

Weekly Economic & Financial Market Roundup

Week ended Friday 10 November 2017

Monday, 13 November 2017

Chart A: Domestic Interest Rates

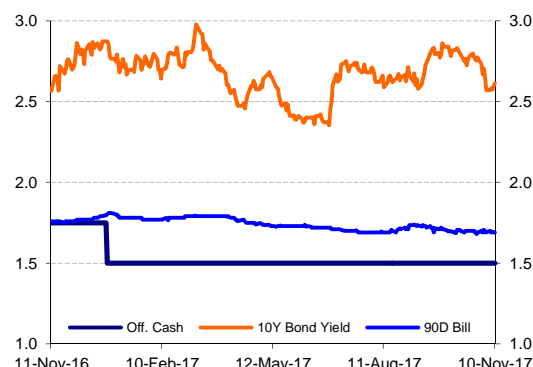


Chart B: Share Price Index

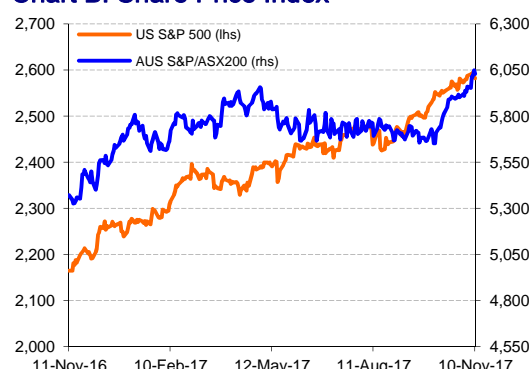


Chart C: Exchange rate

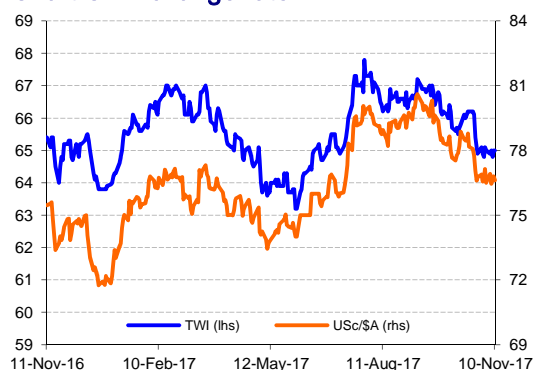
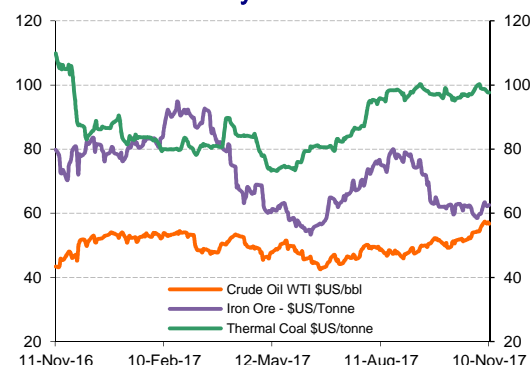


Chart D: Commodity Prices



Domestic Data Releases

The **RBA** left the cash rate unchanged at 1.50 per cent. The Bank's quarterly Statement on Monetary Policy revised growth and inflation forecasts down slightly, though the outlook for the Australian economy remains broadly positive.

ANZ Job Ads data showed that total job ads in Australia increased by 12.5 per cent through the year to October.

APM Auction data showed that the auction clearance rate fell to 58 per cent in Sydney in October, compared to 76 per cent in October 2016. This was the lowest auction clearance rate in Sydney since 2015 (excluding January, which is typically a volatile month). The median house price in Sydney grew by 5.5 per cent through the year, and the median unit price grew by 4.3 per cent through the year – both below long run average growth.

ABS Housing Finance data showed that the number of housing finance commitments for owner-occupation (excluding refinancing) in NSW increased 6.2 per cent through the year to September, compared to 3.3 per cent in the rest of Australia. The proportion of first home buyers to total home buyers increased to 14.6 per cent in NSW.

Markets

The ASX200 rose by 1.2 per cent and the US S&P500 fell by 0.2 per cent over the week to Friday.

