

Weekly Market and Economics Roundup

For the week ended 20 December 2013

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

Chart A: Domestic Interest Rates

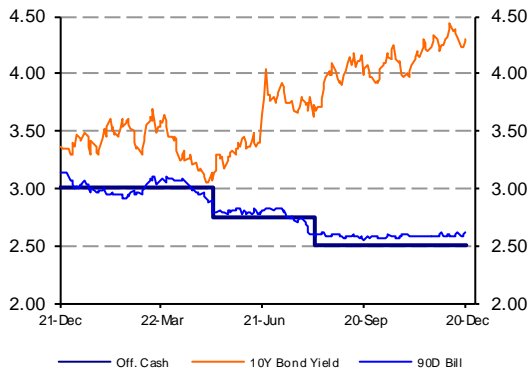


Chart B: Share Price Index

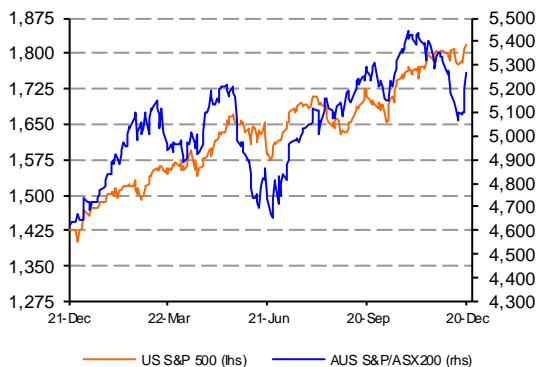


Chart C: Exchange Rate

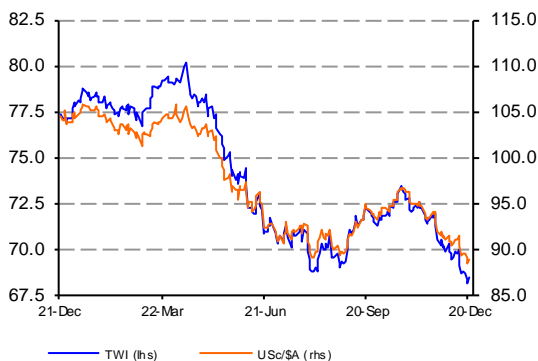


Chart D: Commodities

Domestic Data Releases

Demographic statistics (number, nsa, y%ch) for the June quarter 2013 showed that:

- The **Estimated Resident Population (ERP) of Australia** was approximately 23,130,900 persons, 1.8% higher than a year ago.
- The **ERP of NSW** was 7,407,700 persons, a rise of 1.4% on a year ago.

Sales of **New motor vehicles** (number, sa, y%ch) in November were 4.3% higher in NSW and down 0.5% nationally.

In August **Merchandise Imports** (value, nsa, y%ch) fell 2.0% for NSW and rose 4.8% for Australia.

The RBA released the minutes to their December Monetary policy meeting commenting in part:

"Members noted that Australia's major trading partners as a group appeared to have been growing at close to the long-run average rate over the second half of this year.

Recent data suggested that growth of the Australian economy had remained a bit below trend over the second half of the year.

Business investment had risen in the September quarter, but mining investment was likely to decline over the next few years and while other areas of business investment could be expected to increase from current very weak levels, that would take time. Resources exports were rising as the production phase of the resources boom gathered pace.

While dwelling investment had reportedly declined in the September quarter, a range of indicators pointed to growth in the period ahead. Consumption spending was growing at a moderate pace. Overall, growth of the economy was expected to continue at a below-trend pace over the next year, picking up thereafter."

Markets

The Australian stock market was up by 3.3% the previous Friday, while the New York stock exchange was up by 2.4%.

	Value	Change on Year	Change on Week
S&P 500	1,818.3	27.5 %	2.4 %
ASX200	5,265.2	13.9 %	3.3 %
Australian Dollar (USD)	0.8871	-15.1 %	-0.7 %
TWI	68.40	-11.5 %	-0.3 %
Oil (USD/bbl)	98.77	11.4 %	2.2 %
Gold (USD/oz)	1,195.25	-27.6 %	-3.0 %
Thermal Coal (USD/tonne)	86.41	-6.3 %	1.1 %
Australian 10-yr bond	4.29%	92.8 bps	-3.1 bps
US 10-yr bond	2.92%	113.0 bps	4.0 bps
Australian 90-day bill	2.61%	-51.7 bps	0.2 bps

Upcoming Domestic Data Releases (23/12 – 27/12)

- There are no domestic data releases for this week.

