

Chart A: Domestic Interest Rates

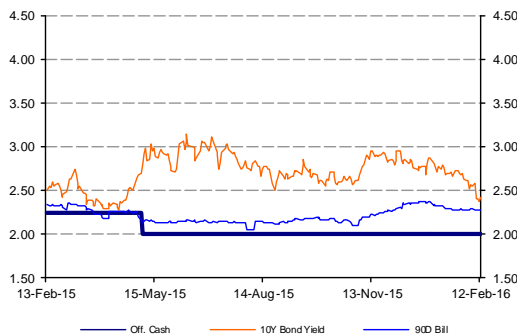


Chart B: Share Price Index

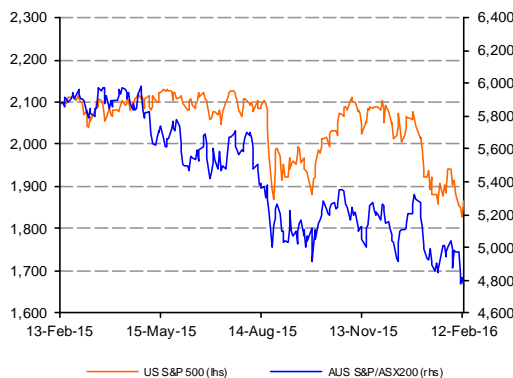


Chart C: Exchange rate

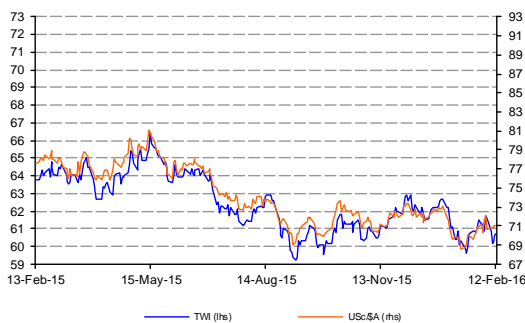
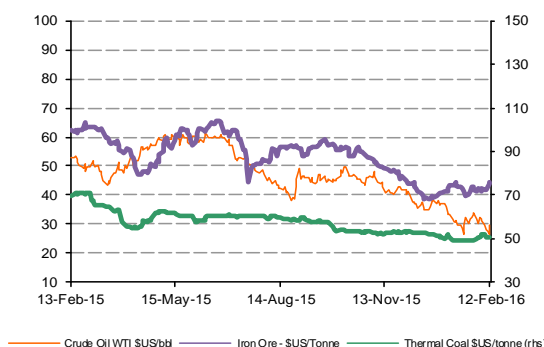


Chart D: Commodity Prices



Domestic Data Releases

ANZ job advertisements data for NSW showed a 0.4% increase in January in the number of newspaper jobs on the previous month and a 4.5% increase through the year. Nationally, job ads rose 0.5% on the previous month but were down 11.1% through the year.

NSW business conditions, as measured by NAB, remained stable at +11 index points between December and January. National business conditions fell one point to +5 points. **NSW business confidence** rose one point in the month of January to 4 points. National business confidence remained stable at +2 points. An index number greater than zero represents positive business conditions/confidence.

NSW consumer sentiment, as measured by W-MI, rose 1.9% to 107.1 in February but is down 1.5% compared to a year ago. This index is above the neutral level of 100 and is above its decade average. Nationally, consumer sentiment rose 4.2% in February to 101.3 and is up 0.6% compared to a year ago. February was one of only 5 months in the last two years where nationally, optimists have outnumbered pessimists.

The number of **housing finance commitments** for owner-occupation in NSW rose 3.5% in December 2015 to be 18.4% higher through the year. Nationally, housing commitments rose 2.6% in December and are up 9.8% through the year. In the December quarter of last year, the proportion of first home buyers to total home buyers (excluding refinancing) was 19.5% for NSW and 23.1% nationally.

Overseas visitors to NSW in December 2015 rose 9.2% through the year to reach 266.0k. Nationally, overseas visitors grew by 11.7% through the year to reach 711.6k in December.

Markets

The ASX200 fell 4.2% compared to last Friday and the US S&P500 fell 0.8%.

