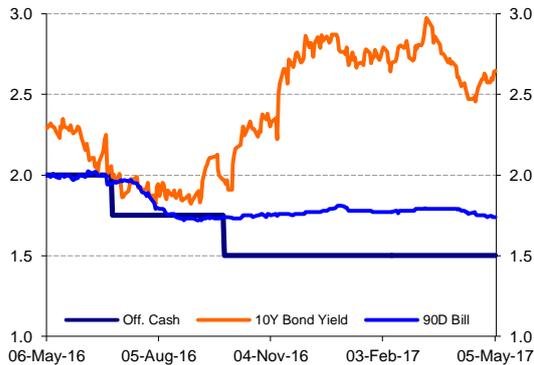


## Chart A: Domestic Interest Rates



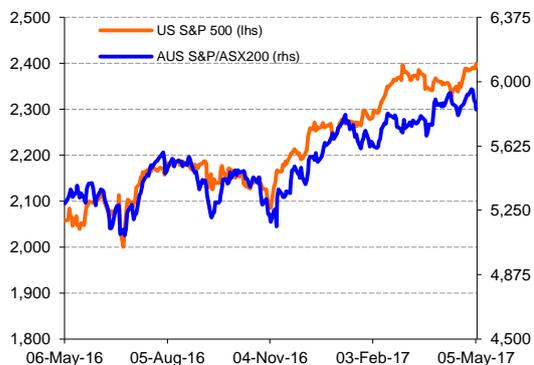
## Domestic Data Releases

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

ABS **International Trade** data for March showed that NSW merchandise exports were up 34.4 per cent, merchandise imports also rose 10.4 per cent through the year. For Australia, merchandise exports were up 32.5 per cent and merchandise imports were up 10.7 per cent through the year.

The RBA released its **May 2017 Statement on Monetary Policy (SOMP)** this week. Forecasts for inflation and GDP growth by the RBA were left broadly unchanged in comparison to the forecasts reported in the February 2017 SOMP.

## Chart B: Share Price Index

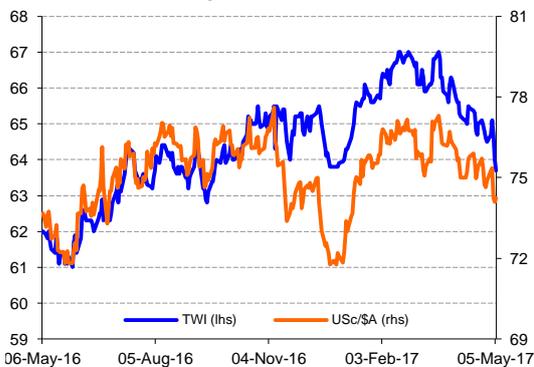


## Markets

The ASX200 decreased by 1.5 per cent and the US S&P500 increased by 0.6 per cent over the week to Friday.

|   | Value  | Change on Year | Change on Week |
|---|--------|----------------|----------------|
| <b>US S&amp;P 500</b>                     | 2399.3 | 16.6 %         | 0.6 %          |
| <b>ASX200</b>                             | 5836.6 | 10.3 %         | -1.5 %         |
| <b>Australian Dollar (USD)</b>            | 0.74   | 0.8 %          | -0.9 %         |
| <b>TWI</b>                                | 63.7   | 2.7 %          | -1.2 %         |
| <b>Oil (USD/bbl)</b>                      | 46.2   | 3.5 %          | -6.3 %         |
| <b>Gold (USD/oz)</b>                      | 1228.1 | -4.7 %         | -3.0 %         |
| <b>Thermal Coal (USD/tonnes)</b>          | 78.0   | 54.0 %         | -6.6 %         |
| <b>Australian 10-yr bond</b>              | 2.65%  | 35.8 bps       | 7.3 bps        |
| <b>US 10-yr bond</b>                      | 2.35%  | 57.0 bps       | 6.9 bps        |
| <b>NSW 10-yr bond (bps) maturity 2026</b> | 2.85%  | - bps          | 7.0 bps        |

## Chart C: Exchange rate



## Upcoming Domestic Data Releases (01/05 – 05/05)

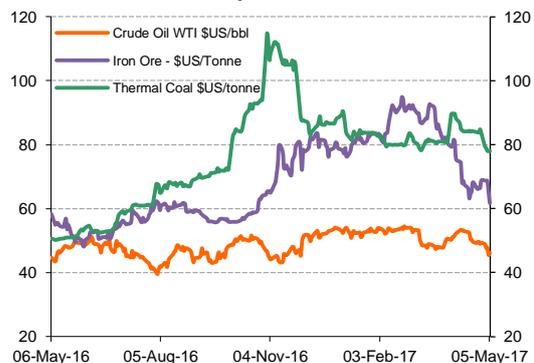
- The **ABS** will release Building Approvals, Retail Trade and Overseas Arrivals/Departures data for March
- **NAB** will publish its Monthly Business Survey for April.
- **APM** will release Sydney Auction data for April.

