

Tuesday, 26 April 2016

Chart A: Domestic Interest Rates

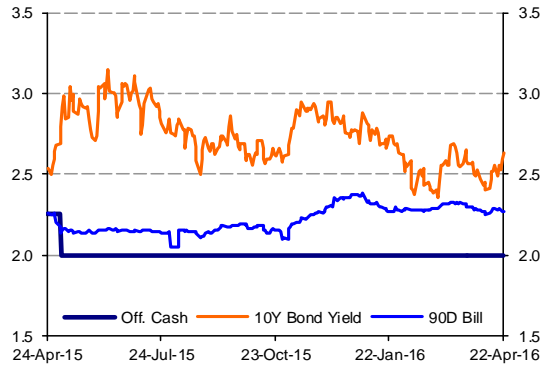


Chart B: Share Price Index

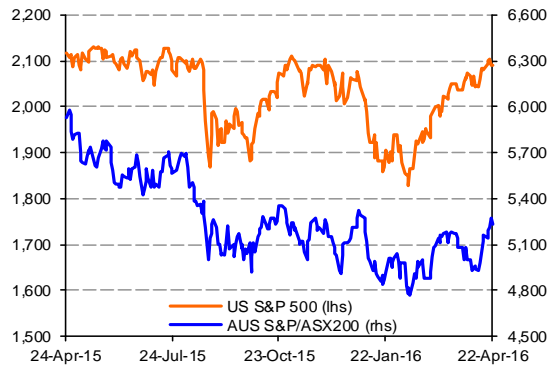


Chart C: Exchange rate

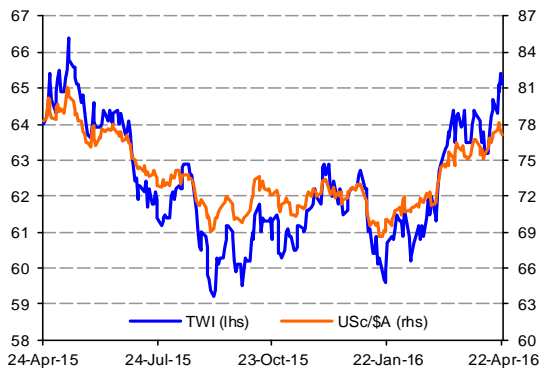
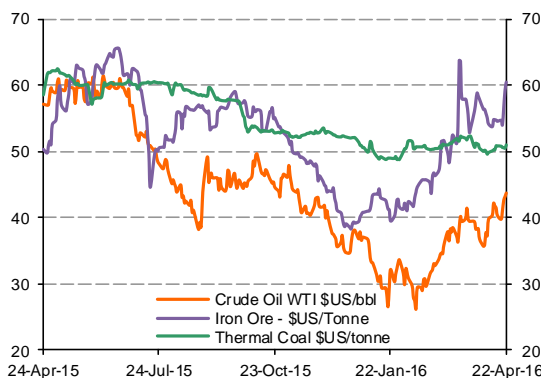


Chart D: Commodity Prices



Domestic Data Releases

The February **ANZ Stateometer**, which measures economic performance, showed that economic growth remained above trend in NSW and VIC, while remaining around trend in QLD and TAS. Growth in WA and NT economies remained below trend, with conditions in WA quite weak.

Deloitte published their March quarter **Business Outlook** in which NSW Gross State Product is forecast to grow by 3.3% in 2015-16 and 1.9% in 2016-17. Nationally, Gross Domestic Product is forecast to grow by 2.7% in 2015-16 and 2.0% in 2016-17.

According to NAB, NSW **business conditions** fell three index points to +15 between the December and March quarters. National business conditions fell one point to +9 index points over the same period. NSW **business confidence** fell four index points in the March quarter to +3. National business confidence fell, by one point to +4. An index number greater than zero represents positive business conditions/confidence.

ABS Regional Labour Force data showed that the regional unemployment rate, in 12-month moving average terms to March 2016, was 5.0% in Greater Sydney and 6.6% in the rest of NSW. Other regional unemployment rates were 5.8% in Western Sydney, 7.1% in the Greater Hunter and 6.8% in the Greater Illawarra.

Markets

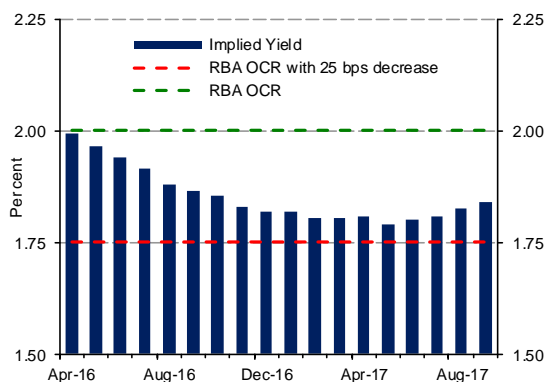
The ASX200 rose 1.5% compared to last Friday and the US S&P500 rose 0.5%.

