

Chart A: Domestic Interest Rates

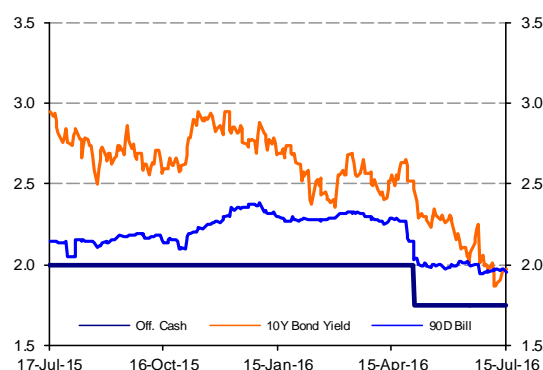


Chart B: Share Price Index

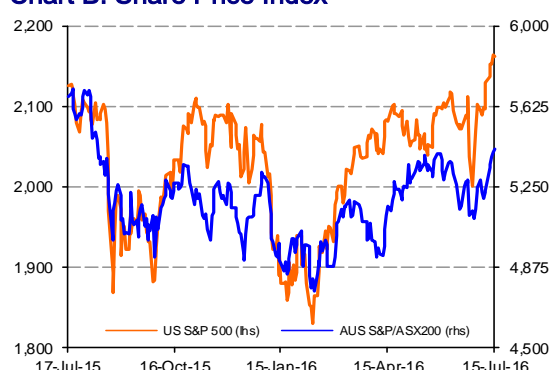


Chart C: Exchange rate

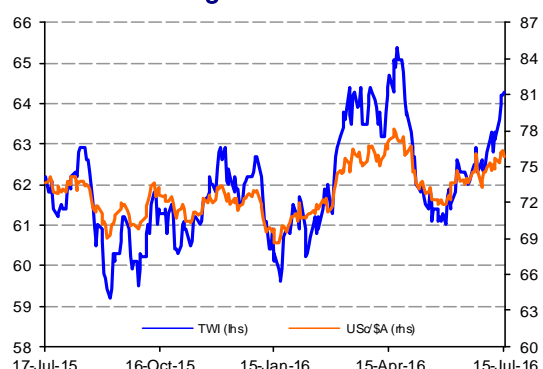
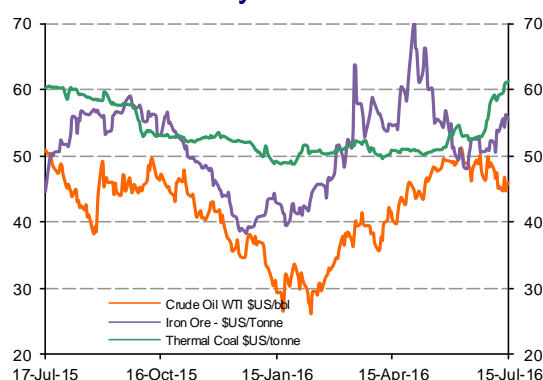


Chart D: Commodity Prices



Domestic Data Releases

The number of **housing finance** commitments for owner-occupiers in NSW rose 0.2% in May to be 16.7% higher through the year. Nationally, housing commitments fell 1.0% in May and are up 11.4% through the year. Over the three months to May 2016, the proportion of first home buyers to total home buyers (excluding refinancing) was 18.0% for NSW and 22.1% nationally.

NSW **business conditions**, as measured by NAB, increased 7 index points to +22 in June. National business conditions increased 2 points to +12 in the same month. NSW **business confidence** rose 2 index points to +7 in June while national business confidence rose 3 points to +6. An index number greater than zero represents positive business conditions/confidence.

NSW **consumer sentiment**, as measured by Westpac and the Melbourne Institute, decreased by 3.8% to 100.8 in July and is up 10.8% through the year. The index remained above the neutral level of 100, indicating that optimists continue to outnumber pessimists, and remains above its decade average of 103.3. Nationally, consumer sentiment fell 3.0% in June to 99.1 but is still up 7.4% compared to a year ago.

May **lending finance** data indicated that NSW investor housing finance approvals were down 7.7% compared to a year ago. National investor housing finance approvals were down 11.3% compared to a year ago. More broadly, total NSW commercial finance was down 13.9% through the year while total national commercial finance was down 13.8%.

March quarter **Building Activity** data for NSW indicated that work commenced increased 23.8% through the year while work done rose 17.6% through the year. Work yet to be done in NSW was up 9.4% through the year. Nationally, work commenced was up 14.3% through the year with work done up 4.3% through the year and work yet to be done up 3.7% through the year.

The NSW **unemployment rate** rose slightly to 5.3% in June. Nationally the unemployment rate rose to 5.8% in June from 5.7% in May. Total employment fell 11,900 in NSW (up 3.2% through the year) and rose by 7,900 nationally (to be up 1.9% through the year). The NSW participation rate fell to 64.3% but remained close to the record high of 64.5% reached in November 2015.

