

Weekly Market and Economics Roundup

For the week ended 28 March 2014

Chart A: Domestic Interest Rates

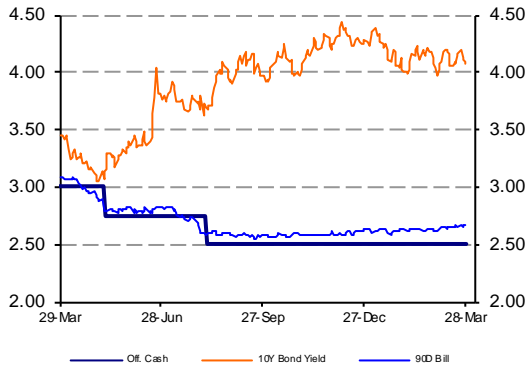


Chart B: Share Price Index

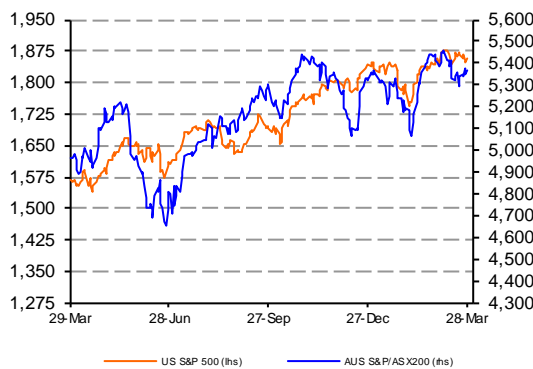


Chart C: Exchange Rate

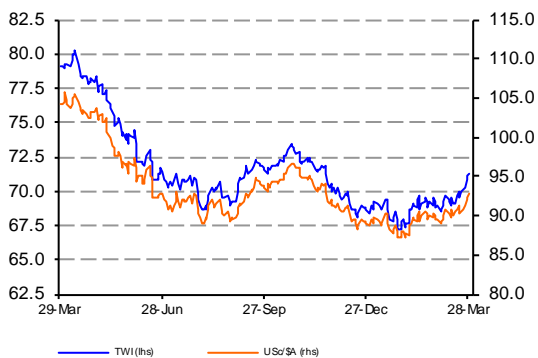
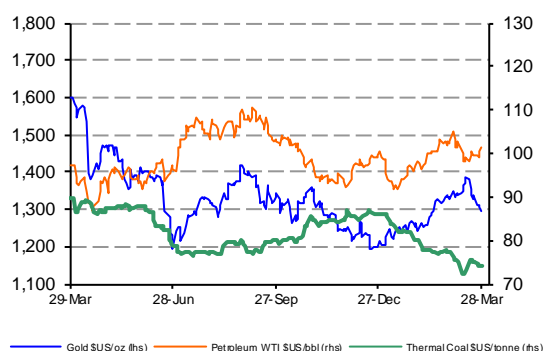


Chart D: Commodities



Domestic Data Releases

The **population** of New South Wales grew 0.4 per cent in the September quarter and by 1.5 per cent through the year. Australia's population grew by 0.4 per cent

In the December quarter 2013, **housing affordability** in Sydney deteriorated by 4.4 per cent, and by 3.9 per cent for the rest of New South Wales. In through the year terms, affordability was up 0.5 per cent in Sydney and up 1.9 per cent in the rest of New South Wales.

Markets

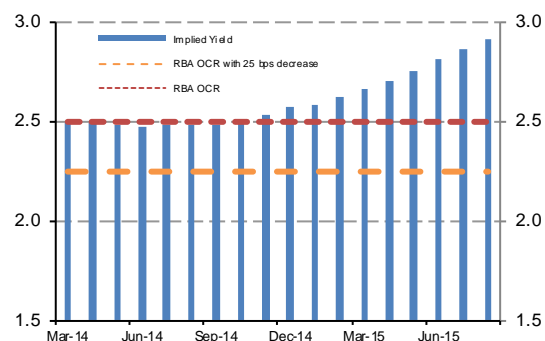
The **Australian stock market** rose by 0.5% on the previous Friday, while the **New York stock exchange** fell by 0.5%.

