

Chart A: Domestic Interest Rates

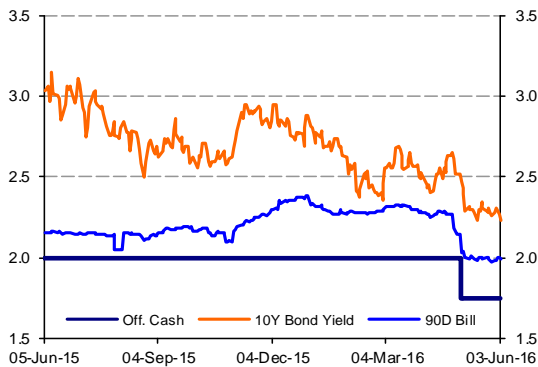


Chart B: Share Price Index

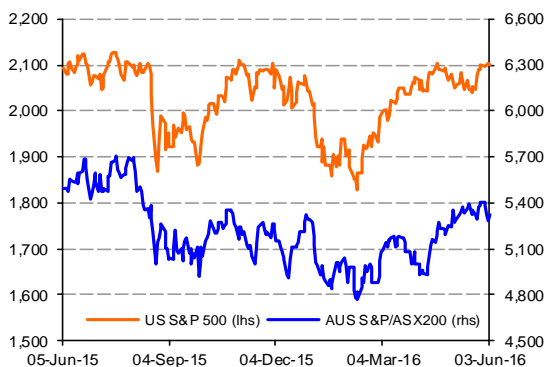


Chart C: Exchange rate

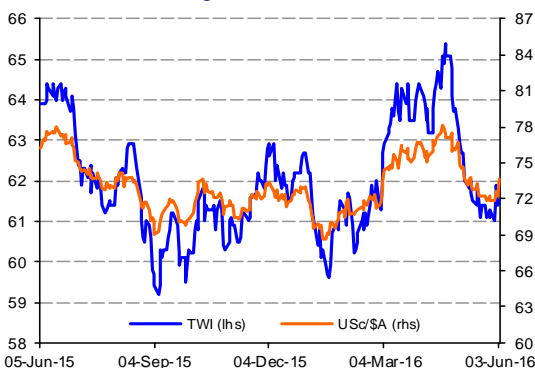
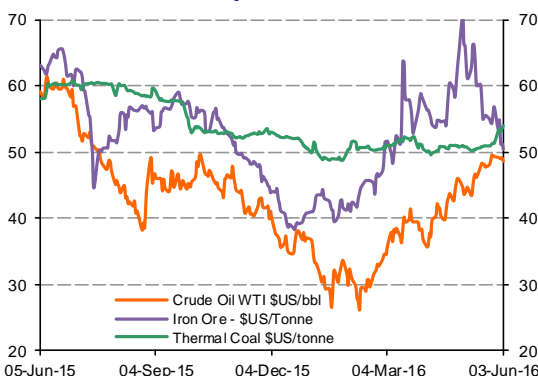


Chart D: Commodity Prices



## Domestic Data Releases

ABS **National Accounts** data showed that NSW **State Final Demand** rose 1.0% in the March quarter to be up 3.9% through the year. Nationally, **Gross Domestic Product** rose 1.1% in the quarter to be up 3.1% through the year.

The RBA released national financial aggregates for April indicating that **Private Sector Credit** rose 0.5% in the month to be up 6.7% through the year. Housing credit rose 0.4% in the month for a through the year increase of 7.0%.

NSW **Residential Building Approvals** rose 10.4% in April to be up 18.8% through the year. National residential building approvals rose 3.0% in April to be up 0.7% through the year. NSW non-residential building approvals rose 24.7% in April and were up 28.9% through the year. National non-residential building approvals rose 47.3% in April to be up 32.4% through the year.

ABS **Balance of Payments** statistics showed that the current account deficit decreased \$1.8 billion to \$20.8 billion in the March quarter.

ABS **Retail Sales** data showed that NSW retail sales were up 0.3% in April and up 5.0% through the year. National retail sales were up 0.2% in the month and up 3.6% through the year.

**International Trade** data for April showed that NSW merchandise exports were down 0.2% while merchandise imports were up 2.8% through the year. For Australia, merchandise exports were up 3.1% and merchandise imports were down 9.9% through the year.

**Overseas Arrivals and Departures** data for April showed that visitors to NSW increased by 9.9% through the year to reach 262.2k in the month. Nationally, visitors to Australia increased by 8.3% through the year to reach 666.6k in the month.

Tourism Research Australia released the March quarter **International Visitor Survey**. In the year ending March 2016 there were 3.6 million visitors to NSW, an increase of 8.9% compared to the year ending March 2015.

## Markets

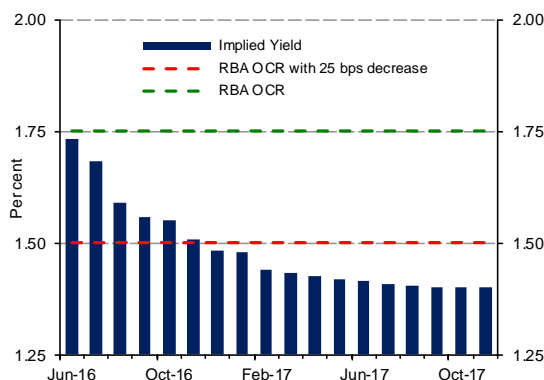
The ASX200 fell 1.6% compared to last Friday and the US S&P500 stayed flat.

