

Monday, 14 July 2014

Chart A: Domestic Interest Rates

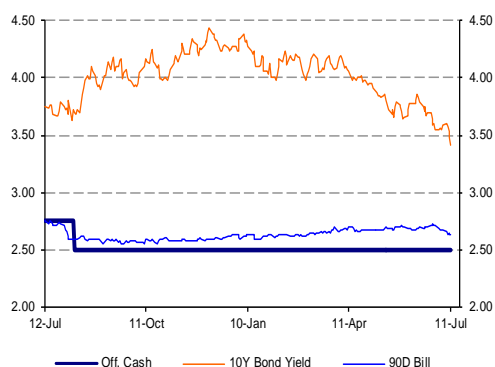


Chart B: Share Price Index

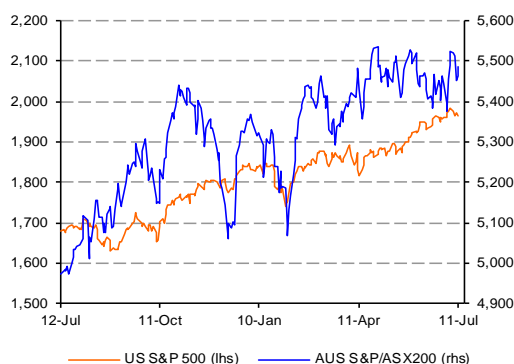


Chart C: Exchange Rate

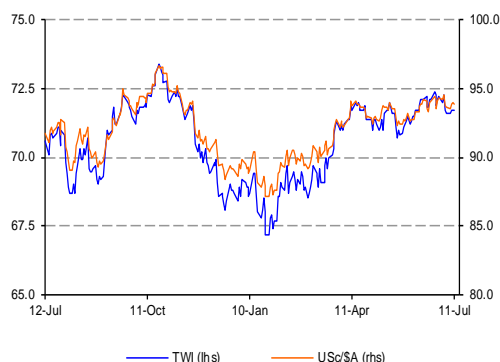
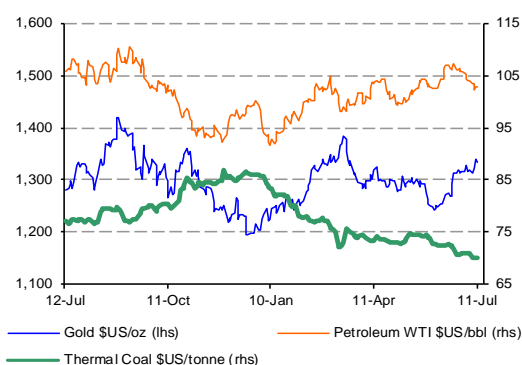


Chart D: Commodities



Key Domestic Data Releases

Nationally, **ANZ Job Ads** (newspaper and internet) rose by 4.3% in June, driven by a 4.5% increase in internet job ads, following a fall of 5.7% in May. NSW job ads (newspaper only) fell by 2.7% in June, following a large gain in May (25.1%). NSW job ads were 5.5% lower through the year to June 2014.

The number of **Short-Term Visitors** (nsa) was up 11.3% in June for Australia and up 11.0% for NSW.

NAB Business Conditions improved 3pts to +2 in June – reaching its highest level since January – while business confidence ticked 1pt higher to 8. NSW reported no change in business conditions at +2 but business confidence eased 1pt to 7.

The **Westpac-MI Consumer Sentiment** rose 1.9% in July to 94.9, following a 0.3% increase in June. That said, however, the index is 7.1% lower through the year and 9.9 index points below the decade average. In NSW, the index rose 5.2% to 100.5 following a 5.6% rise in June but is 6.8% lower compared to last year and 4.4 points below the decade average.

Employment in Australia rose 15,900 in June while the unemployment rate ticked up to 6.0% from 5.9% in May. Employment in NSW increased by 10,000 in June while the unemployment rate remained steady at 5.7%.

The number of housing finance commitments were flat in May compared to the previous month (up 4.6% over the year). In NSW, housing finance commitments were up 1.3% in May (up 6.5% over the year).

Markets

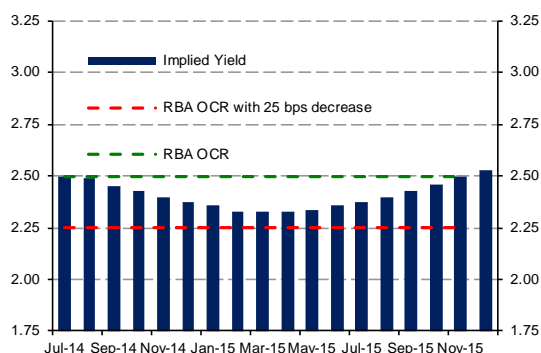
The **ASX200** fell 0.7% on the previous Friday, while the **US S&P500** fell 1.0%.