## Market Interest Rate Expectations

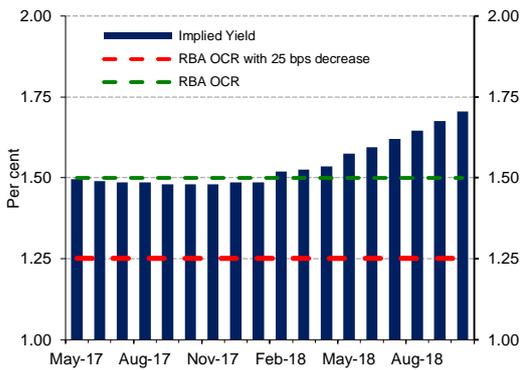
The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates that the majority of the market expects the RBA to leave the cash rate unchanged until August 2018

According to the ASX Target Rate Tracker, as of 5 May, there is a 5 per cent expectation that the RBA will lower the cash rate to 1.25 per cent at its policy meeting on 6 June 2017.

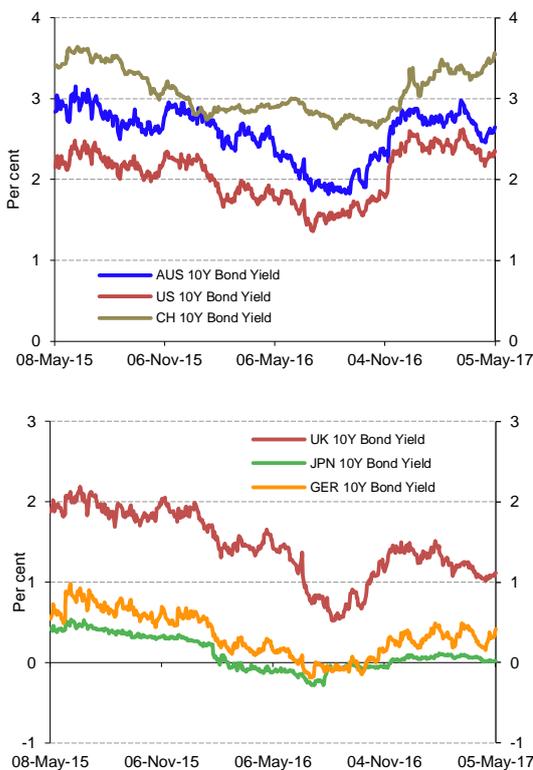
## Chart D: Commodity Prices



**Chart E: Interest Rate Expectations**



**Chart F & G: International Bond Yields**



**International Bond Yield Spreads**

US bond yields moved up 6.9 basis points over the week to Friday, the largest weekly increase in almost 2 months. This follows evidence of strengthening labour market conditions and the FOMC’s expectation of increases in the federal funds rate. This leads investors to sell bonds as they expect to buy bonds with higher yields in the future. Bond yields rose in all countries tracked over the past week.

| 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>    | 2.65      | 35.8                 | 7.3                  | 29.9                                   | 51.1                                   |
| <b>United States (US)</b>  | 2.35      | 57.0                 | 6.9                  | -                                      | -                                      |
| <b>Germany (GER)</b>       | 0.42      | 27.4                 | 10.1                 | -193.1                                 | -163.5                                 |
| <b>United Kingdom (UK)</b> | 1.12      | -30.1                | 3.2                  | -123.2                                 | -36.1                                  |
| <b>Japan (JPN)</b>         | 0.02      | 13.5                 | 0.3                  | -232.8                                 | -189.3                                 |
| <b>China (CH)</b>          | 3.55      | 65.2                 | 8.4                  | 119.9                                  | 111.7                                  |

**Key International Data Releases**

**US:** The unemployment rate fell to 4.4 per cent in April, the lowest level since May 2007. Total non-farm payroll employment rose by 211,000 in April, driven by increases in leisure and hospitality, health care and social assistance, financial activities, and mining. The FOMC decided to maintain the target range for the federal funds rate at 0.75 to 1.00 per cent due to strengthening labour market conditions and favourable inflationary environment.

**Euro Area:** Retail sales rose by 2.3 per cent through the year to March, compared with 1.7 per cent in the previous month. This is partly due to a 3.1 per cent increase in non-food products. The unemployment remained unchanged at 9.5 per cent in March. GDP increased by 1.7 per cent through the year to the March quarter, compared with 1.8 per cent in the previous quarter.

**Germany:** The unemployment rate remained unchanged at 5.8 per cent in April.

**Canada:** Trade deficit narrowed to \$135 million in March from \$1.1 billion in the previous month due to stronger exports of energy products and consumer goods. The unemployment rate declined by 0.2 percentage points to 6.5 per cent in April, the lowest level since October 2008, due largely to fewer youth looking for work.

**Upcoming Key International Data Releases (01/05 – 05/05)**

- **US:** PPI, CPI and Retail Sales data for April as well as Consumer Sentiment data for May
- **Germany:** Trade Balance, Current Account Balance and Industrial Production data for March as well as GDP data for the March quarter
- **Euro Area:** Industrial Production data for March
- **UK:** Trade Balance and Manufacturing Production for March as well as Interest Rate Decision for May
- **China:** Trade Balance, CPI and PPI data for April
- **India:** CPI data for April
- **Japan:** Current Account data for March