	Value	Change on Year	Change on Week
US S&P 500	2,099.1	0.3 %	0.0 %
ASX200	5,318.9	-3.3 %	-1.6 %
Australian Dollar (USD)	0.7367	-3.4 %	2.6 %
TWI	61.50	-3.8 %	0.3 %
Oil (USD/bbl)	48.62	-17.8 %	-1.4 %
Gold (USD/oz)	1,240.50	6.5 %	2.0 %
Thermal Coal (USD/tonne)	54.00	-7.1 %	5.2 %
Australian 10-yr bond	2.23%	-80.7 bps	-2.5 bps
US 10-yr bond	1.70%	-70.7 bps	-15.1 bps
Australian 90-day bill	2.00%	-15.5 bps	2.5 bps

## Upcoming Domestic Data Releases (6/6 – 10/6)

- **ABS** releases Housing Finance and Lending Finance data for April
- The **RBA** announces its Interest Rate Decision
- **APM** releases Housing Market data for May

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

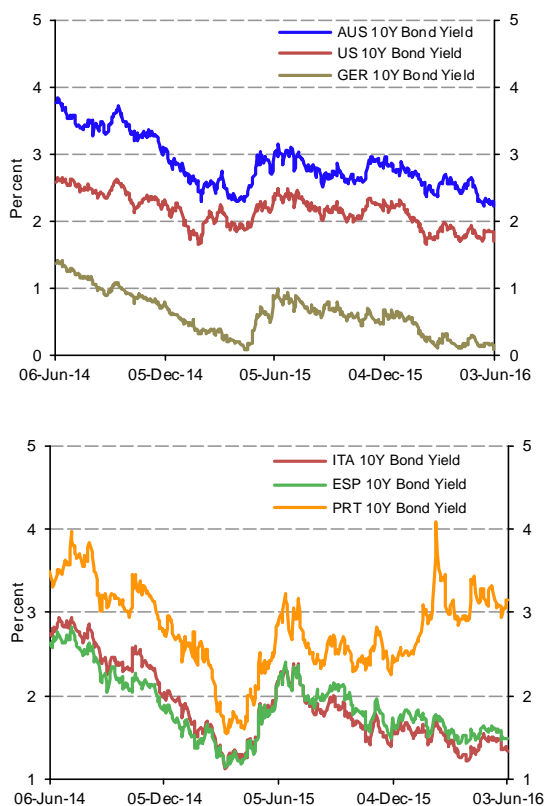
Current market expectations, as shown by the implied yield curve on ASX 30 day interbank cash rate futures (Chart E), indicate an expectation that the RBA will lower rates to 1.5% in August 2016.

According to the ASX target rate tracker, as of 3 June, there is an 8% expectation that the RBA will lower the cash rate to 1.50% at its policy meeting on 7 June 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
<b>Australian (AUS)</b>	2.23%	-80.7 bps	-2.5 bps	53.2 bps	63.1 bps
<b>United States (US)</b>	1.70%	-70.7 bps	-15.1 bps	-	-
<b>Germany (GER)</b>	0.07%	-77.6 bps	-7.0 bps	-163.2 bps	-156.4 bps
<b>Italy (ITA)</b>	1.33%	-90.7 bps	-2.2 bps	-36.9 bps	-17.0 bps
<b>Portugal (PRT)</b>	3.15%	21.8 bps	12.6 bps	145.2 bps	52.6 bps
<b>Spain (ESP)</b>	1.48%	-74.4 bps	0.0 bps	-22.0 bps	-18.4 bps

Chart F &amp; G: International Bond Yields



Key International Data Releases

**US:** Non-farm payrolls increased by 38k in May. This is the smallest increase in more than five years and well below market expectations of 165k.

The unemployment rate was 4.7% in May, down from 5.0% in April, as the number of unemployed persons declined by 484k to 7.4 million and the labour force participation rate fell 0.2 percentage points to 62.6 per cent.

The ISM Manufacturing PMI came in at 51.3 in May, up from 50.8 in April. A reading above 50 indicates that the manufacturing sector is expanding.

**Euro:** The ECB left its benchmark interest rate at a record low 0.0%.

Consumer prices fell 0.1% through the year to May, following a 0.2% fall in April. This is the fourth consecutive month of falling consumer prices.

The unemployment rate held steady at 10.2% in April, to remain at its lowest level since August 2011.

Upcoming Key International Data Releases (6/6 – 10/6)

- **US:** Federal Reserve Chair, Janet Yellen, gives a speech. Michigan Consumer Sentiment for June.
- **India:** Interest Rate Decision
- **China:** Trade Balance and CPI data for May
- **UK:** Industrial Production data for April
- **NZ:** Interest Rate Decision
- **Japan:** Machinery Order data for April
- **Canada:** Unemployment rate for May