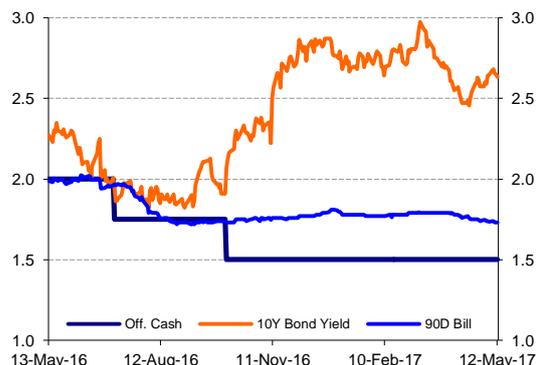


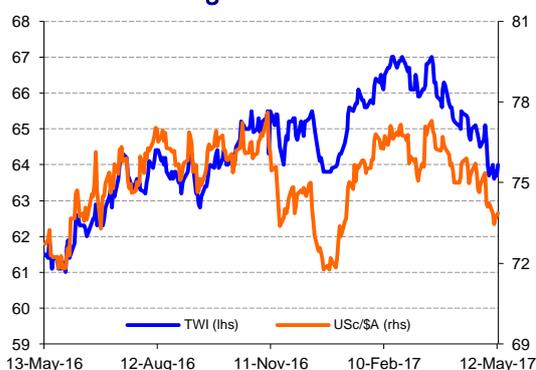
**Chart A: Domestic Interest Rates**



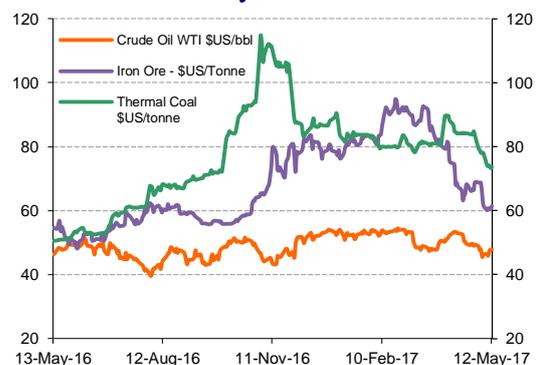
**Chart B: Share Price Index**



**Chart C: Exchange rate**



**Chart D: Commodity Prices**



## Domestic Data Releases

**APM** released housing market data for April showing that the Sydney auction clearance rate remained unchanged at 74 per cent. This is above the 67 per cent rate recorded a year ago and well above the long run average of 58 per cent.

**ABS Building Approvals** data showed that NSW **Residential Building Approvals** in the 12 months to March 2017 totalled 74,217, below the record high of 77,349 reached in September 2016. National residential building approvals in the 12 months to March 2017 totalled 225,440.

**ABS nominal Retail Sales** data showed that NSW retail sales were up 0.1 per cent in March and up 3.1 per cent through the year. National retail sales were down 0.1 per cent in the month and up 2.1 per cent through the year. **ABS real Retail Sales** data showed that NSW retail sales were up 0.5 per cent in March and up 1.5 per cent through the year. National retail sales were up 0.1 per cent in the month and up 1.2 per cent through the year.

The April **NAB Monthly Business Survey** showed that NSW business confidence rose by 7 index points to +11 points and business conditions rose by 3 index point to +19 points. Nationally, business confidence rose by 7 index point to +13 points and business conditions increased by 2 index points to +14 points.

**ABS Overseas Arrivals and Departures** data for March showed that visitors to NSW increased by 10.9 per cent through the year to reach 327.0k in the month. Nationally, visitors increased by 11.8 per cent through the year to reach 815.1k in the month.

## Markets

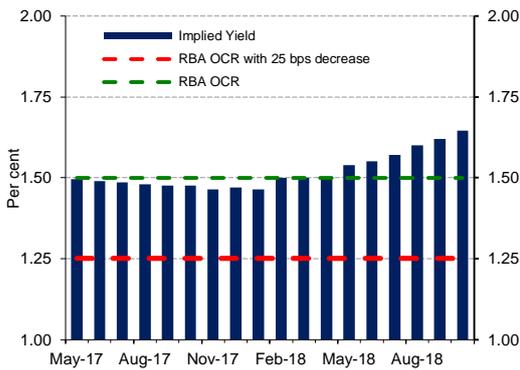
The ASX200 remained unchanged and the US S&P500 decreased by 0.3 per cent over the week to Friday.

