

Weekly Economic & Financial Market Roundup

Week ended Friday 20 October 2017

Monday, 23 October 2017

Chart A: Domestic Interest Rates

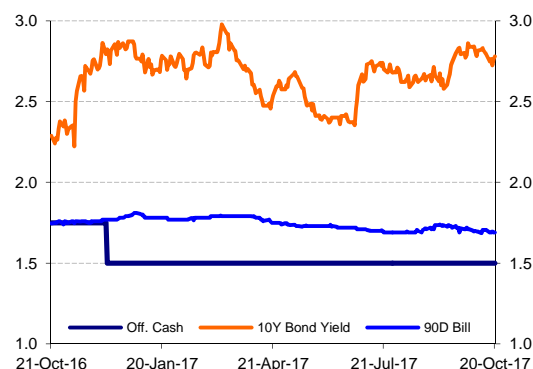


Chart B: Share Price Index

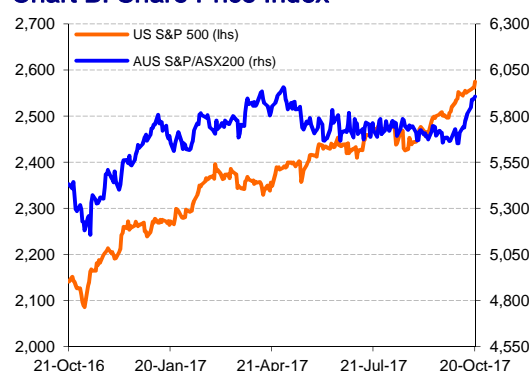


Chart C: Exchange rate

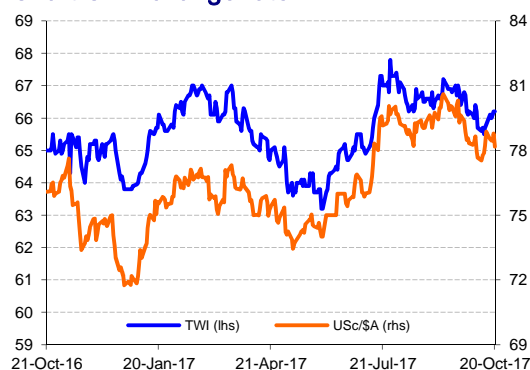
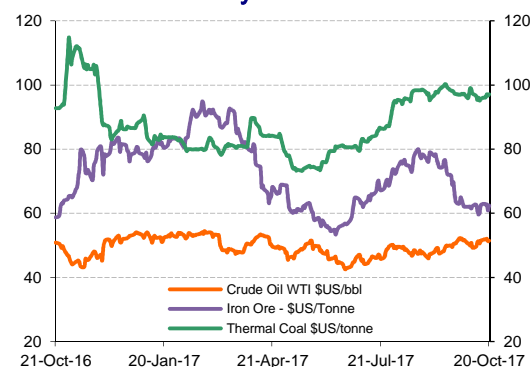


Chart D: Commodity Prices



Domestic Data Releases

ABS **Overseas Arrivals and Departures** data showed that there were 254,000 short term visitors in August, up 9.0 per cent through the year. Nationally, there were 702,800 visitors, up 11.2 per cent through the year.

ABS **Lending Finance** data indicated that NSW investor housing finance commitments were up 10.1 per cent through the year. Nationally, investor housing finance commitments rose 6.0 per cent through the year.

ABS **Labour Force** data indicated that the NSW unemployment rate fell by 0.3 percentage points to 4.6 per cent. Nationally, the unemployment rate fell by 0.1 percentage points to 5.5 per cent. Employment in NSW was up 21,100 in the month, and through the year growth was 2.3 per cent. Nationally, employment was up 19,800, with through the year growth of 3.1 per cent.

The **NAB Quarterly Business Survey** showed that in the September quarter, NSW expected conditions fell to +17 index points from +27 in the previous quarter. The expected employment index fell to +6 from +10. Nationally, expected business conditions rose to +24 from +20, and expected employment fell to +9 from +10 in the previous quarter.

Markets

The ASX200 rose by 1.6 per cent and the US S&P500 rose by 0.9 per cent over the week to Friday.

