

Weekly Market and Economics Roundup

For the week ended 21 March 2014

Chart A: Domestic Interest Rates

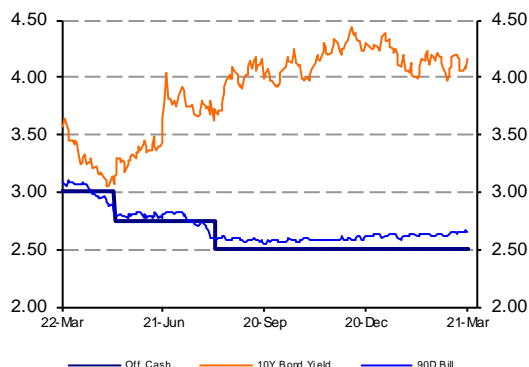


Chart B: Share Price Index

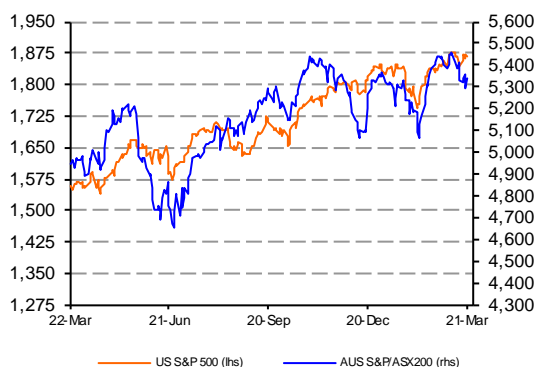


Chart C: Exchange Rate

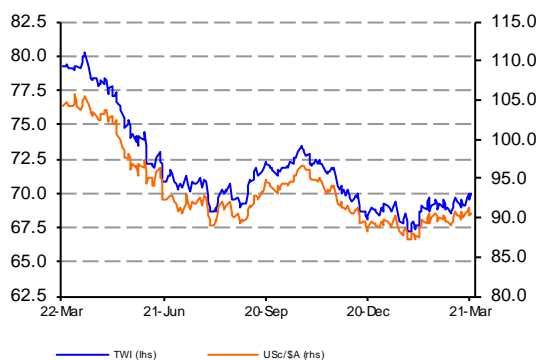
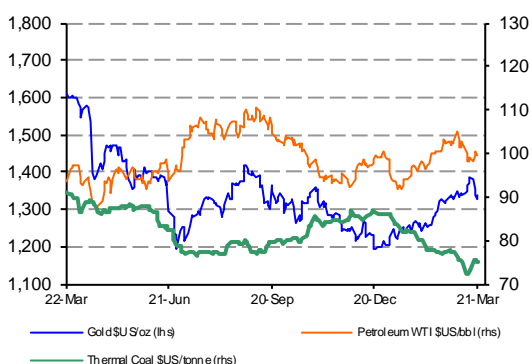


Chart D: Commodities



Domestic Data Releases

ACCI-Westpac survey of industrial trends showed NSW General Business Situation index fell by 26 index points to 12 in the March quarter. Nationally it declined 18 index points to 17.

NSW **New Car Sales** (number, sa, y%ch) rose 1.1% through the year in February 2014. Nationally new car sales were down 3.5% compared to February 2013.

ABS Merchandise Imports (value, sa, y%ch) showed NSW were 2.0% in February 2014 than a year ago. Nationally it was 1.9% higher through the year..

Markets

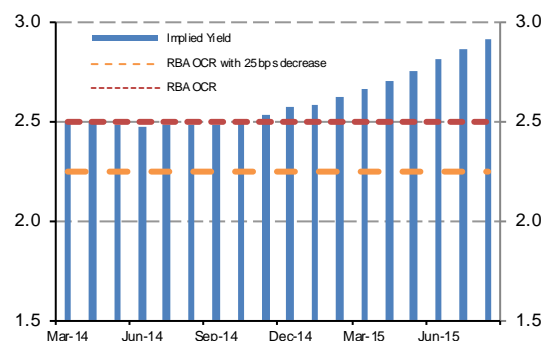
The **Australian stock market** rose by 0.2% on the previous Friday, while the **New York stock exchange** rose by 1.4%.

