

Weekly Economic & Financial Market Roundup

Week ended Friday 23 June 2017

Friday, 30 June 2017

Chart A: Domestic Interest Rates

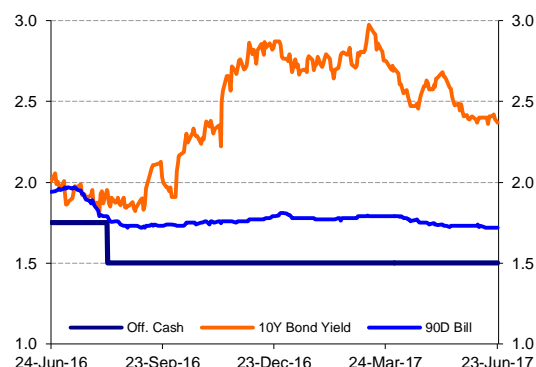


Chart B: Share Price Index

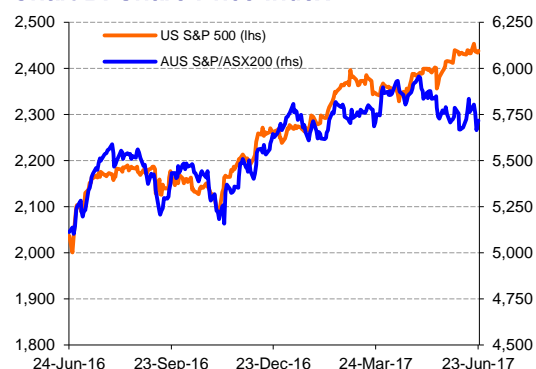


Chart C: Exchange rate

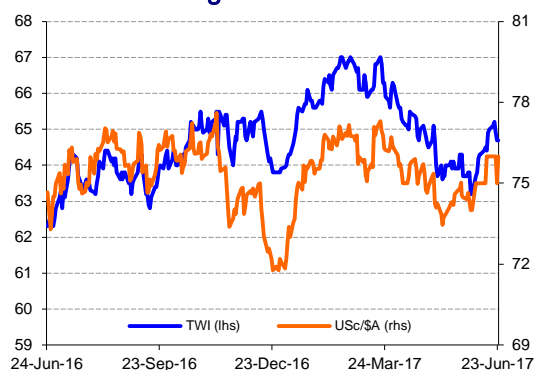
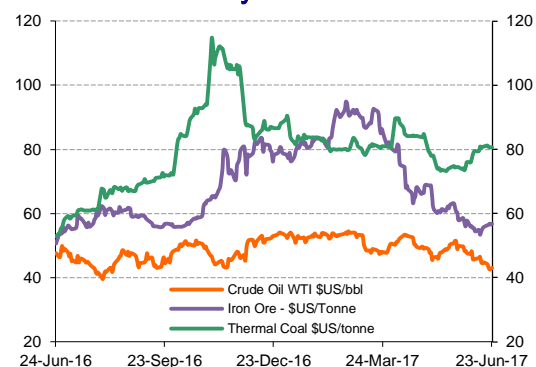


Chart D: Commodity Prices



Domestic Data Releases

The ABS **Residential Property Price Index** for Sydney rose by 3.0 per cent in the March quarter and is now up 14.4 per cent through the year. The index for the weighted average of the eight capital cities rose by 2.2 per cent in the March quarter and is up 10.2 per cent through the year.

Regional Labour Force data showed that the regional unemployment rate, in 12-month moving average terms to May 2017, was 4.8 per cent in Greater Sydney and 5.5 per cent in the Rest of NSW. Other regional unemployment rates were 5.6 per cent in Western Sydney, 5.2 per cent in the Greater Hunter and 6.2 per cent in the Greater Illawarra.

Quarterly Industry Labour Force data showed that NSW employment rose by 0.7 per cent through the year to the May quarter 2017 compared with 1.3 per cent nationally. The industries that made the largest contributions to employment growth over this period were Construction (0.8ppt), Professional and Technical (0.5ppt) and Public Administration (0.5ppt). The largest detraction came from Retail Trade (-0.7ppt).

Markets

The ASX200 fell by 1.0 per cent and the US S&P500 rose by 0.2 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2438.3	19.7 %	0.2 %
ASX200	5715.9	11.8 %	-1.0 %
Australian Dollar (USD)	0.76	1.8 %	0.0 %
TWI	64.7	3.9 %	-0.5 %
Oil (USD/bbl)	43.0	-9.7 %	-3.9 %
Gold (USD/oz)	1255.7	-4.5 %	0.0 %
Thermal Coal (USD/tonnes)	80.7	52.5 %	-0.2 %
Australian 10-yr bond	2.37%	36.2 bps	-4.0 bps
US 10-yr bond	2.14%	58.0 bps	-1.0 bps
NSW 10-yr bond (bps) maturity 2026	2.61% -	bps	-3.8 bps

Upcoming Domestic Data Releases (26/06 – 30/06)

- The **ABS** will release Engineering Construction Activity data for the March quarter, 2016 Census of Population and Housing, Job Vacancies data for the May quarter and Private Sector Credit data for May.
- The **RBA** will release Private Sector Credit data for May.
- **HIA** will release their New Home Sales Report for May.

