

Weekly Economic & Financial Market Roundup

Week ended Friday 25 August 2017

Monday, 28 August 2017

Chart A: Domestic Interest Rates

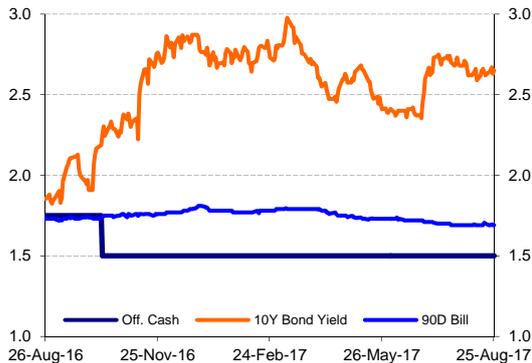


Chart B: Share Price Index

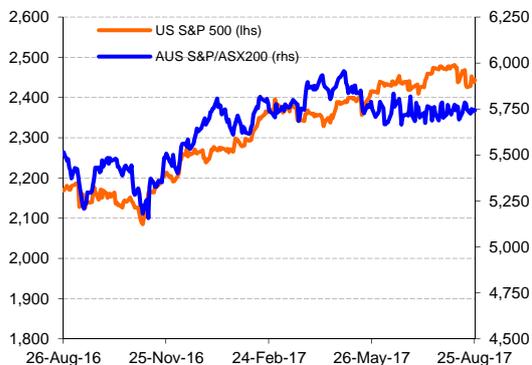
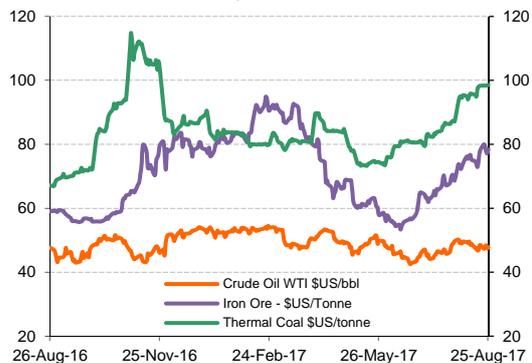


Chart C: Exchange rate



Chart D: Commodity Prices



Domestic Data Releases

According to the June quarter **ANZ Stateometer**, NSW is still growing at a slightly below trend pace, however the momentum has improved and NSW is accelerating.

Regional Labour Force data showed that the regional unemployment rate, in 12-month moving average terms to July 2017, was 4.7 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, 5.0 per cent in the Greater Hunter and 6.0 per cent in the Greater Illawarra.

Markets

The ASX200 fell by 0.1 per cent and the US S&P500 rose by 0.7 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2443.1	12.6 %	0.7 %
ASX200	5743.9	4.1 %	-0.1 %
Australian Dollar (USD)	0.79	4.4 %	0.0 %
TWI	66.6	4.4 %	0.0 %
Oil (USD/bbl)	47.9	0.5 %	-1.3 %
Gold (USD/oz)	1285.3	-2.5 %	-0.8 %
Thermal Coal (USD/tonnes)	98.6	46.8 %	0.3 %
Australian 10-yr bond	2.65%	79.6 bps	3.0 bps
US 10-yr bond	2.17%	54.0 bps	-2.0 bps
NSW 10-yr bond (bps) maturity 2026	2.82%	- bps	2.6 bps

Upcoming Domestic Data Releases (28/08– 01/09)

- The **ABS** will release the Household Income and Wealth data for 2015-2016, Microdata: Participation, Job Search and Mobility data for 2017, Building Approvals data for July as well as Construction Work Done and Private New Capital Expenditure data for the June quarter
- The **RBA** will release Private Sector Credit data for July
- The **HIA** will release New Home Sales Report for July

