

Weekly Market and Economics Roundup

For the week ended 24 January 2014

Chart A: Domestic Interest Rates

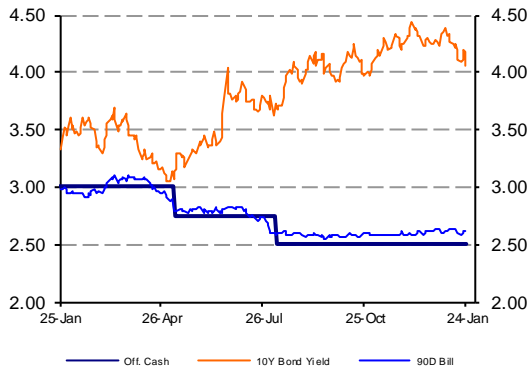


Chart B: Share Price Index

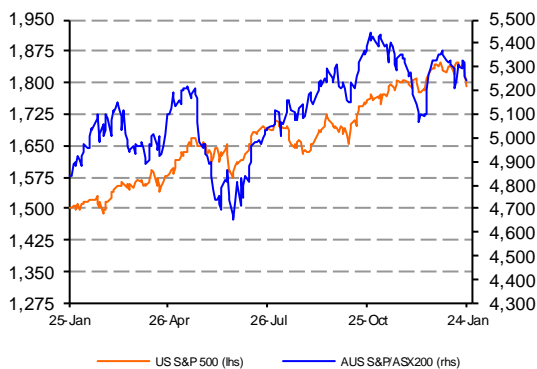


Chart C: Exchange Rate

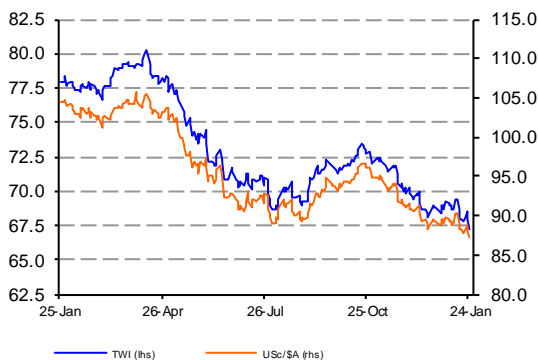
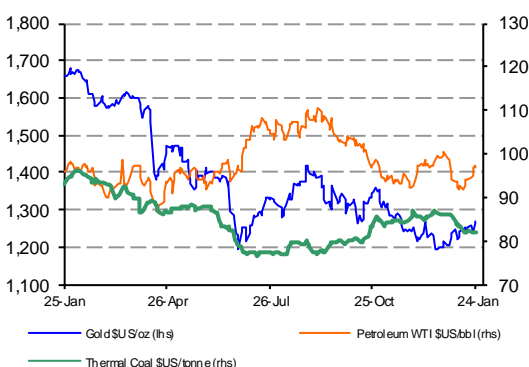


Chart D: Commodities



Domestic Data Releases

Consumer Price Index data (index, sa, y%ch) for the December quarter showed that inflation was 2.6 per cent in Sydney and 2.7 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 2.6 per cent.

TD-MI's Inflation Gauge for December (index, nsa, y%ch) showed **Headline Inflation** rose 2.7% and **Underlying Inflation** (as measured by the trimmed mean) rose 2.9% across Australia.

The Westpac-MI national **consumer sentiment** index (index, m%ch) decreased by 1.7% in January to be 2.7% higher than a year ago. For NSW sentiment rose by 7.4% in the month to be 9.7% higher than a year ago.

CommSec, in their January quarter **State of the States** report, saw the state rise on some indicators (up to 3rd place in both housing finance and population growth) and fall on others (down to 6th place in both on equipment and investment and unemployment). On economic growth, NSW ranked 7th amongst the states and territories.

Markets

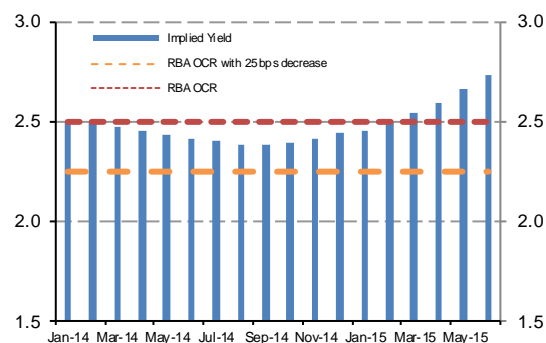
The **Australian stock market** fell by 1.2% on the previous Friday, while the **New York stock exchange** fell by 2.6%.