Chart E: Interest Rate Expectations

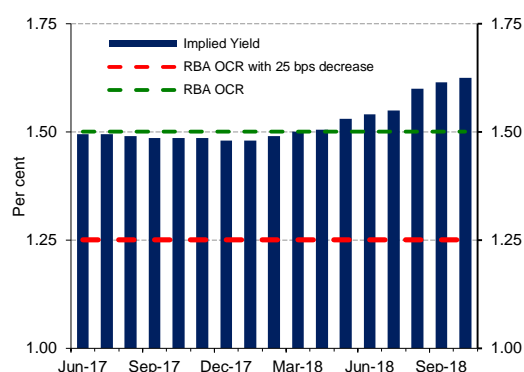
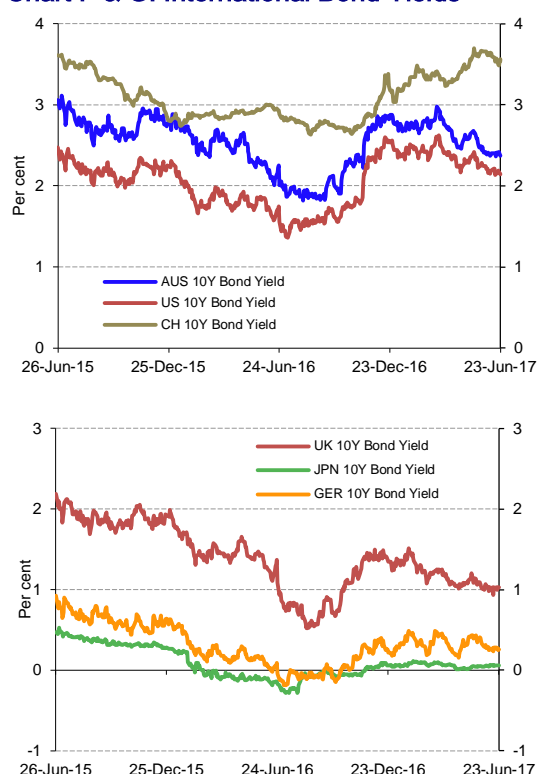


Chart F & G: International Bond Yields



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 until October 2018.

According to the ASX Target Rate Tracker, as of 23 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 1.0 basis point over the week to Friday after the release of weak inflation results with core inflation being the lowest in two years. The spread between US and Australian bond yields was 0.23 percentage points last week. Bond yields also fell in Australia, Germany 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)	2.37	36.2	-4.0	23.0	44.8
United States (US)	2.14	58.0	-1.0	-	-
Germany (GER)	0.26	30.7	-2.0	-188.0	-160.7
United Kingdom (UK)	1.03	-5.6	1.0	-111.0	-47.4
Japan (JPN)	0.06	23.0	0.0	-208.0	-173.0
China (CH)	3.54	65.7	-2.7	140.2	132.5

Key International Data Releases

US: The current account deficit increased by 2.5 per cent to \$116.8 billion in the March quarter. Manufacturing PMI fell to 52.1 in June from 52.7 in the previous month.

Japan: The trade deficit rose to ¥203.4 billion in May, compared with a surplus of ¥481.7 billion in the previous month. Manufacturing PMI fell to 52.0 in June from 53.1 in the previous month.

Canada: Retail sales rose by 7.0 per cent though the year to April, compared with 6.9 per cent in the previous month. The consumer price index rose by 1.3 per cent through the year to May, compared with 1.6 per cent in the previous month.

Euro Area: The current account surplus fell to €22.2 billion in April from €35.7 billion in the previous month. Consumer confidence indicator rose by 2 index points to -1.3 points in June. Manufacturing PMI increased to 57.3 in June from 57.0 in the previous month.

Germany: The producer price index rose by 2.8 per cent through the year to May, compared with 3.1 per cent in the previous month.

Upcoming Key International Data Releases (26/06 – 30/06)

- **US:** Manufacturing Activity data for June
- **Euro Area:** CPI data for June
- **Japan:** CPI, Unemployment Rate, Retail Sales and Industrial Production data for May
- **Germany:** Retail Sales data for May, Consumer Confidence data for July as well as CPI and Unemployment Rate data for June
- **UK:** Consumer Confidence data for June and Current Account Balance data for the March quarter
- **China:** Manufacturing PMI and Non-manufacturing PMI data for June