	Value	Change on Year	Change on Week
S&P 500	1,857.6	18.4 %	-0.5 %
ASX200	5,366.9	8.1 %	0.5 %
Australian Dollar (USD)	0.9270	-11.1 %	2.3 %
TWI	71.30	-9.9 %	1.9 %
Oil (USD/bbl)	101.28	4.2 %	1.8 %
Gold (USD/oz)	1,294.75	-19.0 %	-3.1 %
Thermal Coal (USD/tonne)	73.99	-17.7 %	-1.5 %
Australian 10-yr bond	4.08%	63.2 bps	-9.3 bps
US 10-yr bond	2.68%	81.0 bps	-10.0 bps
Australian 90-day bill	2.50%	-50.0 bps	0.0 bps

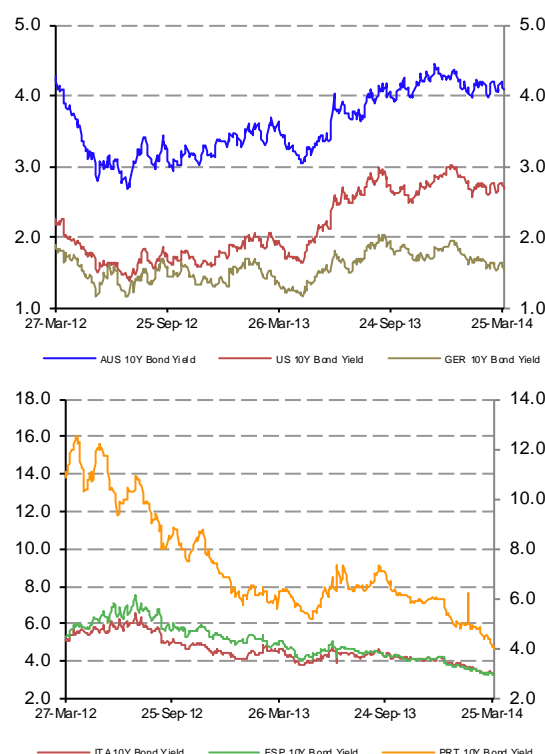
Upcoming Domestic Data Releases (31/3 – 4/4)

- The **ABS** will release data on job vacancies, building approvals, engineering construction activity, international trade and retail sales.
- The **RBA** will release data on financial aggregates and the commodity price index. The RBA will also release its interest rate decision, and Governor Stevens will make a speech in Brisbane,
- **HIA** will release data on new home sales.
- **AIG** will release data on the PMI Survey and the PSI Survey.

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 28 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)	4.08%	63.2 bps	-9.3 bps	139.7 bps	157.5 bps
United States (US)	2.68%	81.0 bps	-10.0 bps	- -	- -
Germany (GER)	1.54%	26.9 bps	-11.0 bps	-114.2 bps	-60.1 bps
Italy (ITA)	3.31%	-137.3 bps	-10.5 bps	62.5 bps	280.8 bps
Portugal (PRT)	4.01%	-231.1 bps	-21.7 bps	132.9 bps	445.0 bps
Spain (ESP)	3.23%	-182.9 bps	-11.9 bps	55.0 bps	318.9 bps

International Data Releases

China's PMI fell to an eight-month low of 48.1 from 48.5 in February. Economists polled by Bloomberg had expected the value to rise slightly and reach 48.7. The manufacturing output index fell to an eighteen-month low of 47.3.

Europe's PMI dipped from 53.3 in February to 53.2 in March.

Consumer confidence in the US climbed to its highest level in six years. The Conference Board's sentiment index rose to 82.3, exceeding expectations.

Japan's unemployment rate fell to 3.6 per cent (s.a.) in February from 3.7 per cent in January. The participation rate remained steady at 58.8 per cent.

Japan's CPI rose 1.3 per cent in February compared to February of the previous year. This marks nine consecutive months of positive growth.

Retail trade in Japan rose by 0.3 per cent in February (month-on-month). This result exceeded expectations of a decline of 0.1 per cent.

EMU consumer confidence improved in March by 3.4 points, which was the largest gain since April 2009.

The US Michigan Sentiment Index fell to a four-month low, from 81.6 to 80, in February.

Upcoming International Data Releases (31/3 – 4/4)

- **JAPAN:** Manufacturing PMI, industrial production.
- **EMU:** Unemployment rate, retail sales, interest rate announcement.
- **CHINA:** HSBC manufacturing PMI.
- **US:** Unemployment rate, Change in non-farm payrolls.