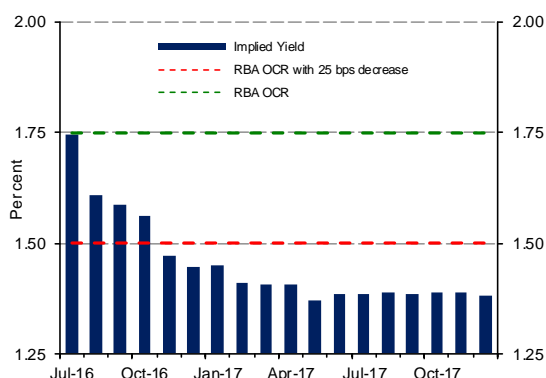
Markets

The ASX200 rose 3.8% compared to last Friday and the US S&P500 was up 1.5%.

	Value	Change on Year	Change on Week
US S&P 500	2,161.7	1.7 %	1.5 %
ASX200	5,429.6	-4.2 %	3.8 %
Australian Dollar (USD)	0.7578	2.8 %	0.1 %
TWI	64.30	3.4 %	1.9 %
Oil (USD/bbl)	45.95	-9.7 %	1.2 %
Gold (USD/oz)	1,327.00	17.1 %	-2.0 %
Thermal Coal (USD/tonne)	61.30	1.7 %	3.5 %
Australian 10-yr bond	1.97%	-97.7 bps	8.9 bps
US 10-yr bond	1.55%	-79.6 bps	19.3 bps
Australian 90-day bill	1.95%	-18.7 bps	-1.7 bps

Upcoming Domestic Data Releases (18/7 – 22/7)

- **Deloitte Access Economics** releases the Business Outlook for the June quarter

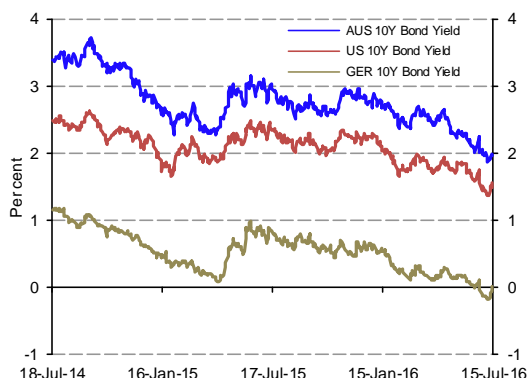
Chart E: Interest Rate Expectations

- **RBA** releases Board Meeting Minutes from their July meeting
- **ANZ** releases the Stateometer for May
- **Department of Employment** releases their Skilled Vacancy Report for June
- **NAB** releases the June Quarter Business Survey
- **ABS** releases Regional Labour Data for June as well the annual Motor Vehicle Census

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 15 July, there is a 60% expectation that the RBA will lower the cash rate to 1.50% at its policy meeting on 2 August 2016.

Chart F & G: International Bond Yields**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)	1.97%	-97.7 bps	8.9 bps	42.1 bps	60.2 bps
United States (US)	1.55%	-79.6 bps	19.3 bps	-	-
Germany (GER)	0.01%	-78.2 bps	19.5 bps	-154.5 bps	-155.9 bps
Italy (ITA)	1.25%	-66.3 bps	6.1 bps	-29.8 bps	-43.1 bps
Portugal (PRT)	3.12%	49.2 bps	5.6 bps	156.8 bps	28.0 bps
Spain (ESP)	1.23%	-70.9 bps	8.0 bps	-32.4 bps	-41.1 bps

Key International Data Releases

US: Industrial production recorded its strongest monthly result in a year increasing 0.6% in June. This was primarily driven by a stronger than expected rebound in manufacturing output.

Consumer prices increased 1% year-on-year in June, the same as in the previous month. Housing and health care costs grew at a faster rate compared to May but this was tempered slowing price growth for food, transport and energy.

China: The economy expanded 1.8% in the second quarter of 2016 to be up 6.7% through the year. This growth was driven, in part, by expanding industrial production (up 6.2% through the year) and retail sales (up 10.6% through the year). The Government has established a growth target of between 6.5-7.0% for 2016.

Upcoming Key International Data Releases (18/7 – 22/7)

- **NZ:** CPI data for the June quarter
- **China:** House Price Index data for June
- **Euro Area:** ZEW Economic Sentiment, Consumer Confidence, Markit Manufacturing PMI and Markit Services PMI data for July. Also, the ECB announces its Interest Rate Decision.
- **UK:** CPI and Retail Sales data for June as well the ILO Unemployment Rate for the three months to May
- **Japan:** Nikkei Manufacturing PMI data for July
- **Canada:** CPI data for June

