

Weekly Economic & Financial Market Roundup

Week ended Friday 09 June 2017

Wednesday, 14 June 2017

Chart A: Domestic Interest Rates

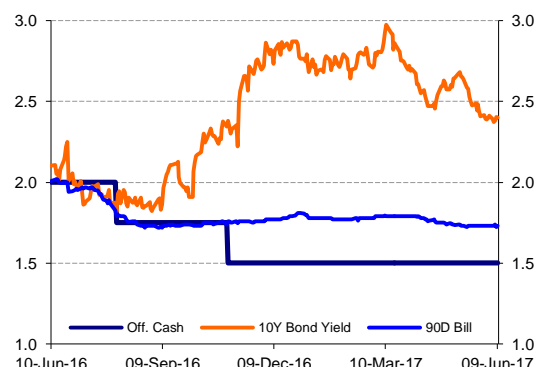


Chart B: Share Price Index

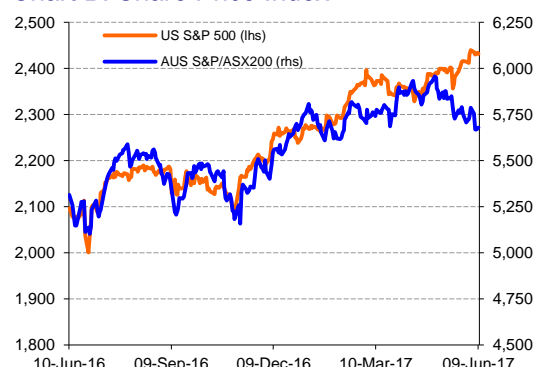


Chart C: Exchange rate

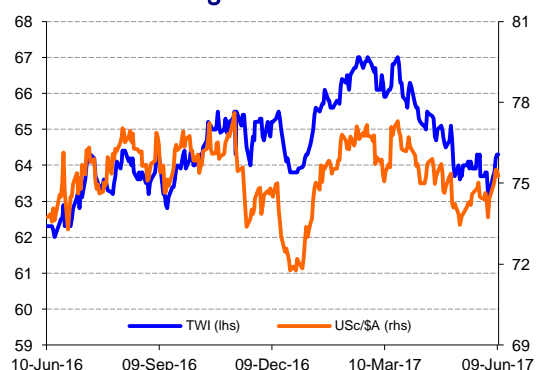
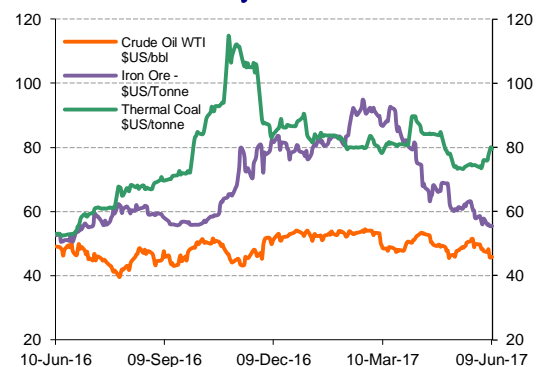


Chart D: Commodity Prices



Domestic Data Releases

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

ABS Balance of Payments statistics showed that the current account deficit decreased \$403 million to \$3,108 million in the March quarter.

ABS National Accounts data showed that NSW **State Final Demand** rose 0.0 per cent in the March quarter to be up 1.9 per cent through the year. Nationally, **Gross Domestic Product** rose 0.3 per cent in the quarter to be up 1.7 per cent through the year.

The number of **Housing Finance (ABS)** commitments for owner-occupiers in NSW fell by 0.9 per cent in April to be down 4.4 per cent through the year. Nationally, housing commitments fell by 1.9 per cent in the month and down 6.4 per cent through the year. Over the three months to April 2017, the proportion of first home-buyers to total home-buyers (excluding refinancing) was 12.3 per cent for NSW and 20.1 per cent nationally compared with March 2017 figure of 12.3 per cent for NSW and 20.0 per cent nationally.

ABS Lending Finance data for April indicated that NSW investor housing finance approvals were up 13.3 per cent compared to a year ago, while national investor housing finance approvals were up 3 per cent. More broadly, total NSW commercial finance was down 3.2 per cent through the year, while total national commercial finance was down 3.3 per cent.

APM released housing market data for May showing that the Sydney auction clearance rate decreased to 70 per cent from 73 per cent in the previous month. This is above the 69 per cent rate recorded a year ago and well above the long run average of 58 per cent.

ABS International Trade data for April showed that NSW merchandise exports were up 33.2 per cent, merchandise imports also rose 0.0 per cent through the year. For Australia, merchandise exports were up 21.4 per cent and merchandise imports were up 2.2 per cent through the year.

Markets

The ASX200 fell by 1.9 per cent and the US S&P500 fell by 0.3 per cent over the week to Friday.

| | Value | Change on Year | Change on Week |
|---|---------|----------------|----------------|
| US S&P 500 | 2431.8 | 16.0 % | -0.3 % |
| ASX200 | 5677.8 | 6.9 % | -1.9 % |
| Australian Dollar (USD) | 0.75 | 2.1 % | 1.1 % |
| TWI | 64.3 | 3.2 % | 1.7 % |
| Oil (USD/bbl) | 45.8 | -6.6 % | -3.8 % |
| Gold (USD/oz) | 1266.6 | -0.7 % | -0.7 % |
| Thermal Coal (USD/tonnes) | 79.5 | 49.9 % | 4.5 % |
| Australian 10-yr bond | 2.40% | 29.9 bps | -1.1 bps |
| US 10-yr bond | 2.20% | 56.0 bps | 4.1 bps |
| NSW 10-yr bond (bps) maturity 2026 | 2.64% - | bps | 0.9 bps |

Upcoming Domestic Data Releases (12/06 – 16/06)

- The **ABS** will release Overseas Arrivals/Departures data for April and Labour force data for May.
- **NAB** will publish its Monthly Business Survey for May.
- **Westpac-MI** will release Consumer Sentiment data for June.

