

Weekly Economic & Financial Market Roundup

Week ended Friday 11 August 2017

Monday, 14 August 2017

Chart A: Domestic Interest Rates

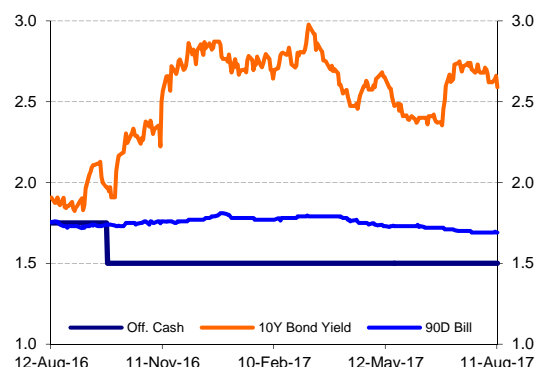


Chart B: Share Price Index

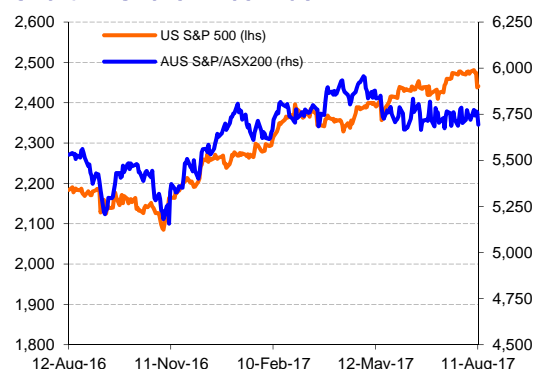


Chart C: Exchange rate

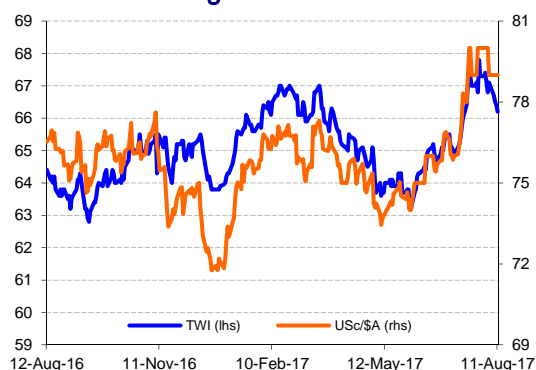
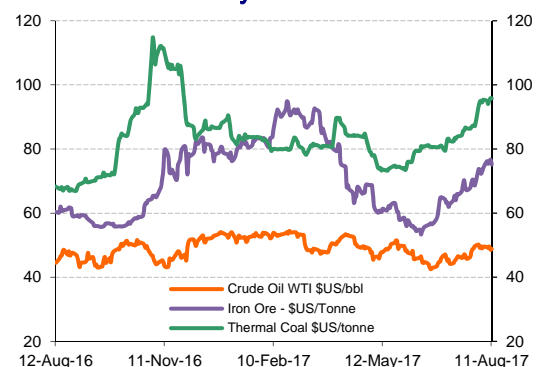


Chart D: Commodity Prices



Domestic Data Releases

APM released housing market data for July showing that the Sydney auction clearance rate decreased to 63 per cent from 65 per cent in the previous month. This is below the 72 per cent rate recorded a year ago and well above the long run average of 58 per cent.

The July **NAB Monthly Business Survey** showed that NSW business confidence rose by 7 index points to +15 points and business conditions increased by 6 index point to +22 points. Nationally, business confidence increased by 4 index point to +12 points and business conditions rose by 1 index points to +15 points.

The **Westpac – Melbourne Institute Consumer Sentiment Survey** showed that NSW consumer sentiment fell by 7.2 per cent to 95.9 index points in August. Nationally, consumer sentiment fell by 1.1 per cent to 95.5 index points. An index over 100 indicates optimists outweigh pessimists.

The number of **Housing Finance (ABS) commitments** for owner-occupiers in NSW fell by 0.9 per cent in June to be down 2.3 per cent through the year. Nationally, housing commitments rose by 0.5 per cent in the month and down 4.0 per cent through the year. Over the three months to June 2017, the proportion of first home-buyers to total home-buyers (excluding refinancing) was 13.0 per cent for NSW and 20.6 per cent nationally.

ABS Lending Finance data for June indicated that NSW investor housing finance approvals were up 14.5 per cent compared to a year ago, while national investor housing finance approvals were up 7.7 per cent.

Markets

The ASX200 fell by 0.5 per cent and the US S&P500 fell by 1.4 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2441.3	11.8 %	-1.4 %
ASX200	5693.1	2.9 %	-0.5 %
Australian Dollar (USD)	0.79	3.2 %	0.0 %
TWI	66.2	2.8 %	-1.3 %
Oil (USD/bbl)	48.8	9.7 %	-1.5 %
Gold (USD/oz)	1286.1	-4.9 %	2.3 %
Thermal Coal (USD/tonnes)	95.8	40.3 %	0.5 %
Australian 10-yr bond	2.59%	68.3 bps	-3.0 bps
US 10-yr bond	2.19%	67.7 bps	-7.0 bps
NSW 10-yr bond (bps) maturity 2026	2.77% -	bps	-3.3 bps