	Value	Change on Year	Change on Week
<b>US S&amp;P 500</b>	2390.9	16.8 %	-0.3 %
<b>ASX200</b>	5836.9	9.5 %	0.0 %
<b>Australian Dollar (USD)</b>	0.74	1.6 %	-0.5 %
<b>TWI</b>	64.0	4.1 %	0.5 %
<b>Oil (USD/bbl)</b>	47.8	3.5 %	3.5 %
<b>Gold (USD/oz)</b>	1231.3	-2.7 %	0.3 %
<b>Thermal Coal (USD/tonnes)</b>	73.6	45.6 %	-5.6 %
<b>Australian 10-yr bond</b>	2.64%	36.1 bps	-1.3 bps
<b>US 10-yr bond</b>	2.33%	62.6 bps	-2.3 bps
<b>NSW 10-yr bond (bps) maturity 2026</b>	2.84%	- bps	-1.2 bps

## Upcoming Domestic Data Releases (15/05 – 19/05)

- The **ABS** will release Housing Finance and Lending Finance data for March as well as Sales of New Motor Vehicles and Labour Force data for April; and Wage Price Index data for the March quarter.
- **ANZ** will release the Stateometer for March.
- **Westpac-MI** will release Consumer Sentiment data for May.
- The **RBA** will release the minutes for its May board meeting.

**Chart E: Interest Rate Expectations**



**Market Interest Rate Expectations**

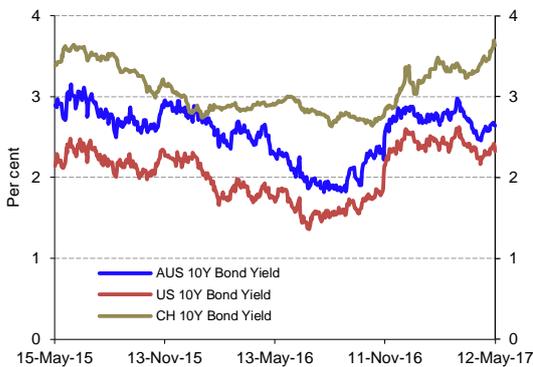
The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates that the majority of the market expects the RBA to leave the cash rate unchanged until October 2018.

According to the ASX Target Rate Tracker, as of 9 May, there is a 2 per cent expectation that the RBA will lower the cash rate to 1.25 per cent at its policy meeting on 6 June 2017.

**International Bond Yield Spreads**

US bond yields fell by 2.3 basis points over the week to Friday following the release of weaker-than-expected consumer price index and retail sales data. This diminishes the prospect of a strong economic rebound in the June quarter. Bond yields fell in all countries tracked over the past week with the exception of Japan and China.

**Chart F & G: International 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>	2.64	36.1	-1.3	30.9	57.4
<b>United States (US)</b>	2.33	62.6	-2.3	-	-
<b>Germany (GER)</b>	0.39	26.7	-2.7	-193.5	-157.6
<b>United Kingdom (UK)</b>	1.09	-29.0	-3.1	-124.0	-32.4
<b>Japan (JPN)</b>	0.05	15.6	2.6	-227.9	-180.9
<b>China (CH)</b>	3.64	73.4	8.9	131.1	120.3

**Key International Data Releases**

**US:** The CPI rose by 2.2 per cent through the year to April due to increases in indexes for shelter, energy, tobacco and food, below market expectations of 2.3 per cent. Retail sales increased by 4.5 per cent through the year to April. However department store chains continue to struggle with through the year growth rate of -3.7 per cent in April. The PPI rose by 2.5 per cent through the year to April, the biggest gain since February 2012. Consumer sentiment rose to 97.7 in May from 97.0 in the previous month, below market expectations of 97.0.

**UK:** The Bank of England’s Monetary Policy Committee decided to leave the Bank Rate unchanged at 0.250 per cent. The trade deficit rose to £4.9 billion in March from £2.65 billion in the previous month due mainly to increased imports of machinery and transport equipment, oil and chemicals.

**Germany:** The trade surplus decreased slightly to €25.4 billion in March from €25.8 billion in the previous year. Current account surplus rose to €30.2 billion in March from €29.1 billion in the previous year.

**China:** The CPI rose by 1.2 per cent through the year to April while the PPI rose by less-than-expected at 6.4 per cent. The trade surplus rose to \$38.05 billion in April from \$23.93 in the previous month.

**Upcoming Key International Data Releases (15/05 – 19/05)**

- **Japan:** PPI data for April as well as GDP data for the March quarter
- **Euro Area:** Trade Balance and Current Account data for March as well as GDP data for the March quarter
- **UK:** CPI and Retail Sales data for April
- **China:** Industrial Production and Retail Sales data for April
- **US:** Industrial Production data for April