	Value	Change on Year	Change on Week
US S&P 500	2,091.6	-1.2 %	0.5 %
ASX200	5,236.4	-11.7 %	1.5 %
Australian Dollar (USD)	0.7708	-1.5 %	-0.2 %
TWI	65.10	1.7 %	0.6 %
Oil (USD/bbl)	43.73	-23.5 %	8.3 %
Gold (USD/oz)	1,243.25	5.1 %	1.3 %
Thermal Coal (USD/tonne)	51.00	-12.9 %	0.3 %
Australian 10-yr bond	2.63%	9.9 bps	7.6 bps
US 10-yr bond	1.89%	-2.1 bps	13.6 bps
Australian 90-day bill	2.27%	1.5 bps	-1.7 bps

Upcoming Domestic Data Releases (25/4 – 29/4)

- The **ABS** releases Consumer Price Index, Producer Price Index and International Trade Price Index data for the March quarter
- The **RBA** releases Private Sector Credit data for March
- **Deloitte** releases the March quarter Investment Monitor
- The **ABS** releases Government Finance Statistics for 2014-15

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

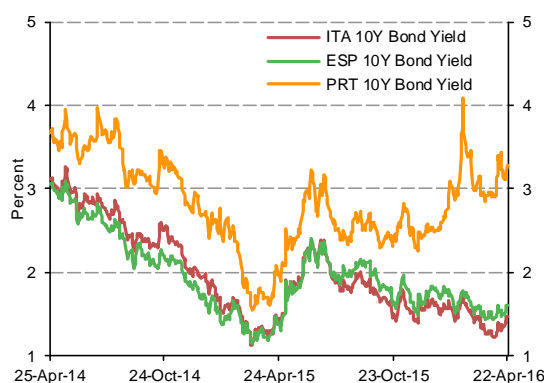
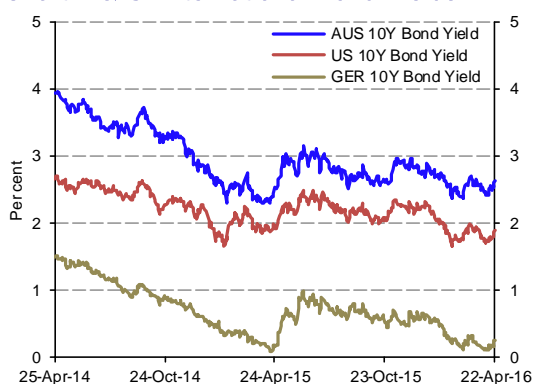
Current market expectations, as shown by the implied yield curve on ASX 30 day interbank cash rate futures (Chart E), indicate an expectation that the RBA will lower rates to 1.75% in September 2016.

According to the ASX target rate tracker, as of 22 April, there is a 16% expectation that the RBA will lower the cash rate to 1.75% at its policy meeting on 3 May 2016.

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)	2.63%	9.9 bps	7.6 bps	74.5 bps	62.5 bps
United States (US)	1.89%	-2.1 bps	13.6 bps	-	-
Germany (GER)	0.23%	7.6 bps	10.4 bps	-165.7 bps	-175.4 bps
Italy (ITA)	1.47%	3.3 bps	14.0 bps	-41.5 bps	-46.9 bps
Portugal (PRT)	3.28%	130.2 bps	11.9 bps	138.8 bps	6.5 bps
Spain (ESP)	1.60%	20.5 bps	9.9 bps	-29.2 bps	-51.8 bps

Chart F & G: International Bond Yields



Key International Data Releases

UK: The unemployment rate in the three months to February was unchanged at 5.1%, staying at a decade low level. However, the number of people unemployed increased by 21k to reach 1.70 million. Average weekly earnings for employees in Britain increased by 1.8% (including bonuses) compared to a year earlier.

Retail sales increased 2.7% through the year to March.

NZ: Consumer prices increased 0.4% in the March quarter compared to the corresponding quarter a year earlier. Lower prices for private transport and fuel made the largest downward contribution to prices.

Euro Area: The ECB left interest rates on hold at a record low of 0.0% in April, following a 5bps cut in March. ECB President, Mario Draghi, said that rates are expected to remain at present or lower levels for an extended period.

Japan: Registered a trade surplus of ¥755 billion in March, the largest in over 5 years. Year on year, exports fell by 6.8% while imports fell by sharper 14.9%.

Canada: Consumer prices increased by 1.3% through the year to March, slowing from the 1.4% growth recorded in the previous month.

Upcoming Key International Data Releases (25/4 – 29/4)

- **US:** Interest Rate Decision and GDP Growth data for the March quarter. Also, Composite PMI and Consumer Confidence data for April.
- **New Zealand:** Interest Rate Decision and Trade Balance data for March
- **UK:** GDP Growth data for the March quarter
- **Japan:** Unemployment rate and CPI data for March as well as the Interest Rate Decision
- **Euro Area:** Unemployment rate and CPI data for March and GDP Growth data for the March quarter