

Chart A: Domestic Interest Rates

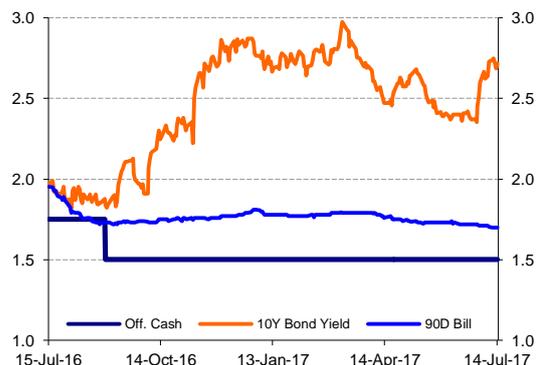


Chart B: Share Price Index

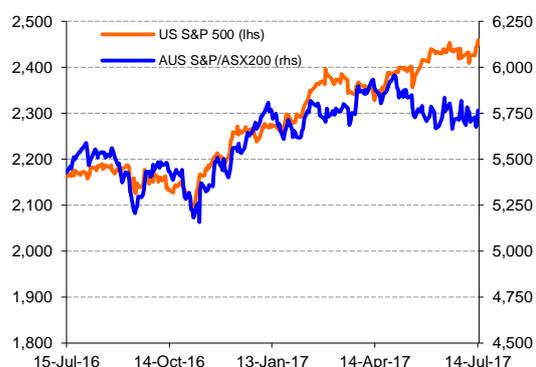
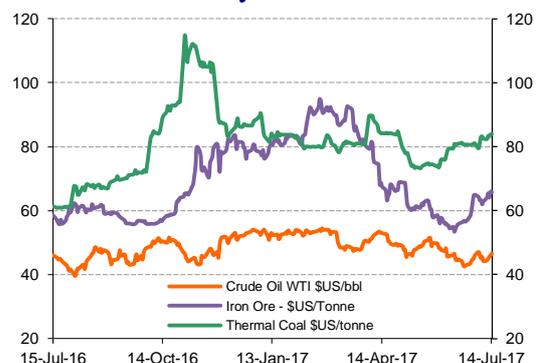


Chart C: Exchange rate



Chart D: Commodity Prices



Domestic Data Releases

APM released housing market data for June showing that the Sydney auction clearance rate decreased to 65 per cent from 70 per cent in the previous month. This is below the 69 per cent rate recorded a year ago and well above the long run average of 58 per cent.

The June **NAB Monthly Business Survey** showed that NSW business confidence fell by 3 index points to +8 points and business conditions increased by 5 index point to +16 points. Nationally, business confidence increased by 1 index point to +9 points and business conditions rose by 4 index points to +15 points.

The number of **Housing Finance (ABS) commitments** for owner-occupiers in NSW rose by 1.3 per cent in May to be down 2.0 per cent through the year. Nationally, housing commitments rose by 1.0 per cent in the month and down 3.5 per cent through the year. Over the three months to May 2017, the proportion of first home-buyers to total home-buyers (excluding refinancing) was 12.5 per cent for NSW and 20.1 per cent nationally.

The **Westpac – Melbourne Institute Consumer Sentiment Survey** showed that NSW consumer sentiment increased by 5.9 per cent to 103.3 index points in July. Nationally, consumer sentiment increased by 0.4 per cent to 96.6 index points. An index over 100 indicates optimists outweigh pessimists.

ABS Building activity data showed that the 12 months sum of total dwelling completions were 64,824, up 34.8 per cent through the year and a new record high. Total dwelling commencements were 72,639, up 6.6 per cent through the year. Total value of work approved but not yet commenced is up 11.6 per cent from a year earlier. Nationally, through the year completions were up 15.0 per cent, commencements were down 5.0 per cent and approved but not yet commenced was up 18.0 per cent.

ABS Overseas Arrivals and Departures data for May showed that visitors to NSW increased by 9.7 per cent through the year to reach 251.2k in the month. Nationally, visitors increased by 9.5 per cent through the year to reach 648.3 k in the month.

Markets

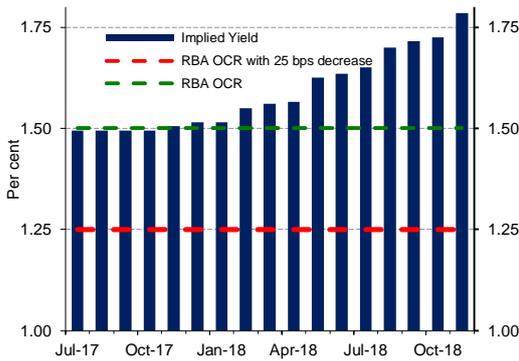
The ASX200 rose by 1.1 per cent and the US S&P500 rose by 1.4 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2459.3	13.8 %	1.4 %
ASX200	5765.1	6.2 %	1.1 %
Australian Dollar (USD)	0.78	3.4 %	3.0 %
TWI	66.0	2.6 %	1.7 %
Oil (USD/bbl)	46.5	1.3 %	5.2 %
Gold (USD/oz)	1230.3	-7.3 %	1.2 %
Thermal Coal (USD/tonnes)	84.0	36.9 %	1.7 %
Australian 10-yr bond	2.72%	74.6 bps	-1.2 bps
US 10-yr bond	2.33%	78.1 bps	-5.4 bps
NSW 10-yr bond (bps) maturity 2026	2.89%	- bps	-1.6 bps

