

Tuesday, 12 August 2014

Chart A: Domestic Interest Rates

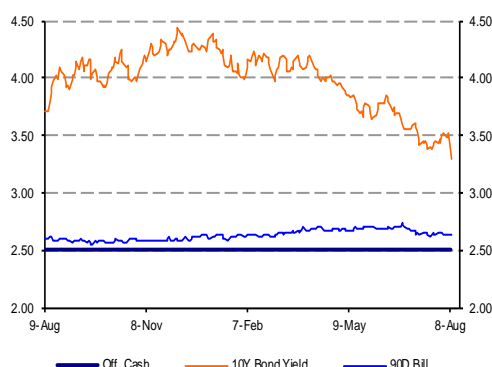


Chart B: Share Price Index

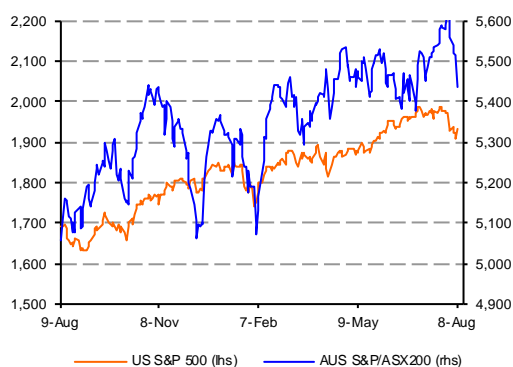


Chart C: Exchange Rate

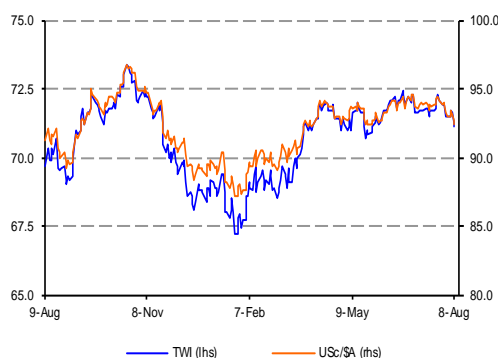
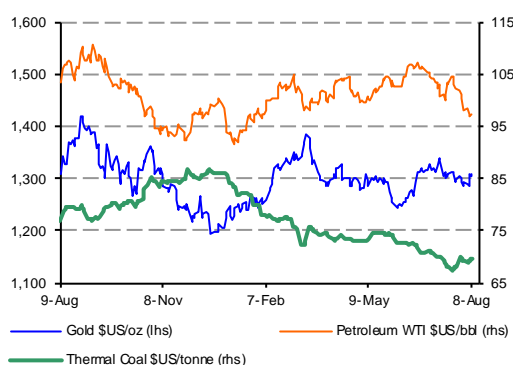


Chart D: Commodities



Key Domestic Data Releases

Retail Sales in NSW rose 0.9% in June and were up 8.8% through the year. Nationally, retail sales rose 0.6% in June to be up 5.5% through the year.

Nationally, **ANZ Job Ads** (newspaper and internet) rose by 0.3% in July. National internet ads grew by 0.4% in July. NSW job ads (newspaper only) fell by 8.8% in July to be down 4.3% through the year.

The **TD-MI Inflation Gauge** rose by 0.2% in July after no change in June.

The **RBA** left the **cash rate** on hold at 2.5% and maintained that the most prudent course is likely to be a period of stability in interest rates.

Nationally, **merchandise imports** (nsa) were up 10.6% and **merchandise exports** were up 4.4%. In NSW, merchandise imports (nsa) were up 3.1% and merchandise exports were down 10.1% per cent through the year the year to June.

The **AiG-HIA PSI** remained contractionary, rising 1.7 points to 49.3.

Unemployment in NSW rose to 5.9% in July. Nationally, unemployment grew to 6.4% up from 6.0% in June.

The **AiG-HIA PCI** increased 0.8 points to be 52.6 points in July.

Short term visitors to NSW increased 12.2% through the year to June. Nationally, short term arrivals were up 12.3% through the year.

Nationally the number of owner occupied **housing finance commitments** was up 0.2% through the year to June compared to 0.8% in NSW.