	Value	Change on Year	Change on Week
S&P 500	1,964.7	16.9 %	-1.0 %
ASX200	5,486.8	10.3 %	-0.7 %
Australian Dollar (USD)	0.9391	2.4 %	0.3 %
TWI	71.70	1.6 %	0.1 %
Oil (USD/bbl)	102.93	-2.9 %	-1.0 %
Gold (USD/oz)	1,335.00	4.3 %	1.2 %
Thermal Coal (USD/tonne)	69.95	-9.3 %	-1.3 %
Australian 10-yr bond	3.42%	-33.2 bps	-17.3 bps
US 10-yr bond	2.53%	-2.0 bps	-11.0 bps
Australian 90-day bill	2.63%	-12.0 bps	-4.0 bps

Upcoming Domestic Data Releases (14/7 – 18/7)

- The **ABS** will release data on Lending Finance, New Car Sales, Building Activity, Merchandise Imports, and the Labour Force by Region
- The **RBA** will release the Minutes of its latest Monetary Policy Meeting
- NAB will release their quarterly Business Survey
- Consensus Economics are expected to release the Asian-Pacific Consensus Forecasts

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

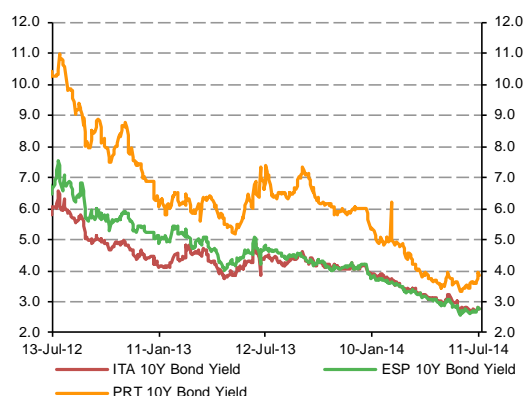
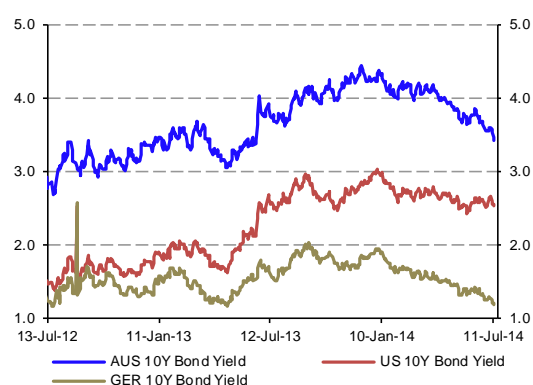
Current **market expectations**, as shown by the **implied yield** curve on ASX 30 day interbank cash rate futures, **favour no change** by the RBA at its next meeting. The market **does not expect a cash rate increase** throughout 2014 and 2015.

According to the **ASX target rate tracker**, as of 10 July, there is a 93% expectation that the RBA will keep the cash rate at 2.50% at its 5 August 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)	3.42%	-33.2 bps	-17.3 bps	89.1 bps	120.3 bps
United States (US)	2.53%	-2.0 bps	-11.0 bps	- -	- -
Germany (GER)	1.20%	-39.5 bps	-8.1 bps	-132.6 bps	-95.1 bps
Italy (ITA)	2.78%	-169.5 bps	7.5 bps	25.3 bps	192.8 bps
Portugal (PRT)	3.85%	-351.2 bps	28.2 bps	132.2 bps	481.4 bps
Spain (ESP)	2.77%	-196.3 bps	11.4 bps	24.3 bps	218.6 bps

Charts F & G: International Bond Yields



Key International Data Releases

- US:** The FOMC Minutes from the June meeting showed that officials agreed to end the Fed's bond buying program by October but gave little indication as to when they would lift the Fed Funds rate. Consumer credit rose \$19.6 billion (or by an annual rate of 7.4%) in May.
- Germany:** Industrial production fell 1.8% in May after a 0.3% decline in April and is up 1.3% over the year.
- UK:** The BoE held rates at 0.5% and the stock of asset purchases at £375b. Industrial production fell 0.7% in May - due to a fall in manufacturing output - to be up 2.3% over the year.
- China:** CPI for June eased to 2.3% over the year from 2.5%. Meanwhile, China's trade surplus came in at \$31.6 billion with exports a touch higher at 7.2% for the year while imports bounced up to 5.5%.
- Japan:** Japan recorded a fourth straight current account surplus of ¥522.8b in the month of May with exports up 2.0% for the year while imports were down 0.4% for the year.

Upcoming Key International Data Releases (14/7 – 18/7)

- US:** Fed Chairman Yellen to give her semi-annual testimony, Retail Sales, Business Inventories, PPI, Industrial Production, NAHB Housing Market Index, Housing Starts and Building Permits, Uni of Michigan Confidence Index
- Europe:** Industrial Production, ZEW Survey, Trade Balance, Construction Output
- UK:** CPI and Employment data
- China:** Q2 GDP, Retail Sales and Industrial Production
- Japan:** Monetary Policy Announcement
- NZ:** Q2 CPI