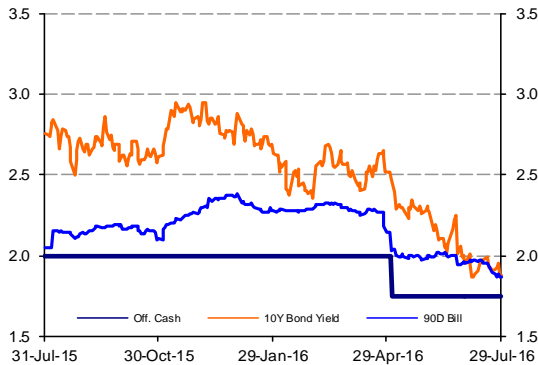


Chart A: Domestic Interest Rates



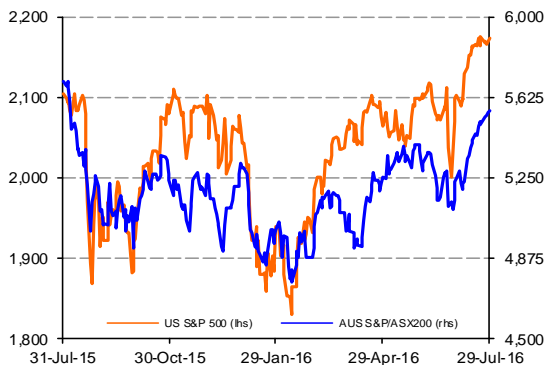
Domestic Data Releases

The Sydney **CPI** rose 0.6% in the June quarter, to be 0.9% higher than a year ago. For the eight-capital city average (Australia), the CPI rose 0.4% in the quarter, and was 1.0% higher than a year ago.

The RBA released national financial aggregates for June indicating that **Private Sector Credit** rose 0.2% in the month to be up 6.2% through the year. Housing credit rose 0.5% in the month for a through the year increase of 6.7%.

CommSec's July **State of the States** report shows that the NSW economy continued to outperform the other states, with the state retaining its number one overall ranking.

Chart B: Share Price Index



Markets

The ASX200 rose 1.2% compared to last Friday and the US S&P500 fell 0.1%.

	Value	Change on Year	Change on Week
US S&P 500	2,173.6	3.3 %	-0.1 %
ASX200	5,562.4	-2.4 %	1.2 %
Australian Dollar (USD)	0.7596	3.9 %	1.8 %
WTI	63.30	3.1 %	0.0 %
Oil (USD/bbl)	41.60	-11.7 %	-5.9 %
Gold (USD/oz)	1,342.00	22.2 %	1.6 %
Thermal Coal (USD/tonne)	61.15	1.4 %	0.5 %
Australian 10-yr bond	1.87%	-88.4 bps	-3.2 bps
US 10-yr bond	1.45%	-72.7 bps	-11.3 bps
Australian 90-day bill	1.87%	-17.8 bps	-2.5 bps

Chart C: Exchange rate

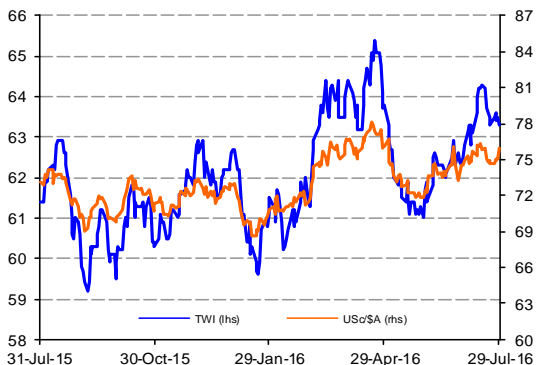
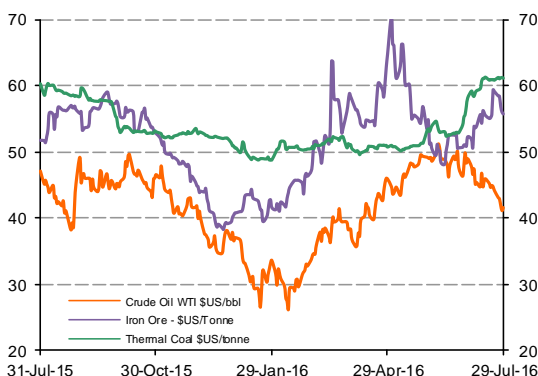