Chart E: Interest Rate Expectations

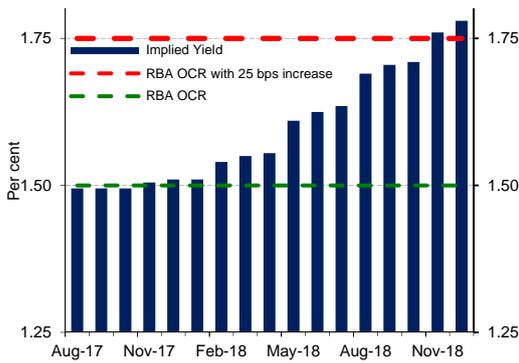
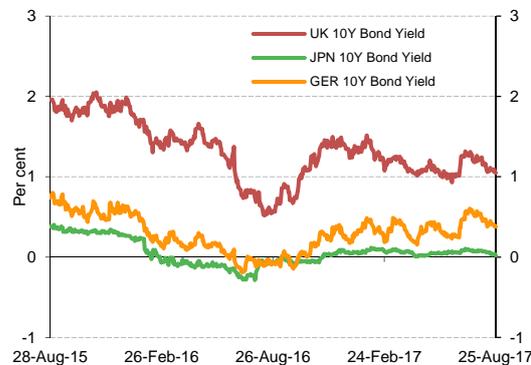
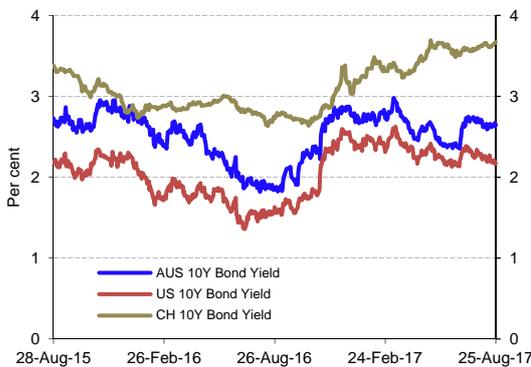


Chart F & G: International Bond Yields



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 July 2018.

According to the ASX Target Rate Tracker, as of 28 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 2.0 percentage points over the week to Friday after Federal Reserve Chairwoman Janet Yellen offered no remarks on the current path of monetary policy as investors had expected at the central bank's annual conference. The spread between US and Australian bond yields was 0.48 percentage points last week. Bond yields fell in all other countries tracked except China where bond yields rose by 5.0 percentage points.

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)	2.65	79.6	3.0	48.0	22.4
United States (US)	2.17	54.0	-2.0	-	-
Germany (GER)	0.38	45.2	-3.0	-179.0	-170.2
United Kingdom (UK)	1.05	48.6	-4.0	-112.0	-106.6
Japan (JPN)	0.02	9.0	-1.0	-215.0	-170.0
China (CH)	3.67	94.1	5.0	150.0	109.9

Key International Data Releases

US: US's sales of new single-family houses declined by 8.9 per cent through the year to July as new home sales fell in the Northeast, South and West. It is well below the market expectations. Meanwhile, the Markit PMI Manufacturing Index declined slightly to 52.5 in August from 53.3 in July, as production volume expanded at the slowest rate in August and new business growth weakened.

UK: UK's GDP rose by 1.7 per cent through the year to the June quarter following a 2 percent expansion in the previous period. It was the lowest annual growth rate since the second quarter of last year, as household spending rose at softer pace while business investment weakened.

Japan: Japan's consumer prices rose by 0.4 per cent through the year to July, as prices of food rose at a slower pace while cost of transport recovered and cost of housing continued to decline.

Upcoming Key International Data Releases (28/08 – 01/09)

- **US:** Non-farm Payrolls, Unemployment Rate and ISM Manufacturing PMI data for August
- **UK:** GfK Consumer Confidence data for August
- **Euro:** Unemployment Rate data for July, CPI data for August
- **Germany:** Retail Sales data for July, Unemployment Rate and CPI data for August, as well as GfK Consumer Confidence data for September
- **Japan:** Unemployment Rate, Retail Sales, Industrial Production data for July, as well as Consumer Confidence data for August
- **India:** GDP data for the June quarter
- **China:** Manufacturing PMI data for August