	Value	Change on Year	Change on Week
S&P 500	1,866.5	19.9 %	1.4 %
ASX200	5,338.1	8.0 %	0.2 %
Australian Dollar (USD)	0.9061	-13.1 %	0.6 %
TWI	70.00	-11.6 %	1.3 %
Oil (USD/bbl)	99.43	6.1 %	0.5 %
Gold (USD/oz)	1,336.00	-16.9 %	-3.5 %
Thermal Coal (USD/tonne)	75.22	-17.5 %	3.1 %
Australian 10-yr bond	4.17%	60.0 bps	11.9 bps
US 10-yr bond	2.78%	88.0 bps	14.0 bps
Australian 90-day bill	2.50%	-50.0 bps	0.0 bps

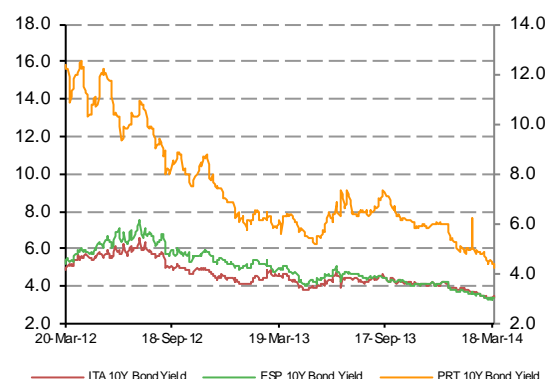
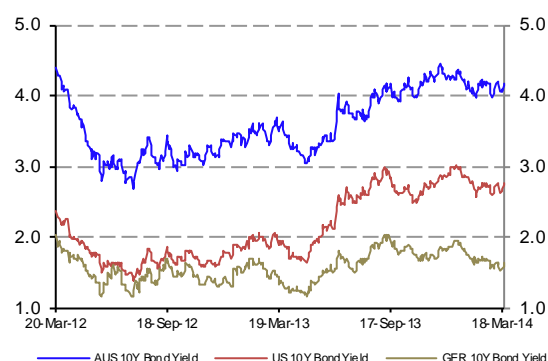
Upcoming Domestic Data Releases (24/3 – 28/3)

- The **ABS** will release data on Demographic statistics and national financial accounts.
- **RBA** will release financial stability review while Governor Stevens and Deputy Governor Lowe will make speech at Sydney and Hong Kong respectively.
- **HIA** will release housing affordability report.
- **BREE** will release Recourse & Energy quarterly forecast.

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 no change** by the RBA at its next meeting.

According to the **ASX target rate tracker**, as of 21 March, there is a 98% expectation that the RBA will keep the cash rate at 2.50% at its 1 April 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)	4.17%	60.0 bps	11.9 bps	139.0 bps	167.0 bps
United States (US)	2.78%	88.0 bps	14.0 bps	- -	- -
Germany (GER)	1.65%	29.1 bps	10.5 bps	-113.2 bps	-54.3 bps
Italy (ITA)	3.41%	-116.0 bps	0.6 bps	63.0 bps	267.0 bps
Portugal (PRT)	4.23%	-136.7 bps	-34.6 bps	144.6 bps	369.3 bps
Spain (ESP)	3.35%	-161.7 bps	0.5 bps	56.9 bps	306.6 bps

International Data Releases

UK unemployment rate remained unchanged at 7.2% in February while the **number of people claiming unemployment benefits** fell by 34,600, more than forecasted 25,000.

US existing home sales dip in February; fell 0.4% to an annual pace of 4.6 million. The **CPI** increased 0.1% in February to a 1.1% annualised rate. The **FOMC** kept the **official cash rate** unchanged, and tapered QE3 another 10 billion \$US to 55\$ billion, as expected.

Upcoming International Data Releases (24/3 – 28/3)

- **CHINA:** HSBC PMI.
- **US:** Housing price index, consumer confidence and University Michigan Confidence index.
- **EMU:** consumer confidence.
- **JAPAN:** unemployment, CPI and retail trade figures.