Upcoming Domestic Data Releases (17/07 – 21/07)

- The **ABS** will release Sales of New Motor Vehicles data for May and Labour force data for June.
- **Deloitte** will release their Business Outlook for the June quarter
- **NAB** will release their Quarterly Business Survey for the June quarter.

Chart E: Interest Rate Expectations



- **RBA** will release Monetary Policy Minutes and speeches by Alex Health, Guy Debelle, and Michele Bullock.

Market Interest Rate Expectations

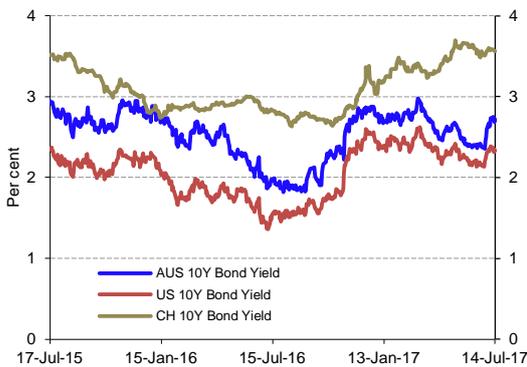
The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates that the majority of the market expects the RBA to leave the cash rate unchanged until June 2018.

According to the ASX Target Rate Tracker, as of 11 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.

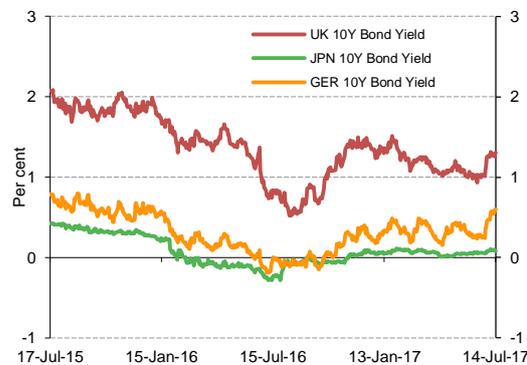
International Bond Yield Spreads

US bond yields fell by 5.4 basis points over the week to Friday. This follows Janet Yellen’s two day address to Congress where she suggested that current rates are near the neutral rate – where the fund rate is neither accelerating nor retraining the economy. Weak retail sales and stagnant CPI data released this week also put downward pressure on yields. Bond yields rose in Germany and the UK, falling in all other countries tracked.

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)
Australian (AUS)	2.72	74.6	-1.2	38.6	42.1
United States (US)	2.33	78.1	-5.4	-	-
Germany (GER)	0.60	59.1	2.4	-173.5	-154.5
United Kingdom (UK)	1.31	47.6	0.5	-102.2	-71.7
Japan (JPN)	0.08	30.8	-0.4	-224.9	-177.6
China (CH)	3.56	73.4	-2.8	122.9	127.6



Key International Data Releases

US: CPI was unchanged in June, to be 1.6 per cent higher through the year as the cost of gasoline and mobile phones services declined further. This follows a 0.1 per cent decrease in May and casts doubt on the Federal Reserve’s ability to increase interest rates for a third time this year. Retail sales fell an unexpected 0.2 per cent in the month, to be 2.8 per cent higher through the year to June.

China: CPI rose 1.5 per cent through the year to June, in line with expectations, but below the government’s target rate of 3 per cent. PPI rose by 5.5 per cent through the year to June, marking the end to declines in PPI growth since February this year. China’s Trade surplus of \$42.77 billion was higher than expected in June, as exports rose 11.3 per cent through the year, while imports rose 17.2 per cent.

Canada: The Bank of Canada increased interest rates for the first time in seven years last week, from 0.5 per cent to 0.75 per cent. The BOC sighted strong consumer spending, rising employment and wages, acknowledging low CPI growth which increased 1.3 per cent through the year to May.

UK: The unemployment rate fell to 4.5 per cent in May, the lowest level since 1975.

Upcoming Key International Data Releases (17/07 – 21/07)

- **Japan:** BoJ Interest Rate Decision for July
- **UK:** CPI and Retail Sales data for June
- **Euro:** Current Account data for May, ECB Interest Rate Decision for July and Consumer Confidence data for July
- **China:** Industrial Production and Retail Sales data for June and GDP data for the June quarter
- **Canada:** Retail Sales data for May and CPI data for June