Upcoming Domestic Data Releases (14/08– 18/08)

- The **ABS** will release the Average Weekly Earnings data for May, Overseas Arrivals/Departure data for June, Sales of New Motor Vehicles and Labour Force data for July, as well as Wage Price Index data for the June quarter
- The **RBA** will release their Monetary Policy Minutes for August, as well as speeches by Assistant Governor Christopher Kent at the Moody's Analytics Forum, Sydney and Luci Ellis at the Workshop of the Australasian Macro Economists, Canberra
- The **ANZ** will release Stateometer data for the June quarter

Chart E: Interest Rate Expectations

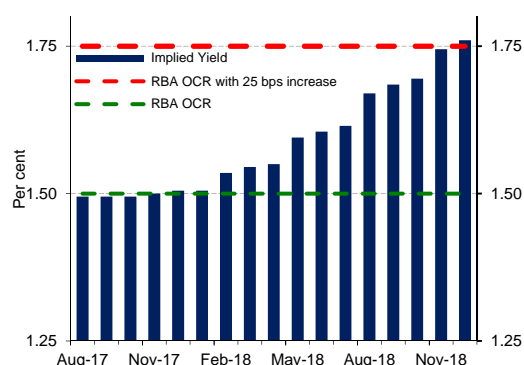
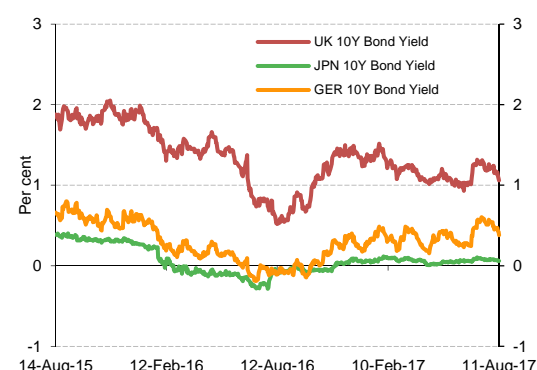
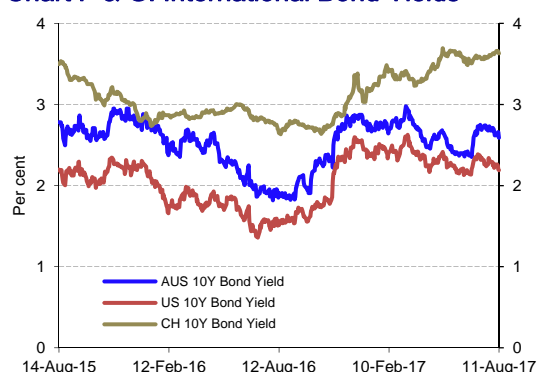


Chart F & G: International Bond Yields



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 August 2018.

According to the ASX Target Rate Tracker, as of 11 August, 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 5 September 2017.

International Bond Yield Spreads

US bond yields fell by 7.0 basis points over the week to Friday. This follows mixed economic data and rising geopolitical risks from North Korea attracting buyers to the relative safety of government bonds, sending yield lower. The spread between US and Australian bond yields was 0.4 percentage points last week. Bond yields fell in all other countries tracked except China which was flat.

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)	2.59	68.3	-3.0	40.0	39.4
United States (US)	2.19	67.7	-7.0	-	-
Germany (GER)	0.38	48.8	-9.0	-181.0	-162.2
United Kingdom (UK)	1.06	54.2	-12.0	-113.0	-99.6
Japan (JPN)	0.06	16.2	-1.0	-213.0	-161.6
China (CH)	3.63	98.3	0.0	144.0	113.4

Key International Data Releases

US: CPI rose less than expected in July, by 0.1 percent, to be up 1.7 per cent through the year to July from 1.6 per cent in June. Producer price index fell by 0.1 percent in July, to increase by 1.9 per cent through the year to July. Prices for goods, services and energy fell by 0.1, 0.2 and 0.3 per cent respectively. US's initial jobless claims increased by 3,000 to a seasonally adjusted 244,000 in the week ended August 5th.

UK: UK's Industrial Production increased by 0.3 per cent through the year to June, compared to 0.2 per cent fall in May. Manufacturing production also rose by 0.6 per cent through the year to June, compared to 0.3 per cent rise in the previous month, driven by strong production of textiles, wearing apparel and leather, machinery, chemicals as well as electrical equipment. Despite strong industrial and manufacturing production figures, UK's trade deficit widened by £2.0 billion to £4.56 billion in June.

China: China's CPI rose by 1.4 per cent while producer price index rose 5.5 per cent through the year to July, driven by a recent rise in domestic steel prices. Meanwhile, China's trade surplus fell to \$46.74 billion in July from \$42.75 billion in June, as exports and imports growth were lower than expected.

Upcoming Key International Data Releases (14/08 – 18/08)

- **US:** Retail Sales, Industrial Production data and FOMC minutes for July, Michigan Consumer Sentiment for August
- **UK:** CPI and Retail Sales data for July
- **China:** Industrial Production and Retail Sales data for July
- **Japan:** Trade Balance data for July and GDP Preliminary data for June quarter
- **India:** CPI data for July
- **Euro:** Industrial Production, Trade Balance and Current Account data for June, as well as GDP data for the June Quarter