

Chart A: Domestic Interest Rates



Chart B: Share Price Index

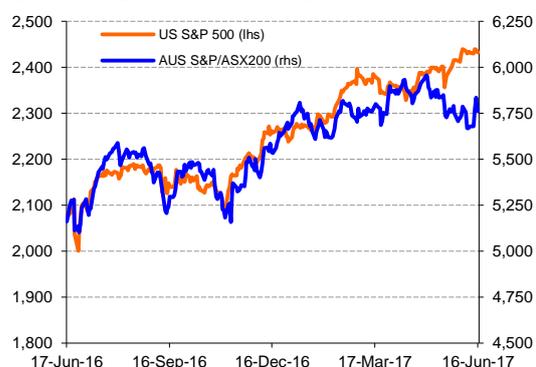


Chart C: Exchange rate

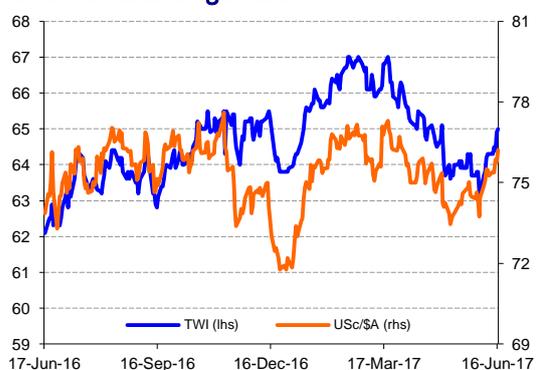
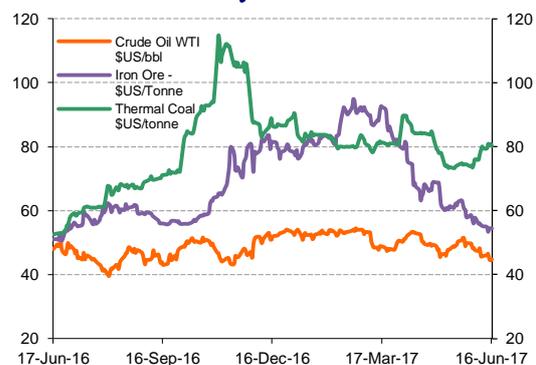


Chart D: Commodity Prices



Domestic Data Releases

The May **NAB Monthly Business Survey** showed that NSW business confidence was unchanged at +12 points and business conditions fell by 11 index point to +11 points. Nationally, business confidence fell by 6 index point to +7 points and business conditions fell by 1 index points to +12 points.

The **Westpac – Melbourne Institute Consumer Sentiment Survey** showed that NSW consumer sentiment decreased by 0.8 per cent to 97.5 index points in June. Nationally, consumer sentiment fell by 1.8 per cent to 96.2 index points. An index over 100 indicates optimists outweigh pessimists.

ABS Overseas Arrivals and Departures data for April showed that visitors to NSW increased by 19.5 per cent through the year to reach 313.2k in the month. Nationally, visitors increased by 20.2 per cent through the year to reach 801.3k in the month.

The NSW **Unemployment Rate** increased 0.1 percentage points to 4.8 per cent in May. Nationally the unemployment rate decreased 0.2 percentage points to 5.5 per cent in the month. Employment in NSW increased by 32,600 in the month and was up 30,200 (0.8 per cent) through the year. Nationally, employment increased by 42,000 in the month, and was 232,800 (or 2.0 per cent) higher through the year.

Markets

The ASX200 rose by 1.7 per cent and the US S&P500 rose by 0.1 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2433.2	17.5 %	0.1 %
ASX200	5774.0	11.8 %	1.7 %
Australian Dollar (USD)	0.76	3.2 %	1.2 %
TWI	65.0	4.7 %	1.1 %
Oil (USD/bbl)	44.7	-6.8 %	-2.4 %
Gold (USD/oz)	1255.4	-2.7 %	-0.9 %
Thermal Coal (USD/tonnes)	80.2	52.6 %	0.9 %
Australian 10-yr bond	2.41%	32.8 bps	0.6 bps
US 10-yr bond	2.15%	54.4 bps	-4.9 bps
NSW 10-yr bond (bps) maturity 2026	2.64%	- bps	0.4 bps

Upcoming Domestic Data Releases (19/06 – 23/06)

- The **ABS** will release Sales of New Motor Vehicles and Detailed Labour Force data for May, Residential Property Price Indexes for the March quarter and Quarterly Labour Force data for the May quarter.
- The **RBA** will release the minutes for its June board meeting.

