

Weekly Economic & Financial Market Roundup

Week ended Friday 27 October 2017

Monday, 30 October 2017

Chart A: Domestic Interest Rates

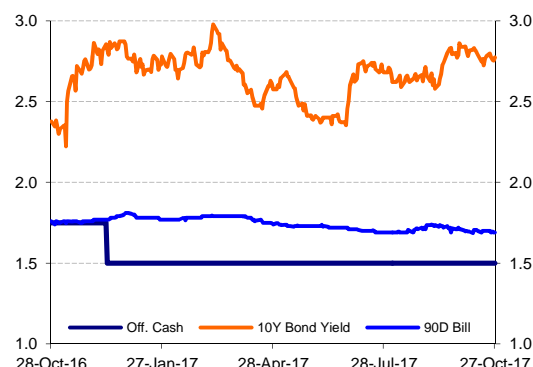


Chart B: Share Price Index

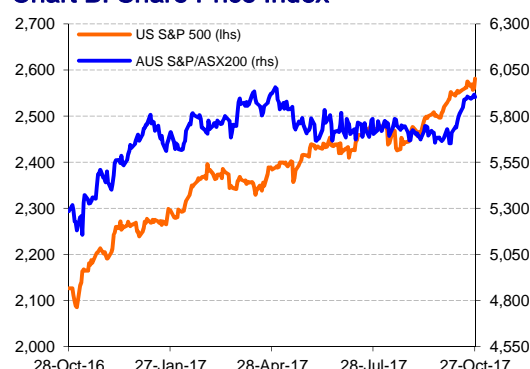


Chart C: Exchange rate

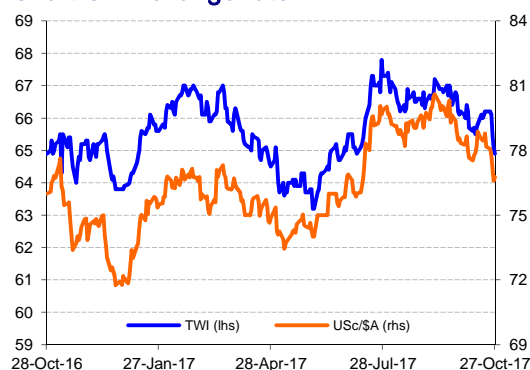
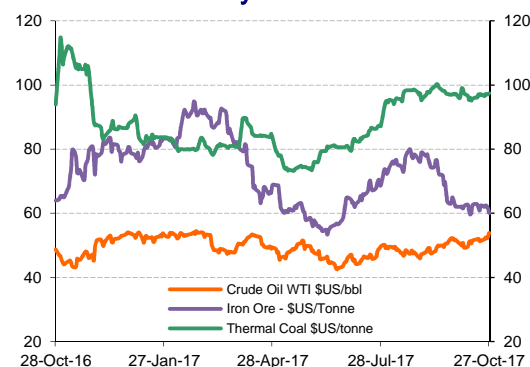


Chart D: Commodity Prices



Domestic Data Releases

ABS Consumer Price Index data showed that headline CPI inflation in Sydney was 0.7 per cent in the September quarter, and 1.9 per cent through the year. Nationally, headline inflation was 0.6 per cent in the September quarter, and 1.8 per cent through the year. Underlying inflation was 1.9 per cent through the year nationally.

ABS Regional Labour Force data showed that regional employment in NSW increased 2.6 per cent through the year to September. Across the state, employment was up 2.3 per cent through the year. The 12 month moving average unemployment rate was 4.7 per cent in Sydney, 5.4 per cent in regional NSW, and 4.9 per cent across the state.

The **Commsec State of the States** report for October showed NSW is Australia's top performing economy, at or near the top of all indicators. NSW was ranked top of Australian states in retail spending, dwelling commencements, equipment investment and unemployment.

Markets

The ASX200 fell by 0.1 per cent and the US S&P500 rose by 0.2 per cent over the week to Friday.

	Value	Change Year	on Change Week
US S&P 500	2581.07	21.4 %	0.2 %
ASX200	5903.16	11.7 %	-0.1 %
Australian Dollar (USD)	0.77	1.0 %	-1.8 %
TWI	64.90	0.0 %	-2.0 %
Oil (USD/bbl)	53.90	10.7 %	4.7 %
Gold (USD/oz)	1266.45	-0.5 %	-1.2 %
Thermal Coal (USD/tonnes)	97.45	3.7 %	0.3 %
Australian 10-yr bond	2.77%	39.7 bps	-0.5 bps
US 10-yr bond	2.41%	56.0 bps	2.2 bps
NSW 10-yr bond (bps) maturity 2026	2.92% -	bps	-2.8 bps

Upcoming Domestic Data Releases (30/10 – 3/11)

- The **ABS** will release building approvals, international trade, and retail trade data for September.
- The **RBA** will release private sector credit data for September.
- **HIA** will release its New Home Sales report for September.

