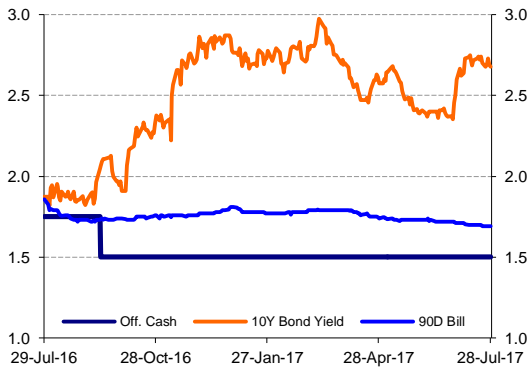
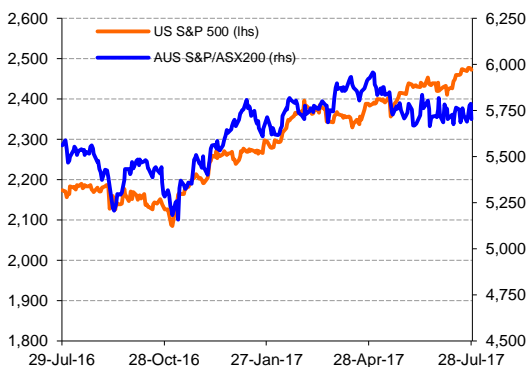


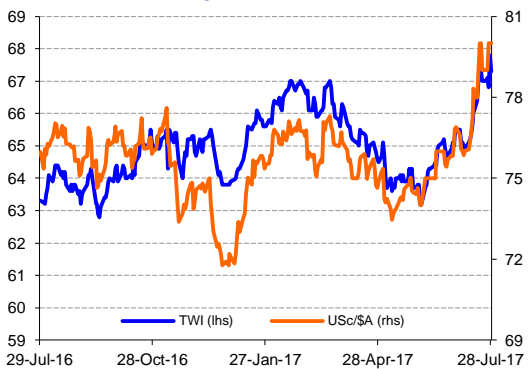
**Chart A: Domestic Interest Rates**



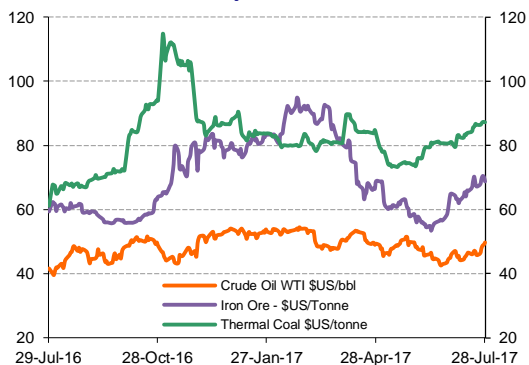
**Chart B: Share Price Index**



**Chart C: Exchange rate**



**Chart D: Commodity Prices**



## Domestic Data Releases

**ABS Consumer Price Index** data showed that headline inflation in Sydney increased by 0.4 per cent in the June quarter 2017, and by 2.2 per cent through the year. Nationally, headline inflation also increased by 0.2 per cent in the quarter but was up 1.9 per cent through the year. Underlying inflation increased by 1.8 per cent through the year over the same period.

**Regional Labour Force** data showed that the regional unemployment rate, in 12-month moving average terms to June 2017, was 4.8 per cent in Greater Sydney and 5.4 per cent in the Rest of NSW. Other regional unemployment rates were 5.5 per cent in Western Sydney, 5.2 per cent in the Greater Hunter and 6.1 per cent in the Greater Illawarra.

## Markets

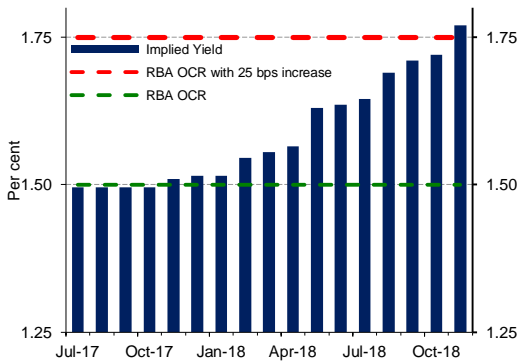
The ASX200 declined by 0.3 per cent and the US S&P500 remained unchanged over the week to Friday.

