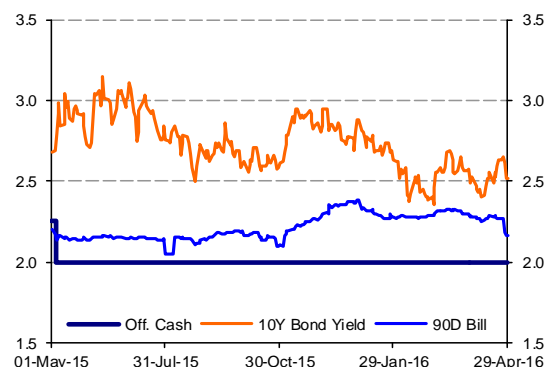


Monday, 2 May 2016

Chart A: Domestic Interest Rates



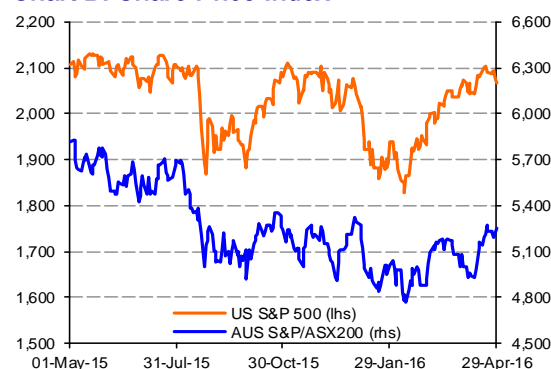
Domestic Data Releases

The Sydney **CPI** fell 0.2% in the March quarter, to be 1.3% higher than a year ago. For the eight-capital city average (Australia), the CPI fell 0.2% in the quarter, and was 1.3% higher than a year ago.

The RBA released national financial aggregates for March indicating that **Private Sector Credit** rose 0.4% in the month to be up 6.4% through the year. Housing credit rose 0.5% in the month for a through the year increase of 7.2%.

CommSec's April **State of the States** report confirms that the NSW economy continues to outperform the other states, with the state retaining its number one overall ranking for the seventh consecutive quarter.

Chart B: Share Price Index



Markets

The ASX200 rose 0.3% compared to last Friday and the US S&P500 fell 1.3%.

	Value	Change on Year	Change on Week
US S&P 500	2,065.3	-2.0 %	-1.3 %
ASX200	5,252.2	-9.7 %	0.3 %
Australian Dollar (USD)	0.7603	-3.2 %	-1.4 %
TWI	63.80	-1.4 %	-2.0 %
Oil (USD/bbl)	45.92	-22.4 %	5.0 %
Gold (USD/oz)	1,285.65	9.3 %	3.4 %
Thermal Coal (USD/tonne)	50.75	-18.4 %	-0.5 %
Australian 10-yr bond	2.52%	-16.3 bps	-11.6 bps
US 10-yr bond	1.83%	-28.0 bps	-5.5 bps
Australian 90-day bill	2.16%	-4.0 bps	-11.0 bps

Chart C: Exchange rate

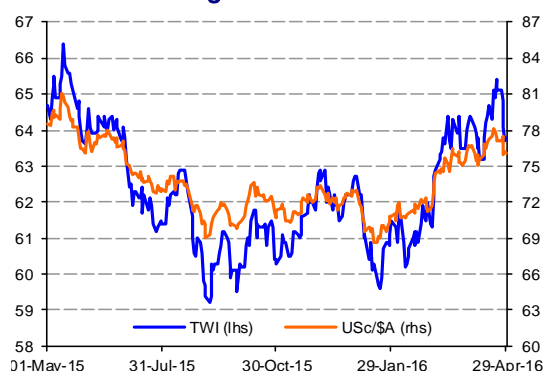
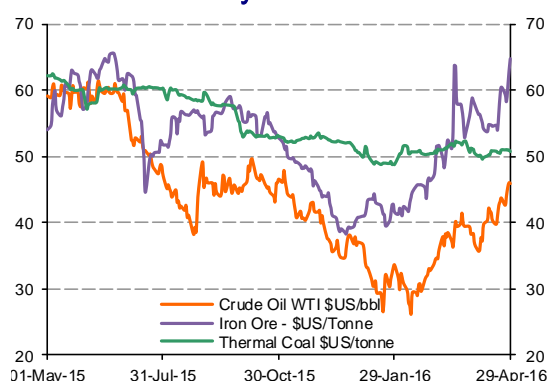


Chart D: Commodity Prices



Upcoming Domestic Data Releases (2/5 – 6/5)

