.3 bps	0.0 bps

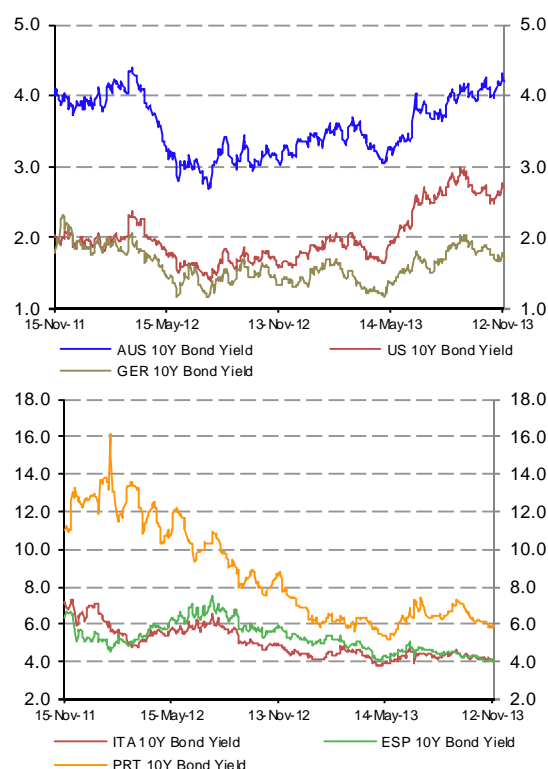
Upcoming Domestic Data Releases (18/11 – 22/11)

- The ABS will release data on the State Accounts, merchandise imports and international services and trade.
- The RBA will release its 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 15th of November, there is a 91% expectation that the RBA will leave the cash rate unchanged at 2.50% at its December 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)	4.20%	117.9 bps	6.4 bps	150.4 bps	144.5 bps
United States (US)	2.70%	112.0 bps	11.0 bps	- -	- -
Germany (GER)	1.71%	37.6 bps	2.4 bps	-99.4 bps	-25.0 bps
Italy (ITA)	4.09%	-72.1 bps	-5.4 bps	139.1 bps	323.2 bps
Portugal (PRT)	5.89%	-275.2 bps	-2.5 bps	319.1 bps	706.3 bps
Spain (ESP)	4.07%	-179.0 bps	-4.5 bps	137.0 bps	428.0 bps

International Data Releases

The **UK unemployment rate** in the September quarter was 7.6 per cent, down 0.2 percentage points compared to the previous quarter.

Headline **inflation for the UK**, measured by the consumer price index, was 2.2% through the year to October 2013, following a result of 2.7% in September.

UK real retail sales in October 2013 rose 2.3% on a year ago. Sales in **value terms** were also up by 1.8% compared to a year ago.

The **US trade deficit** increased to \$41.8 billion in September, up 8% since August. Exports decreased 0.2% whilst imports increased 1.2% on the month.

In **Japan**, preliminary data shows that **real GDP growth** was 0.5% in the September quarter, compared to the 0.9% growth in the previous quarter.

In the **Euro area**, preliminary data shows that **real GDP growth** was 0.1% in the September quarter, compared to the 0.3% growth in the previous quarter.

In **Germany**, preliminary data shows that **real GDP growth** was 0.3% in the September quarter, compared to the 0.7% growth in the previous quarter.

Upcoming International Data Releases (18/11 – 22/11)

- US: inflation, existing sales, retail sales, NAHB housing market index, PPI
- Japan: Bank of Japan monetary policy decision, merchandise trade
- Germany: GDP, producer price index PMI surveys
- EU: consumer confidence, PMI surveys