Chart E: Interest Rate Expectations

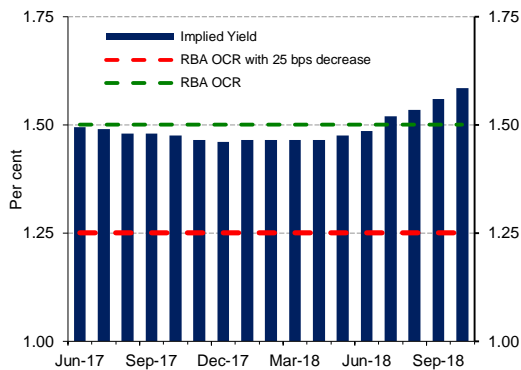
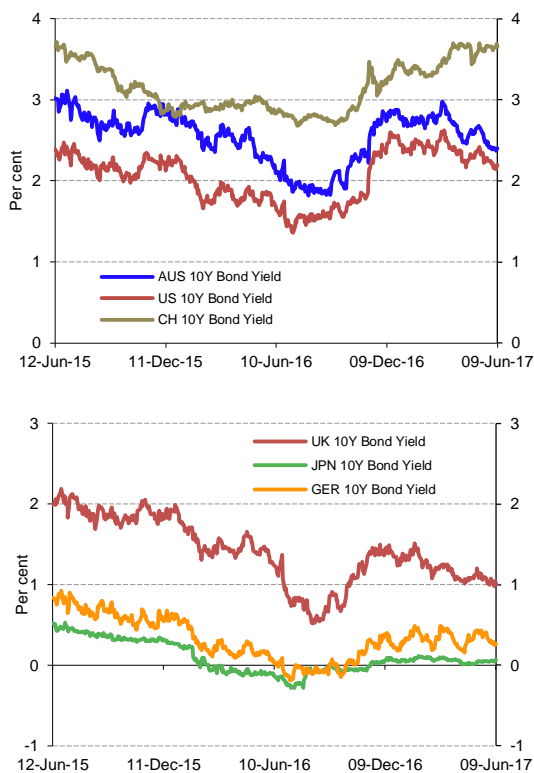


Chart F & G: International Bond Yields



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 past the projection period which extends to November 2018.

According to the ASX Target Rate Tracker, as of 9 June, 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 4 July 2017.

International Bond Yield Spreads

US bond yields rose by 4.1 basis points over the week to Friday. The spread between US and Australian bond yields was 0.20 percentage points last week. Bond yields also rose in Japan and China.

| 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) |
|----------------------------|-----------|----------------------|----------------------|--|--|
| Australian (AUS) | 2.40 | 29.9 | -1.1 | 20.1 | 46.2 |
| United States (US) | 2.20 | 56.0 | 4.1 | - | - |
| Germany (GER) | 0.26 | 24.4 | -1.0 | -193.7 | -162.0 |
| United Kingdom (UK) | 1.01 | -22.7 | -3.3 | -119.6 | -40.8 |
| Japan (JPN) | 0.06 | 19.6 | 0.1 | -214.5 | -178.0 |
| China (CH) | 3.65 | 81.8 | 2.0 | 145.2 | 119.4 |

Key International Data Releases

Euro Area: Retail sales were up 2.5 per cent through the year to April due to increases in non-food products and food, drinks and tobacco. Officials at the European Central Bank decided to keep the interest rate on the main refinancing operations unchanged at 0.00 per cent.

China: The trade surplus increased to \$40.81 billion in May from \$38.05 billion in the previous month due to stronger-than-expected exports and imports. The CPI rose by 1.5 per cent through the year to May due to increases in non-food product prices, compared with 1.2 per cent in the previous month. The PPI increased by 5.5 per cent through the year to May, compared with 6.4 per cent in the previous month.

UK: The trade deficit increased by £1.7 billion to £8.6 billion in the 3 months to April due to an increase of 1.3 per cent for imports and 0.2 per cent for exports. Total production decreased by 0.8 per cent through the year to April due to decrease of 7.4 per cent for energy supply.

Germany: The trade surplus fell to €18.1 billion in April from €25.3 billion in the previous month. Exports fell by 2.9 per cent through the year to April while imports rose by 5.4 per cent. Industrial production rose by 2.9 per cent through the year to April, more than market expectations of 2.3 per cent.

Upcoming Key International Data Releases (12/06 – 16/06)

- **US:** PPI, CPI, Retail Sales, Industrial Production data for May as well as Fed Interest Rate Decision and Consumer Sentiment data for June
- **Euro Area:** Industrial Production data for April
- **China:** Retail Sales data for May
- **UK:** Unemployment Rate data for April, Retail Trade data for May and COE Interest Rate Decision for June
- **Japan:** PPI data for May and BoJ Interest Rate Decision for June
- **India:** CPI data for May