

Monday, 13 February 2017

Chart A: Domestic Interest Rates

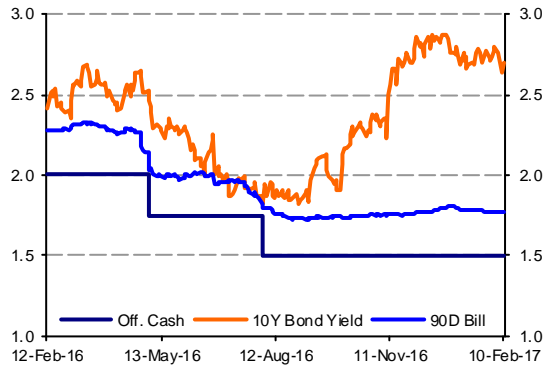


Chart B: Share Price Index

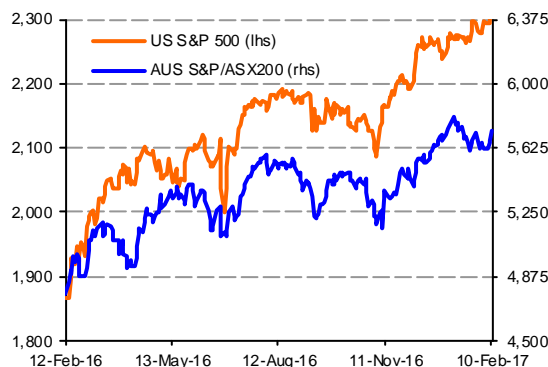


Chart C: Exchange rate

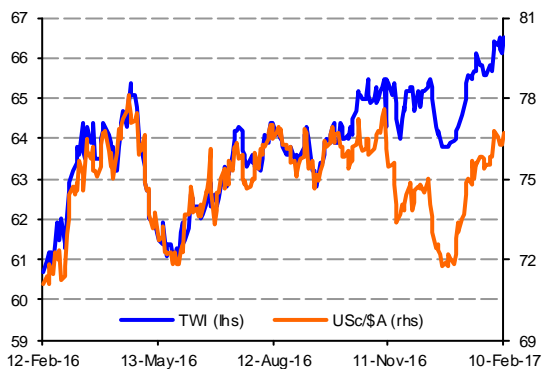
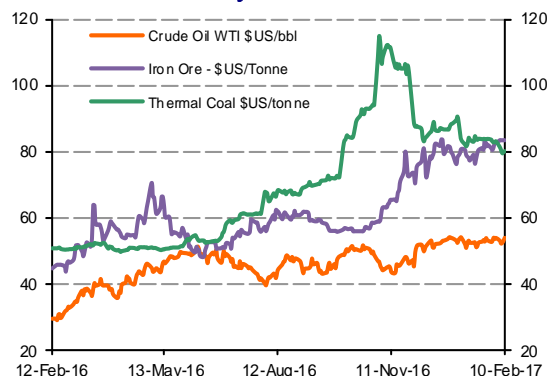


Chart D: Commodity Prices



## Domestic Data Releases

ABS nominal **Retail Sales** data showed that NSW retail sales were down 0.3% in December and up 3.4% through the year. National retail sales were down 0.1% in the month and up 3.0% through the year.

The **RBA Board** decided to leave the Official Cash Rate unchanged at 1.5% following its monthly monetary policy meeting.

**NAB Quarterly Business Survey** data showed in the December quarter, expected business conditions in NSW has remained unchanged at +23 index points, while expected employment index increased to +17 index points from +13. Nationally, expected business conditions fell from +19 to +13 index points and expected employment index fell from +10 to +6 index points.

The number of **Housing Finance** commitments for owner-occupiers in NSW rose by 1.5% in December but were 6.2% lower through the year. Nationally, housing commitments rose by 0.4% in the month but fell by 4.4% through the year. Over the three months to December 2016, the proportion of NSW first home-buyers to total home-buyers (excluding refinancing) was 13.2%, from 13.1% in November.

## Markets

The ASX200 rose by 1.8% and the US S&P500 rose by 0.8% over the week to Friday.