Markets

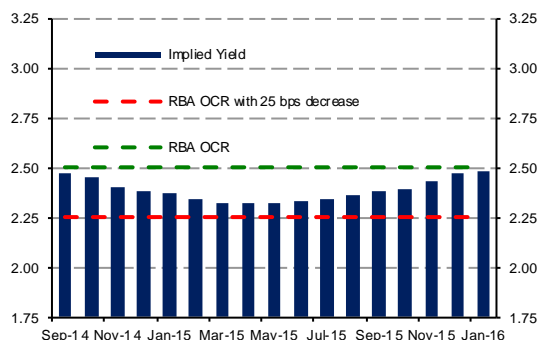
The **ASX200** fell 2.2% on the previous Friday, while the **US S&P500** rose 0.3%.

	Value	Change on Year	Change on Week
S&P 500	1,931.6	14.2 %	0.3 %
ASX200	5,435.3	7.5 %	-2.2 %
Australian Dollar (USD)	0.9246	1.4 %	-0.5 %
TWI	71.10	2.0 %	-0.6 %
Oil (USD/bbl)	97.34	-5.9 %	-0.6 %
Gold (USD/oz)	1,309.75	0.1 %	1.4 %
Thermal Coal (USD/tonne)	69.39	-9.8 %	0.5 %
Australian 10-yr bond	3.29%	-42.9 bps	-23.3 bps
US 10-yr bond	2.36%	-23.0 bps	-21.0 bps
Australian 90-day bill	2.63%	3.3 bps	-1.0 bps

Upcoming Domestic Data Releases (11/8 – 15/8)

- The **ABS** will release data on Lending Finance, the Residential Property Price Index, the Wage Price Index, Detailed Labour Force and Average Weekly Earnings.
- **NAB** will release the July Monthly Business Survey while the **Westpac – Melbourne Institute** will release its latest update to Consumer Sentiment.
- **Consensus Economics** will release its Asia Pacific Consensus forecasts.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

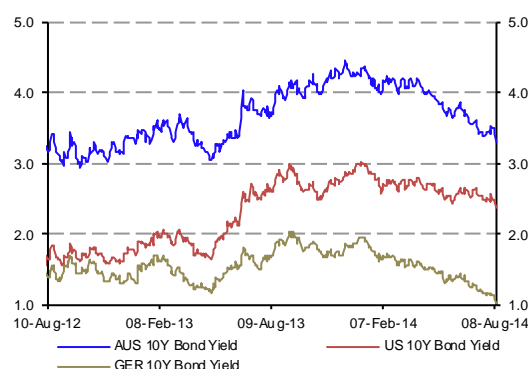
Current **market expectations**, as shown by the **implied yield** curve on ASX 30 day interbank cash rate futures, **favour no change** by the RBA at its next meeting. The market **does not expect a cash rate increase** until after January 2015.

According to the **ASX target rate tracker**, as of 8 August, there is a 89% expectation that the RBA will keep the cash rate at 2.50% at its 2 September 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)	3.29%	-42.9 bps	-23.3 bps	92.8 bps	112.7 bps
United States (US)	2.36%	-23.0 bps	-21.0 bps	-	-
Germany (GER)	1.04%	-65.9 bps	-13.0 bps	-132.3 bps	-89.4 bps
Italy (ITA)	2.83%	-135.7 bps	17.7 bps	46.6 bps	159.3 bps
Portugal (PRT)	3.85%	-263.7 bps	18.2 bps	149.3 bps	390.0 bps
Spain (ESP)	2.57%	-190.1 bps	5.8 bps	21.4 bps	188.5 bps

Charts F & G: International Bond Yields



Key International Data Releases

- US:** Non-Manufacturing PMI rose to 41 month high of 58.7 in July.
- Europe:** European Retail sales were up 0.4% in June to be up 2.4% through the year. European Central Bank kept official rates steady at 0.15%.
- UK:** Bank of England holds official rate at 0.5%. Trade Balance fell by £0.4 bn in June to £9.4 bn.
- China:** recorded record Trade Surplus of US\$47.3 bn in July. CPI increased by 0.1% in July to be up 2.3% through the year.

Upcoming Key International Data Releases (11/8 – 15/8)

- US:** Job Openings and Labour Turnover, Monthly Budget Statement, Retail Sales, Business Inventories, Jobless Claims, Import Price Index, PPI final Demand, Empire Manufacturing, Treasury International Capital Flows, Industrial Production, University of Michigan Consumer Confidence.
- Europe:** Industrial Production, ECB Monthly Report, GDP, CPI
- UK:** Average Weekly Earnings, Unemployment, BOE Inflation Report, GDP, Index of Services
- Japan:** Tertiary Industry Index, Money Supply, Consumer Confidence, Machine Tool orders, PPI, Industrial Production, GDP, Machine Orders
- China:** Retail sales, Industrial Production, Fixed asset investment