

# Weekly Economic & Financial Market Roundup

Week ended Friday 7 July 2017

Wednesday, 12 July 2017

Chart A: Domestic Interest Rates

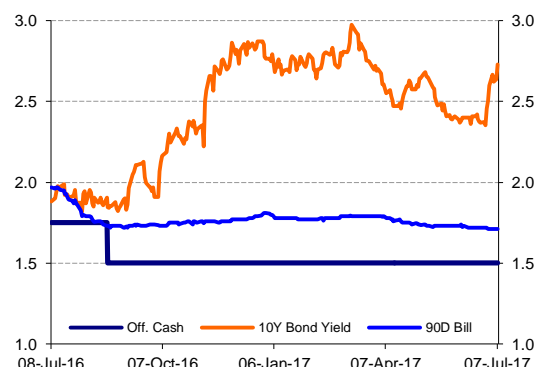


Chart B: Share Price Index

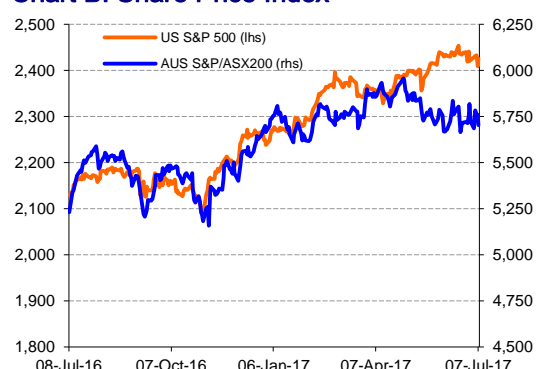


Chart C: Exchange rate

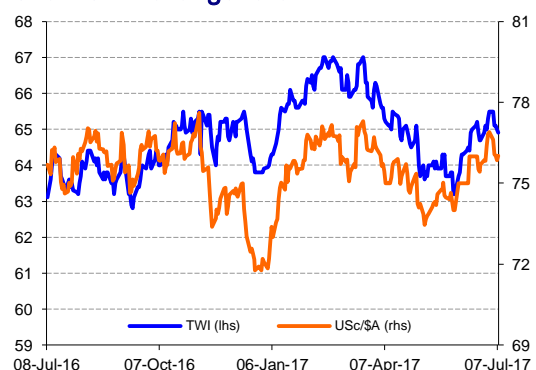
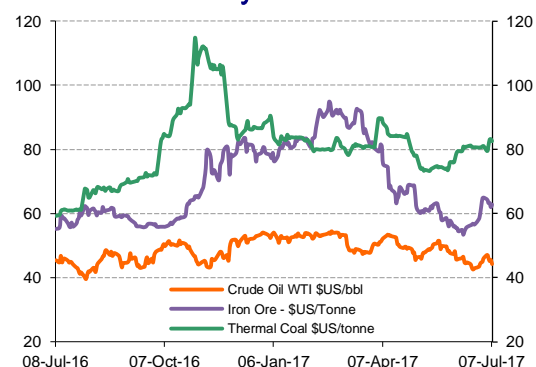


Chart D: Commodity Prices



## 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 **Building Approvals** data showed that NSW **Residential Building Approvals** in the 12 months to May 2017 totalled 71,138, below the record high of 77,592 reached in September 2016. National residential building approvals in the 12 months to May 2017 totalled 219,296.

ABS nominal **Retail Sales** data showed that NSW retail sales were up 1.3 per cent in May and up 3.9 per cent through the year. National retail sales were up 0.7 per cent in the month and up 3.8 per cent through the year.

ABS **International Trade** data for April showed that NSW merchandise exports were up 34.1 per cent, merchandise imports also rose 5.4 per cent through the year. For Australia, merchandise exports were up 31.9 per cent and merchandise imports were up 28.8 per cent through the year.

## Markets

The ASX200 fell by 0.3 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
<b>US S&amp;P 500</b>	2425.2	13.9 %	0.1 %
<b>ASX200</b>	5703.6	9.0 %	-0.3 %
<b>Australian Dollar (USD)</b>	0.76	0.4 %	-1.1 %
<b>TWI</b>	64.9	2.9 %	-0.9 %
<b>Oil (USD/bbl)</b>	44.2	-2.6 %	-3.9 %
<b>Gold (USD/oz)</b>	1215.7	-10.2 %	-2.1 %
<b>Thermal Coal (USD/tonnes)</b>	82.6	39.3 %	1.9 %
<b>Australian 10-yr bond</b>	2.73%	84.7 bps	13.2 bps
<b>US 10-yr bond</b>	2.39%	102.8 bps	8.2 bps
<b>NSW 10-yr bond (bps) maturity 2026</b>	2.91%	- bps	8.4 bps

## Upcoming Domestic Data Releases (10/07 – 14/07)

- The **ABS** will release Housing finance, Lending finance and Overseas visitor data for May and Building activity data for the March quarter.
- **NAB** will release their Monthly business survey for June.
- **Westpac – MI** will release consumer confidence data for June.
- **APM** will release Auction clearance data for June.