	Value	Change on Year	Change on Week
<b>US S&amp;P 500</b>	2,316.1	24.2 %	0.8 %
<b>ASX200</b>	5,720.6	20.0 %	1.8 %
<b>Australian Dollar (USD)</b>	0.7674	7.9 %	-0.1 %
<b>TWI</b>	66.5	9.6 %	0.2 %
<b>Oil (USD/bbl)</b>	53.9	82.9 %	0.1 %
<b>Gold (USD/oz)</b>	1,228.30	-0.9 %	1.1 %
<b>Thermal Coal (USD/tonne)</b>	80.1	57.9 %	-3.6 %
<b>Australian 10-yr bond</b>	2.70%	27.6 bps	-9.9 bps
<b>US 10-yr bond</b>	2.41%	65.9 bps	-5.7 bps
<b>NSW TCorp bond (2028 maturity)</b>	3.13%	43.2 bps	-9.5 bps

## Upcoming Domestic Data Releases (13/02 – 17/02)

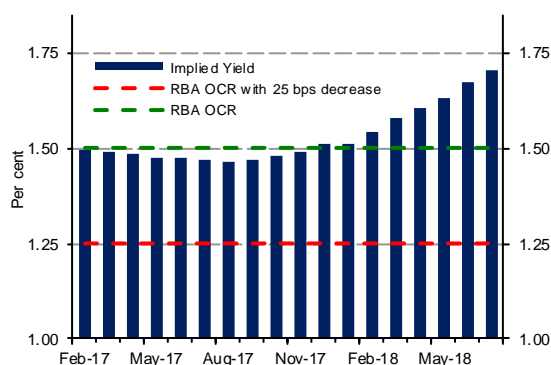
- **ABS** releases Overseas Arrivals/Departures and Lending Finance data for December as well as Sales of New Motor Vehicles and Labour force data for January
- **NAB** publishes its Monthly Business Survey for January
- **W-MI** publishes Consumer Sentiment data for February
- **ANZ** releases the Stateometer for December
- **ABARES** releases the February quarter Crop Report

## Market Interest Rate Expectations

The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates that the majority of the market expects the RBA to leave the cash rate unchanged until the May quarter of 2018.

According to the ASX Target Rate Tracker, as of 10 February, there is a 5% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 7 March 2017.

### Chart E: Interest Rate Expectations

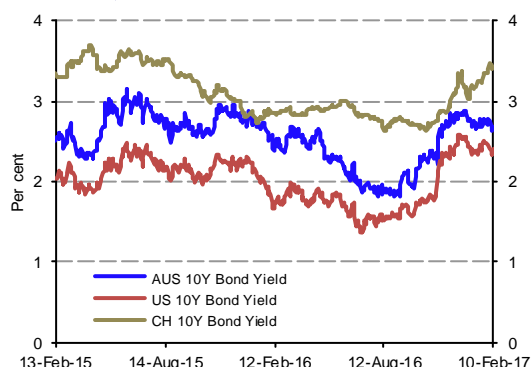


### International Bond Yield Spreads

Bond yields mostly declined over the week to Friday due to policy uncertainty in the US and political instability in Europe. A sharp decline in oil prices also played a role in lowering the investors' inflation expectations. This put downward pressure on the US bond yields.

10-yr bond yield	Yield (%)	Change on Year (bps)	Change on Week (bps)	Spread on 10-yr US bond week end (bps)	Spread on 10-yr US bond year ago (bps)
<b>Australian (AUS)</b>	2.70	27.6	-9.9	28.9	67.2
<b>United States (US)</b>	2.41	65.9	-5.7	-	-
<b>Germany (GER)</b>	0.32	5.9	-9.2	-208.7	-148.7
<b>United Kingdom (UK)</b>	1.26	-15.8	-9.6	-115.1	-33.4
<b>Japan (JPN)</b>	0.09	0.2	-0.8	-231.5	-165.8
<b>China (CH)</b>	3.43	56.3	1.7	102.4	112.0

### Chart F & G: International Bond Yields



### Key International Data Releases

**US:** The trade deficit fell slightly to \$44.3 billion in December from \$45.7 billion in the previous month. Consumer sentiment fell by 2.8 index points to 95.7 in February.

**UK:** The trade deficit fell to £3.3 billion in December from £3.6 billion in the previous month as exports grew faster than imports. Industrial production rose by more than expected in December due to manufacturing and construction.

**Germany:** The trade surplus increased to a record high of €252.9 billion in 2016 while industrial production fell by 3% in December partly due to seasonal factors.

### Upcoming Key International Data Releases (13/02 – 17/02)

- **Japan:** GDP data for the December quarter
- **UK:** CPI and Retail Sales data for January and the Unemployment Rate data for December
- **US:** CPI and Retail Sales data for January and Initial Jobless Claims data for February
- **Germany:** GDP data for the December quarter
- **China:** CPI data for January
- **India:** CPI data for January
- **Euro Area:** GDP data for the December quarter

