

Weekly Market and Economics Roundup

For the week ended 13 December 2013

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

Chart A: Domestic Interest Rates

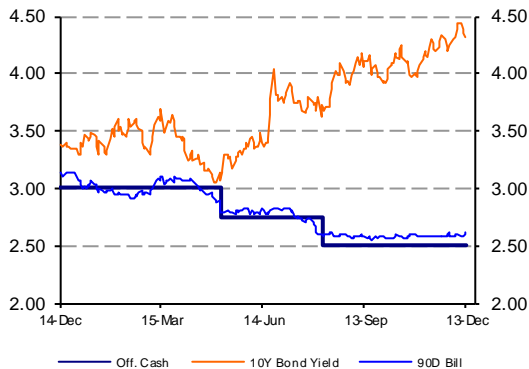


Chart B: Share Price Index

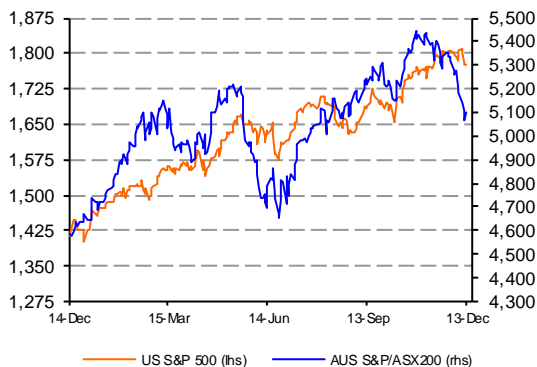


Chart C: Exchange Rate

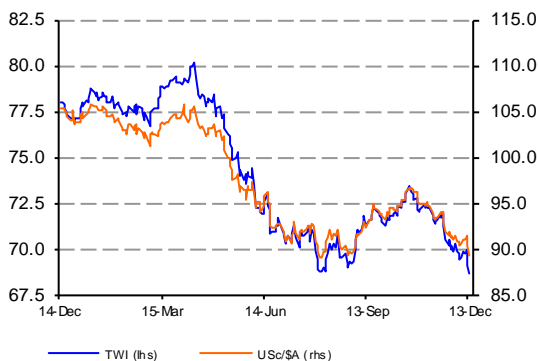
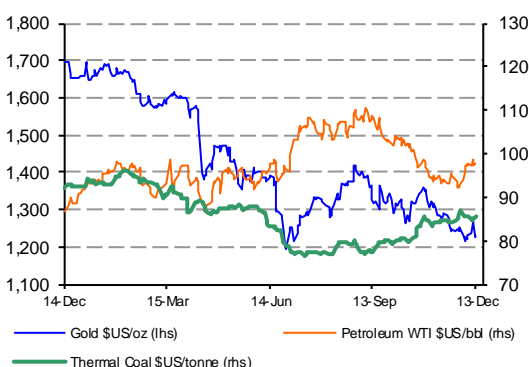


Chart D: Commodities



Domestic Data Releases

Labour Force data (sa) for November showed that the NSW unemployment rate remained unchanged at 5.9% and rose to 5.8% nationally. Employment (number, sa) in November was 0.6% higher than a year ago. Nationally, employment growth in November was 0.8% higher through the year.

The number of **newspaper job ads** (number, sa, y%ch) in November, as measured by ANZ, fell 20.8% in NSW and was down 28.0% nationally.

Housing Finance (number, excl. re-fi., nsa, y%ch,) for October rose 16.1% for NSW and was up 12.8% for Australia.

- **First home buyers** fell 41.4% in NSW and were down 24.3% nationally.

Lending Finance (value, nsa, y%ch,) for investor housing rose 27.6% for NSW and was up 27.4% for Australia in April. **Total Commercial Finance** (value, nsa, y%ch) for NSW was up 18.3 and up 7.2% nationally.

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

- **Business confidence** in NSW fell 3 points to +4 and nationally also fell by 1 point to +5
- **Business conditions** in NSW rose 4 points to -2 and for Australia rose by 1 point to -3.

The Westpac-MI national **consumer sentiment index** (index, m%ch) decreased 4.8% in December to be 5.0% higher than a year ago. For NSW, sentiment decreased 7.0% in December, to be 6.6% higher than a year ago.

The **ACCI-Westpac survey of Industrial trends** actual composite index (index, national) rose 8.4 points to 56.2 in the December quarter. Indicating a moderate contraction in activity. An index above the 50 threshold level signifies expansion, while below the threshold indicates contraction.

Consensus Economics in their **Asia-Pacific forecasts** expect Australian GDP growth of 2.4% in 2013 2.7% in 2014, and inflation of 2.3% in 2013 and 2.7% 2014.