	Value	Change on Year	Change on Week
S&P 500	1,790.3	19.1 %	-2.6 %
ASX200	5,240.9	8.4 %	-1.2 %
Australian Dollar (USD)	0.8716	-16.6 %	-1.2 %
TWI	67.20	-13.8 %	-1.2 %
Oil (USD/bbl)	96.64	0.8 %	2.7 %
Gold (USD/oz)	1,267.00	-23.7 %	1.4 %
Thermal Coal (USD/tonne)	81.74	-11.9 %	-0.6 %
Australian 10-yr bond	4.06%	73.3 bps	-4.3 bps
US 10-yr bond	2.77%	82.0 bps	-7.0 bps
Australian 90-day bill	2.62%	-35.7 bps	2.3 bps

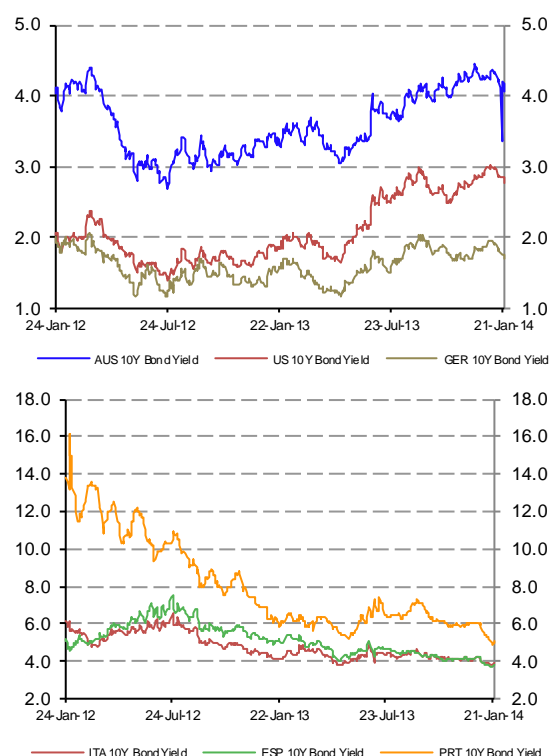
Upcoming Domestic Data Releases (27/1 – 31/1)

- The **ABS** will release data on the selected living cost index, international trade price index and producer price index.
- **NAB** will release its monthly business survey
- **Access Economics** will release its business outlook and investment monitor
- **HIA** will release its new home sales report
- The **RBA** will release data on financial aggregates

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 a reduction** by the RBA at its next meeting.

According to the **ASX target rate tracker**, as of 24 January, there is a 93% expectation that the RBA will keep the cash rate at 2.50% at its 4 February 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)	4.06%	73.3 bps	-4.3 bps	129.1 bps	137.8 bps
United States (US)	2.77%	82.0 bps	-7.0 bps	- -	- -
Germany (GER)	1.70%	6.1 bps	-7.9 bps	-107.0 bps	-31.1 bps
Italy (ITA)	3.91%	-17.0 bps	9.5 bps	114.3 bps	213.3 bps
Portugal (PRT)	5.09%	-101.9 bps	5.7 bps	232.3 bps	416.2 bps
Spain (ESP)	3.77%	-115.2 bps	7.0 bps	99.9 bps	297.1 bps

International Data Releases

In the December 2013 quarter, **China's GDP** rose by 1.6% on the previous quarter and was 7.7% higher than the same time a year ago.

In December 2013, **nominal retail sales** in **China** rose 13.6 per cent compared to the same time a year ago.

The **unemployment rate** in the **UK** in November 2013 was 7.1 per cent, compared to 7.4% in the previous month.

Existing home sales in the **US** rose by 1.0% in December to be up 9.1% through the year.

Upcoming International Data Releases (27/1 – 31/1)

- **US: FOMC interest rate decision**, new home sales, durable goods orders, S&P/Case Schiller house prices, consumer confidence, University of Michigan confidence index
- **UK: GDP**
- **Germany:** employment, Ifo survey, GfK consumer
- **Japan:** retail sales, CPI, unemployment, industrial production
- **EU:** unemployment, confidence surveys
- **New Zealand:** RBNZ interest rate decision