	Value	Change on Year	Change on Week
<b>US S&amp;P 500</b>	2472.1	13.7 %	0.0 %
<b>ASX200</b>	5702.8	2.5 %	-0.3 %
<b>Australian Dollar (USD)</b>	0.80	5.3 %	1.3 %
<b>TWI</b>	67.3	6.3 %	0.4 %
<b>Oil (USD/bbl)</b>	49.7	19.5 %	8.6 %
<b>Gold (USD/oz)</b>	1264.9	-5.7 %	1.3 %
<b>Thermal Coal (USD/tonnes)</b>	87.2	42.6 %	0.9 %
<b>Australian 10-yr bond</b>	2.68%	80.6 bps	-2.0 bps
<b>US 10-yr bond</b>	2.29%	83.7 bps	5.0 bps
<b>NSW 10-yr bond (bps) maturity 2026</b>	2.85% -	bps	-1.5 bps

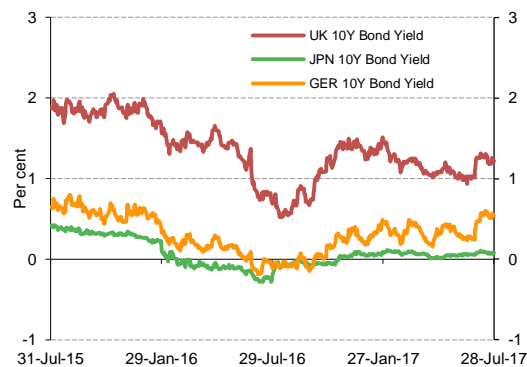
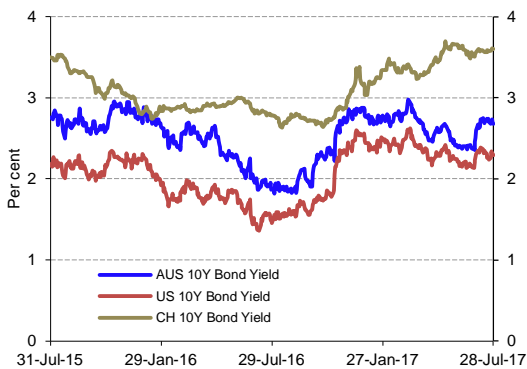
## Upcoming Domestic Data Releases (31/07– 04/08)

- The **RBA** will release the Private Sector Credit data for June, as well as Interest Rate Decision and Statement on Monetary Policy for August.
- The **ABS** will release Building Approvals, International Trade in Goods and Services as well as Retail Trade data for June.
- **HIA** will release New Home Sales Report 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 increase the cash rate in May 2018.

According to the ASX Target Rate Tracker, as of 28 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 remained relatively flat, rose by 5.0 basis points over the week to Friday, after the Federal Reserve left interest rates unchanged and signalled it could begin to cut its bond portfolio in the coming month. The spread between US and Australian bond yields was 0.39 percentage points last week. Bond yields also remained relatively flat in Germany, UK, 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)
<b>Australian (AUS)</b>	2.68	80.6	-2.0	39.0	42.1
<b>United States (US)</b>	2.29	83.7	5.0	-	-
<b>Germany (GER)</b>	0.54	65.9	3.0	-175.0	-157.2
<b>United Kingdom (UK)</b>	1.22	53.5	4.0	-107.0	-76.8
<b>Japan (JPN)</b>	0.08	27.0	1.0	-221.0	-164.3
<b>China (CH)</b>	3.60	82.2	2.0	131.0	132.5

**Key International Data Releases**

**Euro:** Euro’s Markit Manufacturing Index declined to 56.8 from 57.4 in June, below expectations of 57.2. The output index which feeds into the composite PMI declined to 56.9 from 58.7, suggesting a slowdown in output in the month.

**UK:** UK’s GDP growth increased 0.3 per cent in the three months to June, to be at 1.7 per cent through the year to June, as there was a pick-up in the services sector particularly distribution and leisure sectors as well as a recovery in retail spending.

**US:** FOMC left interest rate unchanged at 1 per cent to 1.25 per cent. The committee reported job gains have been solid, with declined unemployment rates while household spending and business investment have continued to expand. US’s GDP increased at an annualised rate of 2.6 per cent in June quarter, due to rising personal consumption expenditure and non-residential capital spending.

**Japan:** Japan’s core inflation index rose 0.4 per cent through the year to June, while unemployment rate fell to 2.8 per cent in June from 3.1 in May.

**Upcoming Key International Data Releases (31/07 – 04/08)**

- **US:** Trade Balance for June as well as ISM Manufacturing PMI, Unemployment Rate, Non-Farm Payrolls for July
- **UK:** Markit PMI Manufacturing for Jul, BoE Interest Rate Decision for August
- **Euro:** Unemployment Rate and PPI for June, CPI (Adv) and Retail Sales for July as well as GDP for June quarter
- **Japan:** Industrial Production (Prelim) for June, Consumer Confidence for July
- **China:** Manufacturing PMI for July
- **New Zealand:** Unemployment Rate for June quarter