

Weekly Market and Economics Roundup

For the week ended 14 February 2014

Chart A: Domestic Interest Rates



Chart B: Share Price Index

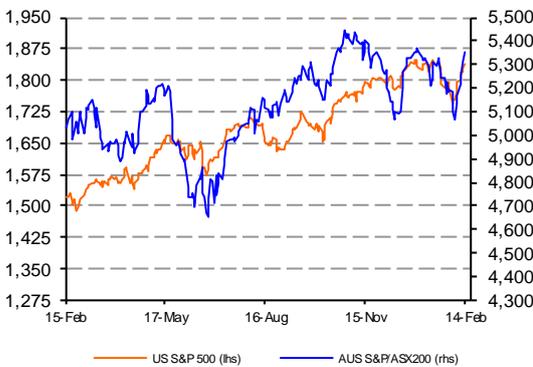
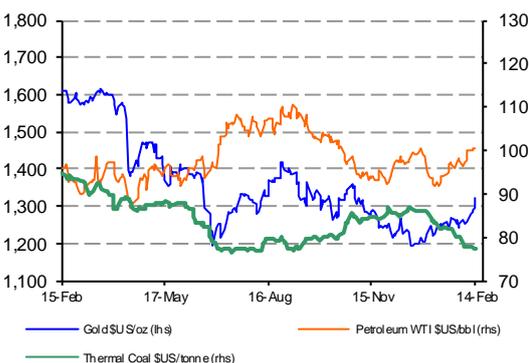


Chart C: Exchange Rate



Chart D: Commodities



Domestic Data Releases

Residential Property Price Index (Index, sa, Q%ch) for December quarter was 4.7% higher through the year for Sydney and 3.4% higher for Australia.

NAB business confidence (number, sa, M%ch) rose to +8 index points in January, from +7 in December 2013, while national average up to +8 from +6 in December. Business conditions rose from +3 to +6 index points in January, while national average up from +3 to +4 index points.

Westpac-MI Consume Sentiment Index (number, sa, m%ch) for February showed that **Consumer Confidence** in NSW decreased 11.6% while approvals nationally were down 3%. **Housing Finance** (value, sa, y%ch) were up 22.7% in NSW and 14.1% higher nationally in through the year term.

Labour Force showed the unemployment (number, sa, m%ch) held steady at 5.8% for NSW and increased to 6.0% from 5.8% last month for Australia in January. NSW gained 8,400 employments while Australia lost 3,700 employments in total nationally in January.

Lending finance (value, nsa, m%ch) showed NSW total Commercial Finance rose 33% in December 2013 compared to previous month, while national average was up 33.2%. Investor housing finance approval was up 67.6% for NSW and 35.1% for Australia.

Markets

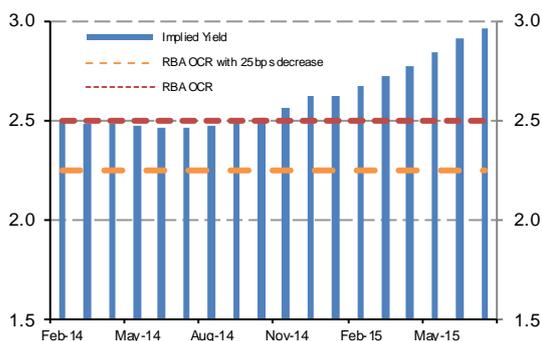
The **Australian stock market** rose by 3.7% on the previous Friday, while the **New York stock exchange** rose by 2.3%.

	Value	Change on Year	Change on Week
S&P 500	1,838.6	21.0 %	2.3 %
ASX200	5,356.3	6.4 %	3.7 %
Australian Dollar (USD)	0.8996	-13.2 %	0.6 %
TWI	69.10	-11.1 %	0.3 %
Oil (USD/bbl)	100.35	4.7 %	0.5 %
Gold (USD/oz)	1,320.00	-18.1 %	4.8 %
Thermal Coal (USD/tonne)	77.29	-18.3 %	-0.6 %
Australian 10-yr bond	4.12%	58.2 bps	-5.1 bps
US 10-yr bond	2.72%	71.0 bps	2.0 bps
Australian 90-day bill	2.50%	-50.0 bps	0.0 bps

Upcoming Domestic Data Releases (17/2 – 21/2)

- The **ABS** will release data on Wage Price Index, Merchandise Imports, new Car sales, detailed labour force data and Average weekly earnings.

Chart E: Interest Rate Expectations

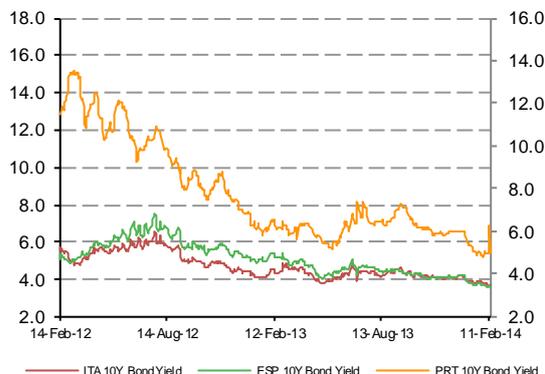
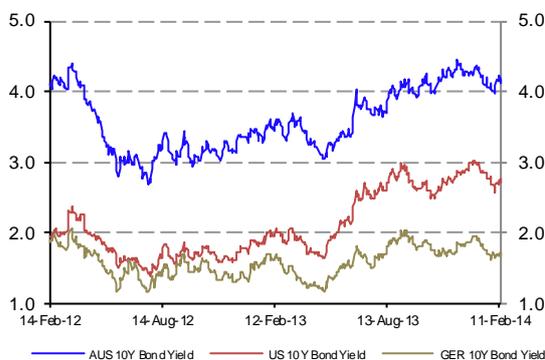


Market Interest Rate Expectations

Current **market expectations**, as shown by the implied yield curve on ASX 30 day interbank cash rate futures, **favour a no change** by the RBA at its next meeting.

According to the **ASX target rate tracker**, as of 14 February, there is a 95% expectation that the RBA will keep the cash rate at 2.50% at its 4 March policy meeting.

Charts F & G: International Bond Yields



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)	4.12%	58.2 bps	-5.1 bps	139.5 bps	152.3 bps
United States (US)	2.72%	71.0 bps	2.0 bps	-	-
Germany (GER)	1.67%	1.7 bps	-2.8 bps	-105.0 bps	-35.7 bps
Italy (ITA)	3.68%	-64.4 bps	-0.8 bps	95.9 bps	231.3 bps
Portugal (PRT)	4.92%	-119.3 bps	-1.4 bps	220.4 bps	410.7 bps
Spain (ESP)	3.58%	-159.3 bps	-1.7 bps	85.6 bps	315.9 bps

International Data Releases

US retail sales fell 0.4% in January, while Industrial production fell 0.3% in the same month.

China trade balance rose to 31.9 US\$ billion in January, from 25.6 US\$ billion last month. China's imports and exports rose 10.6% and 10.0% respectively on the previous month. Its CPI in January was up 2.5% through the year.

Germany GDP rose 0.4% in December quarter 2013.

Europe monetary union GDP rose 0.3% in December quarter 2013.

Upcoming International Data Releases (17/2 – 21/2)

- **US:** CPI survey, housing stats and Empire manufacturing index.
- **Germany:** ZEW survey and PMI.
- **Europe:** PMI and consumer confidence
- **Japan:** GDP and trade balance.
- **UK:** Inflation.