Markets

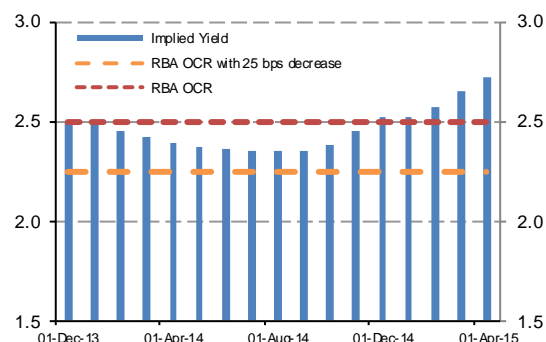
The Australian stock market was down by 1.7% the previous Friday, while the New York stock exchange was down by 1.6%

	Value	Change on Year	Change on Week
S&P 500	1,775.3	25.6 %	-1.6 %
ASX200	5,098.4	11.2 %	-1.7 %
Australian Dollar (USD)	0.8934	-15.2 %	-1.4 %
TWI	68.60	-12.1 %	-1.3 %
Oil (USD/bbl)	97.50	12.4 %	-0.2 %
Gold (USD/oz)	1,232.00	-27.4 %	-0.1 %
Thermal Coal (USD/tonne)	85.47	-7.1 %	0.1 %
Australian 10-yr bond	4.32%	93.9 bps	-11.7 bps
US 10-yr bond	2.88%	114.0 bps	1.0 bps
Australian 90-day bill	2.61%	-53.1 bps	0.9 bps

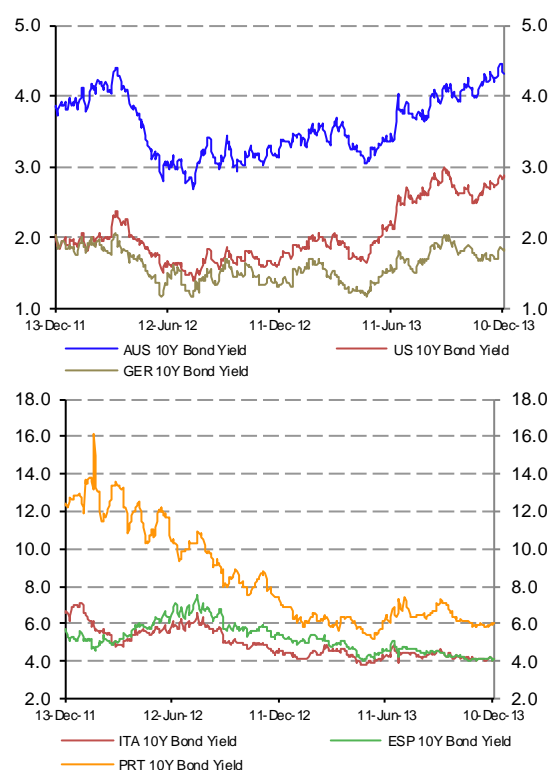
Upcoming Domestic Data Releases 16/12 – 20/12)

- **The ABS** will release data on new car sales, demographic statistics, merchandise imports, national financial accounts and detailed labour force.
- **Commonwealth Treasury** will release its MYEFO
- **The RBA** will release its monetary policy minutes and bulletin
- **ABARES** will release its agricultural commodity statistics

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 13 December, there is a 77% expectation that the RBA will keep the cash rate at 2.50% at its January 2nd 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)	4.32%	93.9 bps	-11.7 bps	144.4 bps	164.5 bps
United States (US)	2.88%	114.0 bps	1.0 bps	- -	- -
Germany (GER)	1.84%	48.7 bps	-2.7 bps	-104.5 bps	-39.2 bps
Italy (ITA)	4.08%	-44.1 bps	-9.7 bps	120.3 bps	278.4 bps
Portugal (PRT)	6.02%	-97.3 bps	4.9 bps	314.4 bps	525.7 bps
Spain (ESP)	4.10%	-126.5 bps	-7.7 bps	121.7 bps	362.2 bps

International Data Releases

US retail sales rose 0.7% in November, following growth of 0.6% in October. Through the year sales were 4.7% higher than a year ago.

Nominal retail sales in **China** in November rose 13.7% compared to the same time a year ago.

China's consumer price index grew by 0.9% in November to be 3.0% higher than a year ago.

China's trade surplus in November widened to US\$338bn, where exports increased 12.7% year-on-year and imports increased 5.3%.

Industrial production in **China** grew by 0.8% in November, to be 10% higher than a year ago.

In the September quarter, **real GDP** in **Japan** grew by 0.3% and at an annualised rate of 1.1%, representing the fourth consecutive quarter of growth.

Germany's industrial production in November fell for the second consecutive month, to be 1.2% lower compared to October.

The **Reserve Bank of New Zealand** at their monetary policy meeting for December decided to leave the official cash rate unchanged at 2.5%.

Upcoming International Data Releases (16/12 – 20/12)

- **Japan:** interest rates
- **US:** interest rate, inflation, GDP, industrial production, housing starts, existing home sales, NAHB Housing market index
- **UK:** inflation, labour market, retail sales
- **Germany:** PMI
- **Europe:** PMI, consumer confidence