Chart D: Commodity Prices



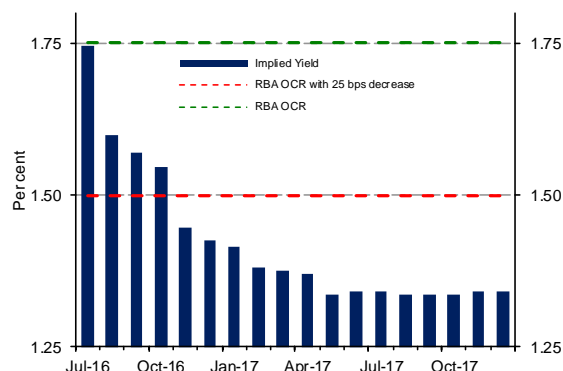
Upcoming Domestic Data Releases (1/8 – 5/8)

- **HIA** releases New Home Sales data for June.
- **Melbourne Institute** releases the Inflation Gauge for July
- **RBA** announces its Interest Rate Decision and releases the August Statement on Monetary Policy
- **ABS** releases International Trade, Building Approvals, Overseas Arrivals/Departures and Retail Trade data for June.

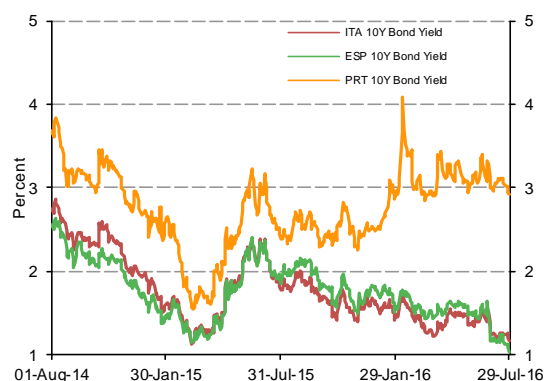
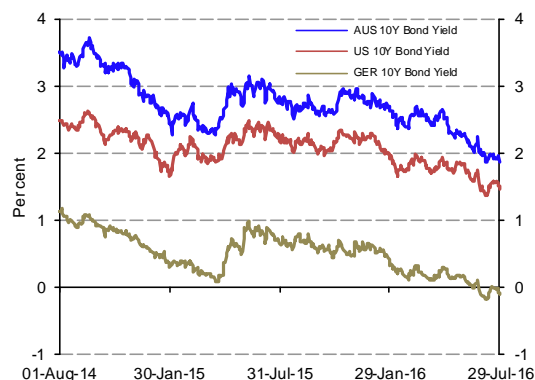
Market Interest Rate Expectations

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 29 July, there is a 64% expectation that the RBA will lower the cash rate to 1.50% at its policy meeting on 2 August 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)	1.87%	-88.4 bps	-3.2 bps	42.1 bps	57.8 bps
United States (US)	1.45%	-72.7 bps	-11.3 bps	-	-
Germany (GER)	-0.12%	-76.3 bps	-8.9 bps	-157.2 bps	-153.6 bps
Italy (ITA)	1.17%	-60.4 bps	-6.6 bps	-28.7 bps	-41.0 bps
Portugal (PRT)	2.92%	53.7 bps	-11.8 bps	146.4 bps	20.0 bps
Spain (ESP)	1.02%	-82.3 bps	-9.5 bps	-43.4 bps	-33.8 bps

Chart F & G: International Bond Yields**Key International Data Releases**

US: The Federal Reserve maintained the target range for the federal funds rate at between 0.25-0.50%.

GDP growth for the second quarter of the year came in at an annualised 1.2%, well below market expectations. Consumer spending was the largest driver of growth while business investment and falling inventories detracted from growth.

UK: GDP growth was 0.6% in the second quarter of the year and 2.2% through the year. This result was stronger than expected given the uncertainty associated with the Brexit vote. Service sector activity rose by 0.5% in the quarter and industrial production grew 2.1%.

Japan: Consumer prices fell 0.4% through the year to June, the same as in the previous month. This is the now the fourth consecutive month of contracting consumer prices.

The Bank of Japan left the interest rate unchanged at -0.1% but increased its asset purchase program. This level of monetary stimulus was short of market expectations.

Upcoming Key International Data Releases (1/8 – 5/8)

- **China:** NBS Manufacturing and Non-manufacturing PMI data for July
- **US:** ISM Manufacturing and Non-manufacturing PMI data for July as well as Nonfarm Payrolls for July and the Trade Balance for June
- **Japan:** Consumer Confidence data for June
- **NZ:** House Price data for July as well as Employment data for the June quarter
- **Euro Area:** Retail Sales data for June
- **UK:** BoE Interest Rate Decision
- **Canada:** Employment data for July