Chart E: Interest Rate Expectations

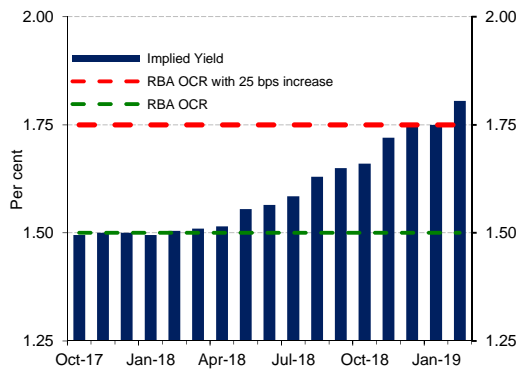
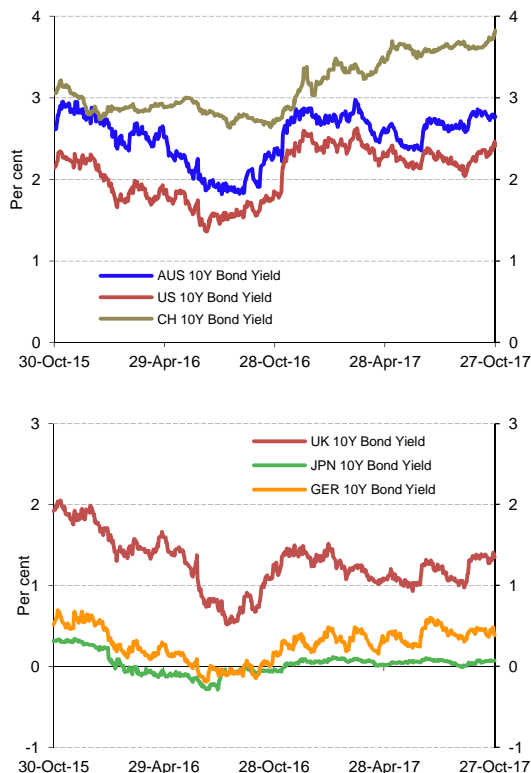


Chart F & G: International Bond Yields



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 September 2018.

According to the ASX Target Rate Tracker, as of 27 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 2.2 basis points over the week to Friday. Yields initially rose after the release of better than expected US growth data, solidifying expectations the Fed would raise rates in December. Yields dipped lower later in the week as a result of political uncertainty associated with the Catalanian parliament's declaration of independence from Spain. The spread between US and Australian bond yields was 36.8 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)	2.77	39.7	-0.5	36.8	53.0
United States (US)	2.41	56.0	2.2	-	-
Germany (GER)	0.38	21.6	-6.9	-202.3	-168.0
United Kingdom (UK)	1.35	8.8	1.7	-105.8	-58.7
Japan (JPN)	0.07	11.5	-0.2	-233.3	-188.9
China (CH)	3.83	113.3	10.3	142.2	84.8

Key International Data Releases

US: GDP grew at 3.0 per cent in annualised terms in the third quarter, significantly beating expectations of 2.5 per cent, demonstrating the economy's underlying strength despite Hurricanes Harvey and Irma. Durable goods and new home sales data also beat market expectations.

Euro: Euro area consumer confidence stayed flat at -1 index points, the ECB left its benchmark interest rate unchanged at 0 per cent. The Market Manufacturing PMI rose slightly to 58.6 index points, and the Services PMI fell slightly to 54.9 index points.

Germany: The Markit Manufacturing PMI stayed flat at 60.5 index points. The IFO Business Climate Index rose slightly to 116.7 index points.

UK: GDP grew by 1.5 per cent through the year to quarter three, in line with expectations.

Japan: Inflation was 0.7 per cent in the year through to September.

Upcoming Key International Data Releases (30/10 – 3/11)

- **US:** ADP employment data, ISM manufacturing PMI, unemployment data, and nonfarm payrolls for October, balance of trade for September, Fed interest rate decision.
- **Euro:** Business confidence for October, Growth for quarter three, unemployment for September quarter.
- **Germany:** Inflation and unemployment for October.
- **UK:** Consumer confidence for October, BoE interest rate decision.
- **Japan:** Unemployment for September, consumer confidence for October, BoJ interest rate decision.
- **China:** Manufacturing PMI for October.