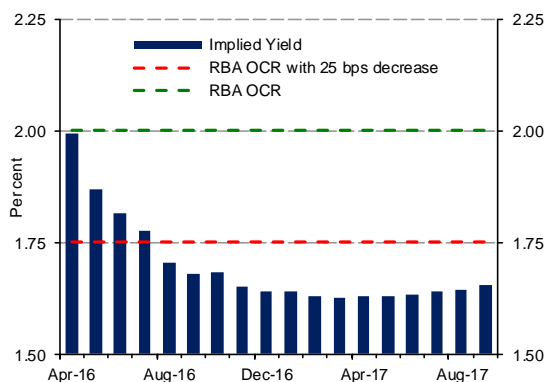
- The **Commonwealth Treasury** releases the Federal Budget for 2016-17
- The **RBA** announces its Interest Rate Decision and releases the quarterly Statement on Monetary Policy
- **NAB** releases the Monthly Business Survey for April
- The **Melbourne Institute** releases the April Inflation Gauge
- **HIA** releases New Home Sales data for March
- The **ABS** releases Building Approvals, Retail Trade, Overseas Visitors and International Trade data for March

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 29 April, there is a 58% expectation that the RBA will lower the cash rate to 1.75% at its policy meeting on 3 May 2016.

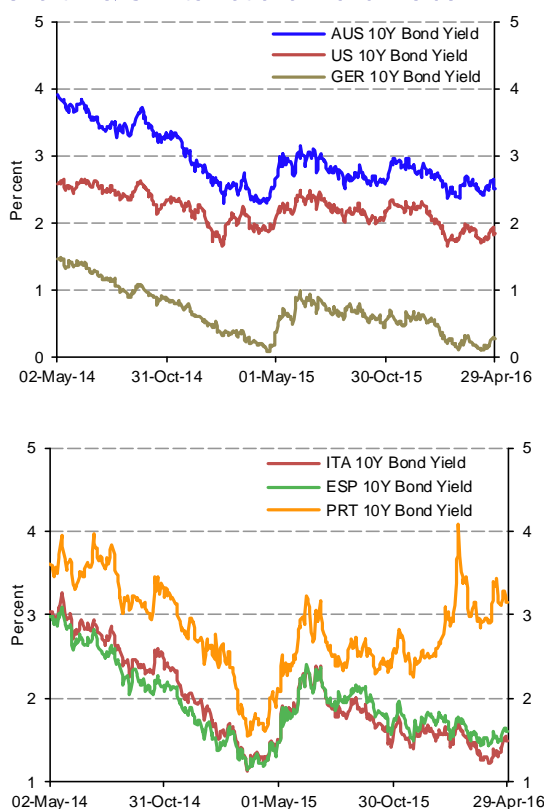
Chart E: Interest Rate Expectations



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)	2.52%	-16.3 bps	-11.6 bps	68.4 bps	56.7 bps
United States (US)	1.83%	-28.0 bps	-5.5 bps	-	-
Germany (GER)	0.27%	-10.2 bps	4.0 bps	-156.2 bps	-174.1 bps
Italy (ITA)	1.49%	2.4 bps	1.4 bps	-34.6 bps	-65.1 bps
Portugal (PRT)	3.15%	107.9 bps	-12.8 bps	131.5 bps	-4.5 bps
Spain (ESP)	1.59%	12.0 bps	-0.3 bps	-24.0 bps	-64.1 bps

Chart F & G: International Bond Yields



Key International Data Releases

US: The Federal Reserve left the target range of the federal funds rate unchanged at 0.25 – 0.50%. The Federal Open Market Committee stated, “The stance of monetary policy remains accommodative, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation.”

Annualised GDP growth rate was 0.5% in the March quarter. This growth was weaker than 1.4% recorded in the previous quarter and the weakest since the March quarter of 2014.

Consumer Sentiment fell to 89 in April, down from 91 in March.

NZ: The Reserve Bank of New Zealand left interest rates on hold in April after a cut in March to 2.25%. The Bank has cut interest rates 5 times in less than a year.

Japan: The Bank of Japan left interest rates unchanged at -0.1%. Policymakers also adopted a loan scheme, offering funds at zero interest to banks in areas hit by the Kumamoto Earthquake.

Consumer prices fell 0.1% year-on-year in March, compared to a 0.3% rise in February. This is the first decline since May 2013 led by the falling costs of housing, fuel and transport.

The unemployment rate fell to 3.2% in March from 3.3% in February while the participation rate increased 0.1 percentage points to 59.2%.

UK: GDP growth was 2.1% year-on-year in the March quarter, the same as in the previous quarter.

Euro Area: Year-on-year GDP growth in the March quarter was 1.6%, the same as the previous 3 quarters.

The unemployment rate fell to 10.2% in March from 10.4% in February. This is the lowest rate since August 2011.

Consumer prices fell 0.2% through the year to April, after staying unchanged in March. Energy prices remained the largest downward contributor.

Upcoming Key International Data Releases (2/5 – 6/5)

- **US:** ISM Manufacturing PMI, Non-manufacturing PMI and Non-farm Payrolls for April as well as Trade Balance data for March
- **New Zealand:** Unemployment Rate for the March quarter
- **Euro:** Retail Sales data for March
- **China:** Caixin Manufacturing PMI for April
- **Canada:** Unemployment rate for March