	Value	Change on Year	Change on Week
US S&P 500	1,864.8	-11.1 %	-0.8 %
ASX200	4,765.3	-18.9 %	-4.2 %
Australian Dollar (USD)	0.7112	-8.4 %	0.6 %
TWI	60.70	-4.9 %	-1.5 %
Oil (USD/bbl)	29.44	-44.2 %	-4.7 %
Gold (USD/oz)	1,239.75	0.6 %	7.8 %
Thermal Coal (USD/tonne)	50.70	-27.2 %	-1.7 %
Australian 10-yr bond	2.42%	-8.1 bps	-12.8 bps
US 10-yr bond	1.75%	-30.2 bps	-8.8 bps
Australian 90-day bill	2.28%	-6.0 bps	-1.0 bps

Upcoming Domestic Data Releases (15/2 – 19/2)

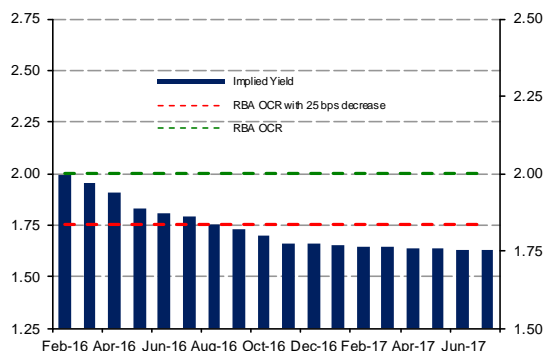
- **ANZ** releases the Stateometer for January
- The **ABS** releases Vehicles Sales data, Lending Finance data and Labour Force data for the month of January.
- The **RBA** releases minutes from its recent Monetary Policy Meeting

Market Interest Rate Expectations

Current market expectations, as shown by the implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicate an expectation that the RBA will lower rates to 1.75% in May 2016.

According to the ASX target rate tracker, as of 12 February, there is a 19% expectation that the RBA will lower the cash rate to 1.75% at its policy meeting on 1 March 2016.

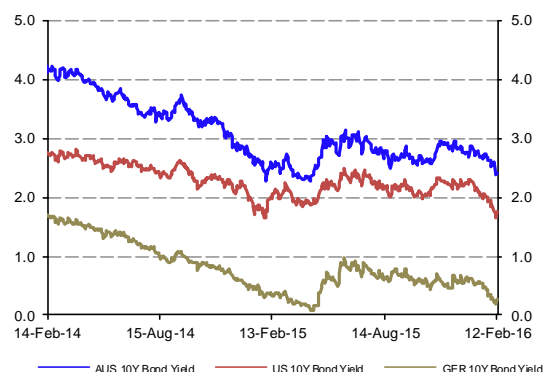
Chart E: Interest Rate Expectations



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)	2.42%	-8.1 bps	-12.8 bps	67.2 bps	45.1 bps
United States (US)	1.75%	-30.2 bps	-8.8 bps	-	-
Germany (GER)	0.26%	-8.1 bps	-3.5 bps	-148.7 bps	-170.8 bps
Italy (ITA)	1.65%	4.4 bps	9.4 bps	-10.1 bps	-44.7 bps
Portugal (PRT)	3.71%	133.7 bps	58.9 bps	196.3 bps	32.4 bps
Spain (ESP)	1.74%	18.8 bps	9.7 bps	-0.9 bps	-49.9 bps

Chart F & G: International Bond Yields



Key International Data Releases

India: GDP grew by 7.3% in Q4 2015 compared to the same period of 2014. The manufacturing sector grew 12.6% while farm output contracted 1%.

UK: The trade gap narrowed to £2.71 billion in December from £4.03 billion in November. This is the lowest trade deficit in three months reflecting a drop in imports.

US: Retail sales increased 0.2% in January compared to the previous month. US Consumer sentiment for February fell to 90.7 from 92 in January.

Euro Area: GDP expanded by 0.3% on quarter in Q4 2015, the same as the previous quarter. The German economy grew at 0.3% while France and Italy grew at 0.2% and 0.1% respectively.

China: Foreign exchange reserves declined by US\$99.5 billion to US\$3.23 trillion in January. This is the lowest level of reserves in more than 3 years and follows a record US\$107.9 billion fall in December 2015.

Upcoming Key International Data Releases (15/2 – 19/2)

- **EU:** Trade balance for December 2015, Consumer Confidence Index for February
- **China:** Trade balance for January, Inflation Rate for January
- **US:** Inflation rate for January
- **UK:** Inflation rate for January, Unemployment rate for December 2015
- **Japan:** GDP growth rate for Q4 2015