	Value	Change Year	on Week
US S&P 500	2575.21	20.3 %	0.9 %
ASX200	5906.99	8.8 %	1.6 %
Australian Dollar (USD)	0.78	2.7 %	-0.9 %
TWI	66.20	1.8 %	0.6 %
Oil (USD/bbl)	51.47	1.2 %	0.0 %
Gold (USD/oz)	1281.20	1.2 %	-1.4 %
Thermal Coal (USD/tonnes)	97.15	4.7 %	1.5 %
Australian 10-yr bond	2.78%	49.2 bps	-1.3 bps
US 10-yr bond	2.38%	65.0 bps	11.2 bps
NSW 10-yr bond (bps) maturity 2026	2.98% -	bps	2.9 bps

Upcoming Domestic Data Releases (23/10 – 27/10)

- The **ABS** will release Consumer Price Index and Producer Price Index data for the September Quarter, Detailed Labour Force and International Trade Price Index data for September, and Census Working Population Profile data for 2016.
- **CommSec** will release its State of the States Report for September.
- The Commonwealth **Department of Employment** will release Skilled Vacancies data for September.

Chart E: Interest Rate Expectations

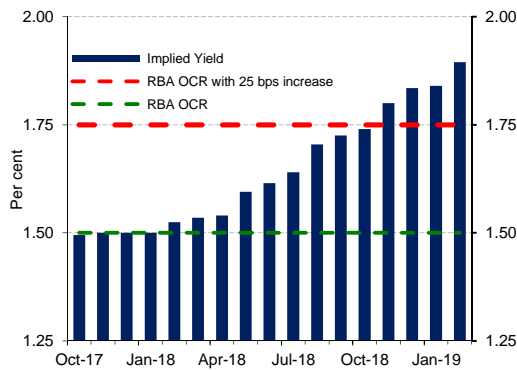
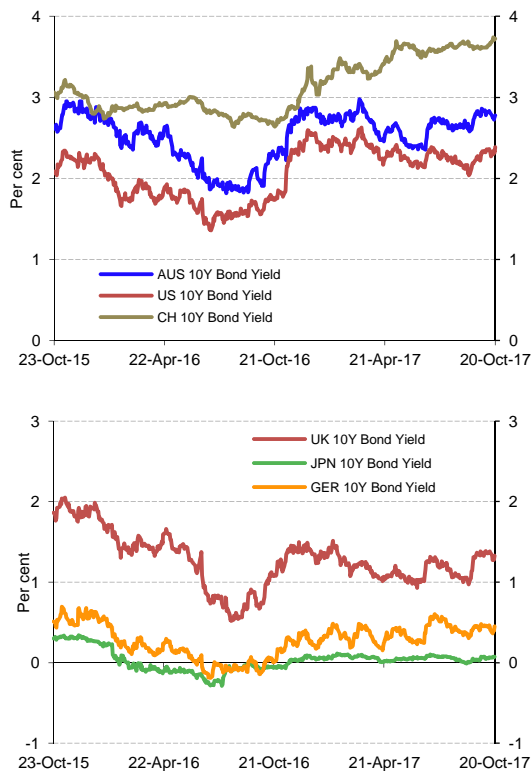


Chart F & G: International Bond Yields



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 12 October, 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 7 November 2017.

International Bond Yield Spreads

US bond yields rose by 11.2 basis points over the week to Friday on concerns of higher inflation and borrowing over the next decade. This followed the US Senate passing a budget resolution, raising expectations that President Trump and Republicans would be able to enact their tax-cut plan. The spread between US and Australian bond yields was 39.5 basis 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)
Australian (AUS)	2.78	49.2	-1.3	39.5	55.2
United States (US)	2.38	65.0	11.2	-	-
Germany (GER)	0.45	44.6	4.9	-193.3	-172.9
United Kingdom (UK)	1.33	24.4	-3.6	-105.4	-64.8
Japan (JPN)	0.08	12.7	1.1	-231.0	-178.7
China (CH)	3.73	108.7	5.3	134.1	90.3

Key International Data Releases

China: CPI increased by 1.6 per cent and GDP increased 6.8 per cent in the year to September. GDP grew at 6.8 per cent through the year to Q3. Growth was steady from the previous quarter and in line with market expectations.

UK: Inflation increased 3.0 per cent through the year to September. Unemployment stayed flat at 4.3 per cent.

Germany: Economic Sentiment increased by 0.6 index points from the previous quarter to 17.6.

Japan: The Balance of Trade rose to ¥670b in September from ¥113b the previous month.

Canada: CPI increased by 1.6 per cent through the year to September.

Upcoming Key International Data Releases (23/10 – 27/10)

- **Euro:** Consumer Confidence, Manufacturing and Services data for October
- **US:** GDP Growth data for Q3
- **UK:** GDP Growth data for Q3
- **Japan:** Manufacturing data for October
- **Germany:** Manufacturing data for October
- **New Zealand:** Trade Balance data for September