Chart E: Interest Rate Expectations

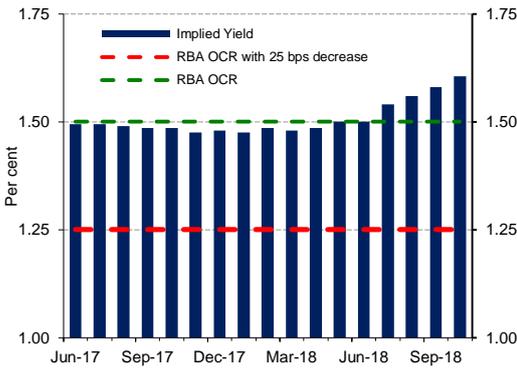
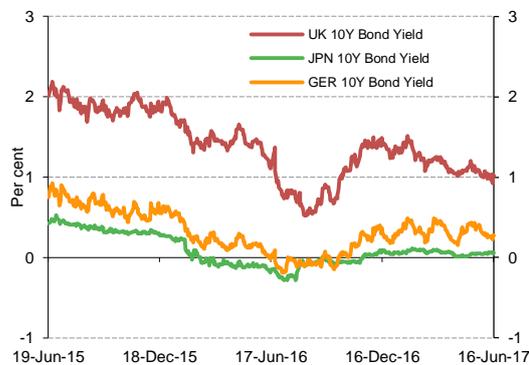
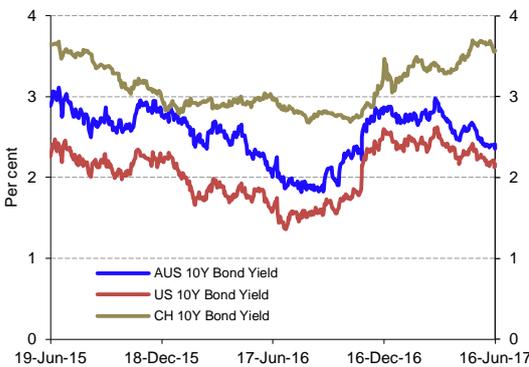


Chart F & G: International Bond Yields



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 15 June, 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 4 July 2017.

International Bond Yield Spreads

US bond yields fell by 4.9 basis points over the week to Friday due to weak growth in consumer price index and disappointing housing data. This shows that investors may not be as confident as the Central Bank regarding the future performance of the economy despite its plan to normalise monetary policy and shrink its balance sheet. The spread between US and Australian bond yields was 0.26 percentage points last week. Bond yields also fell in 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)	2.41	32.8	0.6	25.6	47.1
United States (US)	2.15	54.4	-4.9	-	-
Germany (GER)	0.28	25.7	1.2	-187.5	-158.9
United Kingdom (UK)	1.02	-12.6	1.3	-113.3	-46.4
Japan (JPN)	0.06	20.6	0.0	-209.5	-175.8
China (CH)	3.57	59.8	-7.9	142.2	136.7

Key International Data Releases

US: The consumer price index fell by 0.1 per cent due to a fall in gasoline prices, to be up 1.9 per cent through the year to May. This is due to gasoline price decrease. Retail Sales rose by 3.8 per cent through the year to May. The producer price index remained unchanged in May to be up 2.4 per cent through the year. The US Federal Reserve has raised the target range for the federal funds rate to 1 to 1.25 per cent, the third time in six months. Industrial production was unchanged in May to be up 2.2 per cent through the year. Consumer sentiment fell to 94.5, well below market expectations of 97.1.

China: Retail sales increased by 10.7 per cent through the year to May.

UK: Retail sales fell by 1.2 per cent to be up 0.9 per cent through the year to May. The unemployment rate remained at 4.6 per cent, the lowest since 1975. The Monetary Policy Committee decided to keep the bank rate at 0.25 per cent.

Euro Area: Industrial production increased by 0.5 per cent to be up 1.4 per cent through the year to April.

Upcoming Key International Data Releases (19/06 – 23/06)

- **US:** Current Account data for the March quarter and Manufacturing PMI data for June
- **Euro Area:** Current Account data for April as well as Consumer Confidence and Manufacturing PMI data for June
- **Japan:** Trade Balance data for May and Manufacturing PMI data for June
- **Canada:** Retail Sales data for April
- **Germany:** PPI data for May and Manufacturing PMI for June