Chart E: Interest Rate Expectations

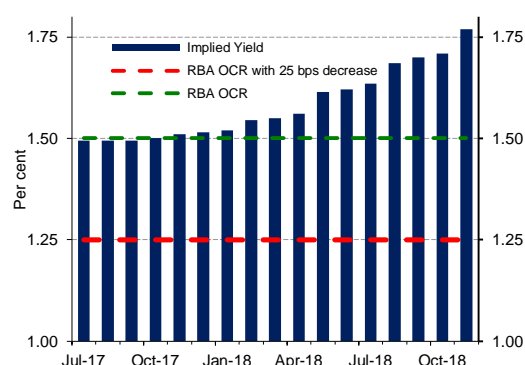
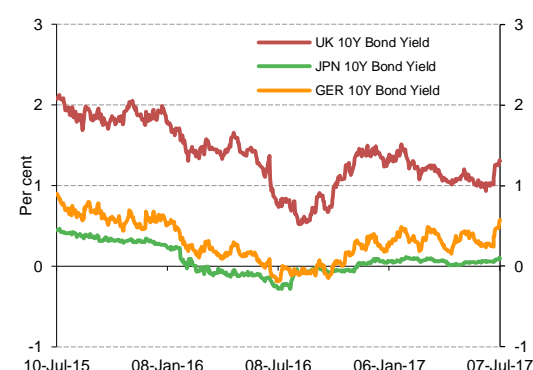
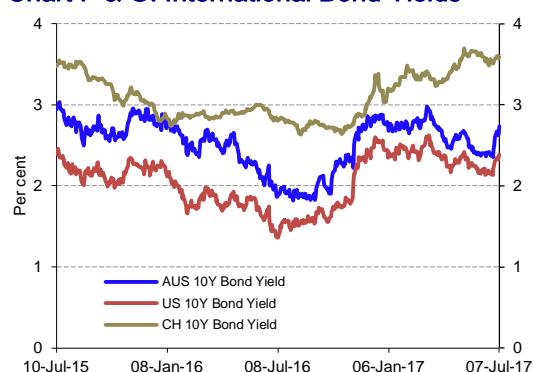


Chart F &amp; G: International Bond Yields



## 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 July 2018.

According to the ASX Target Rate Tracker, as of 7 July, there is a 0 per cent expectation that the RBA will increase the cash rate to 1.75 per cent at its policy meeting on 1 August 2017.

## International Bond Yield Spreads

US bond yields rose by 8.2 basis points over the week to Friday, reflecting in part, strong labour market data which will likely offer support to the Fed's plan to raise interest rates. Bond yields again rose in all countries tracked, largely reflecting hawkish rhetoric from Central Banks, that has spurred speculation policy makers would announce a tapering of bond purchases before the end of the year. The spread between US and Australian bond yields was 0.34 percentage points last 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>	2.73	84.7	13.2	34.4	52.5
<b>United States (US)</b>	2.39	102.8	8.2	-	-
<b>Germany (GER)</b>	0.57	76.2	10.7	-181.3	-154.7
<b>United Kingdom (UK)</b>	1.31	57.0	4.8	-108.1	-62.3
<b>Japan (JPN)</b>	0.09	36.9	0.1	-229.9	-164.0
<b>China (CH)</b>	3.59	78.6	2.9	120.3	144.5

## Key International Data Releases

**Japan:** Consumer confidence fell slightly lower in June to 43.3 index points, sub-indexes for overall livelihood and income growth were the main detractors, offset slightly by improvements in the employment sub-index.

**Euro Area:** The Unemployment rate remained unchanged in May at 9.3 per cent, slightly above market expectations of 9.2 per cent, however, remains the lowest unemployment since March 2009. Retail Sales increased 2.6 per cent through the year to May, above market expectations of 2.3 per cent. The relatively strong result was driven by growth in Non-food products, Food, drinks and tobacco, and Automotive fuel.

**US:** Employment gains exceeded expectations in the June, led by strong employment gains within the Healthcare industry. A slight increase in the participation rate led to an increase in the unemployment rate of 0.1 percentage points to 4.4 per cent. The US Trade deficit narrowed to \$46.5 billion in May, supported by a 0.4 per cent increase in exports.

**Canada:** The Unemployment rate fell to 6.5 per cent in June, after employment growth exceeded market expectations.

**UK:** Industrial production fell unexpectedly to be down 0.2 per cent through the year to May. The decline was largely due to fall in output from mining, oil and gas extraction, and utility suppliers. Manufacturing production grew 0.4 per cent through the year, well below market expectations of 1.0 per cent. Growth was supported by production in textiles, machinery and electronics.

## Upcoming Key International Data Releases (10/07 – 14/07)

- **US:** CPI, Retail sales and Industrial production data for June
- **Japan:** PPI data for June and Current account data for May
- **UK:** Unemployment rate data for May
- **China:** CPI, PPI and Trade balance data for June
- **Canada:** Interest rate decision for July