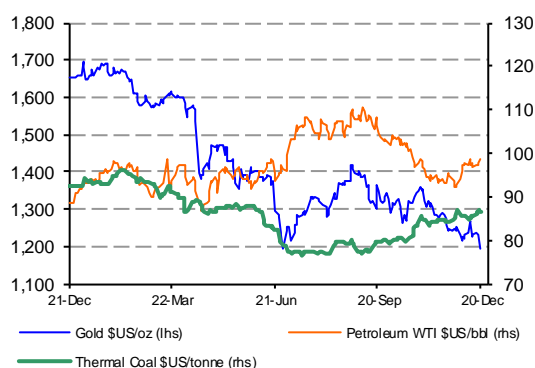
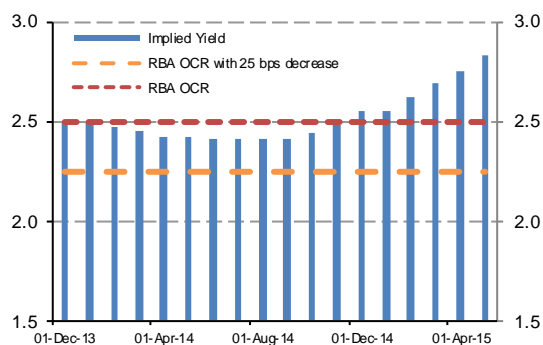
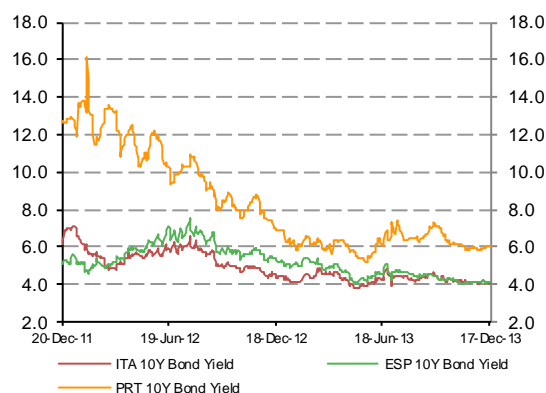
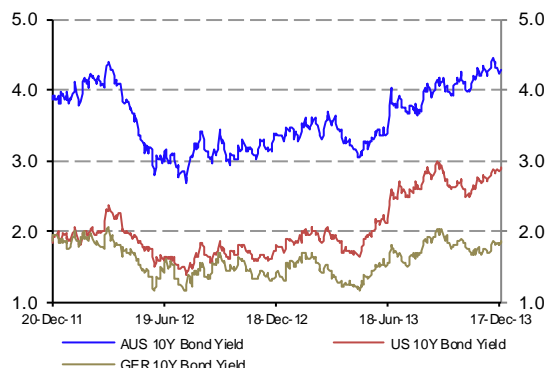


Chart E: Interest Rate Expectations



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 20 December, there is an 88% expectation that the RBA will keep the cash rate at 2.50% at its February 4 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)	4.29%	92.8 bps	-3.1 bps	137.3 bps	157.5 bps
United States (US)	2.92%	113.0 bps	4.0 bps	- -	- -
Germany (GER)	1.87%	43.2 bps	3.5 bps	-105.0 bps	-35.2 bps
Italy (ITA)	4.12%	-30.1 bps	3.7 bps	120.0 bps	263.1 bps
Portugal (PRT)	6.00%	-90.3 bps	-2.9 bps	307.5 bps	510.8 bps
Spain (ESP)	4.13%	-109.2 bps	3.5 bps	121.2 bps	343.4 bps

International Data Releases

The **FOMC committee** decided to reduce the size of their asset purchases program to \$75 billion per month from \$85 billion.

The annualised number of **housing starts** in the **US** rose 22.7 per cent in November, compared to October, to be 29.6 per cent higher than a year ago.

US Consumer price index rose 1.2% through the year to November, up from 1.0% through the year to October.

Upcoming International Data Releases (23/12 – 27/12)

- **US:** personal income & spending, durable goods orders, new home sales.
- **Japan:** inflation, retail sales, housing starts.