	Value	Change Year	on Week
US S&P 500	2582.30	19.3 %	-0.2 %
ASX200	6029.37	12.3 %	1.2 %
Australian Dollar (USD)	0.77	1.5 %	0.1 %
TWI	65.00	-0.6 %	0.0 %
Oil (USD/bbl)	56.74	30.7 %	2.0 %
Gold (USD/oz)	1284.30	3.9 %	1.3 %
Thermal Coal (USD/tonnes)	97.65	-11.1 %	-1.4 %
Australian 10-yr bond	2.61%	4.6 bps	4.0 bps
US 10-yr bond	2.40%	24.8 bps	6.6 bps
NSW 10-yr bond (bps) maturity 2026	2.79% -	bps	4.9 bps

Upcoming Domestic Data Releases (13/11 – 17/11)

- The **ABS** will release Lending Finance and Overseas Arrivals and Departures data for September, WPI data for the September quarter, Labour Force and Sale of New Motor Vehicles data for October, and State Accounts data for 2016-17.
- **NAB** will release its Monthly Business Survey for October.
- **W-MI** will release Consumer Sentiment data for November.

Chart E: Interest Rate Expectations

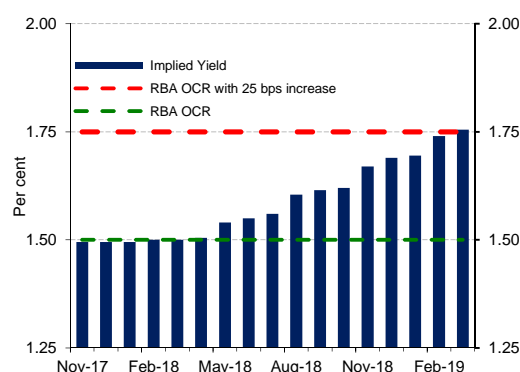
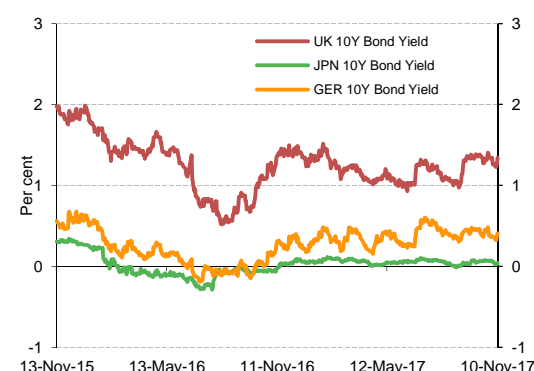
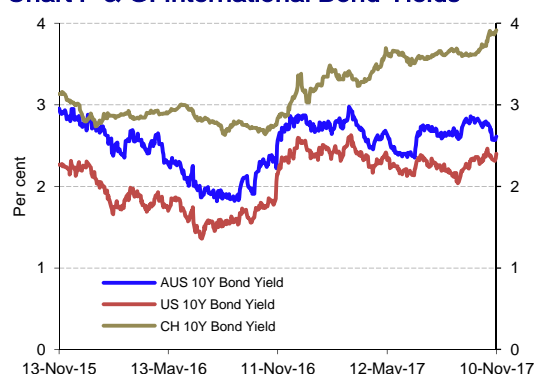


Chart F & G: International Bond Yields



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 November 2018.

According to the ASX Target Rate Tracker, as of 10 November, 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 December 2017.

International Bond Yield Spreads

US bond yields rose by 6.6 basis points over the week to Friday. Uncertainty around the Republican tax cut plan and weaker than expected consumer sentiment data contributed to US yields rising. There was a wider selloff in global bond markets following the release of positive data in Europe. The stronger European data supports the case for the European Central Bank beginning to unwind its quantitative easing program. The spread between US and Australian bond yields was 21.4 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)	2.61	4.6	4.0	21.4	41.6
United States (US)	2.40	24.8	6.6	-	-
Germany (GER)	0.41	10.2	4.6	-198.8	-184.2
United Kingdom (UK)	1.34	-2.2	8.0	-105.6	-78.6
Japan (JPN)	0.04	6.5	-1.2	-235.5	-217.2
China (CH)	3.92	108.2	3.7	151.8	68.4

Key International Data Releases

Euro: Eurozone PPI data beat expectations, rising 2.9 per cent through the year, driven by more expensive energy and intermediate good prices. Retail Sales data also beat expectations, rising by 3.7 per cent through the year. This data suggested that the Euro economy may be beginning to pick up, the European Commission forecast that the Eurozone economy is on track for its fastest growth in a decade this year.

China: CPI rose 1.6 per cent through the year, in line with expectations. PPI came in well ahead of expectations, at 6.9 per cent through the year, driven by a year-long drive in construction spending that has pushed up input prices. Balance of trade data came in slightly lower than expected, suggesting the Chinese economy is starting to cool following a strong first half of the year.

UK: Industrial Production data beat expectations, growing at 2.5 per cent through the year. This was mainly due to strong growth in the production of cars and medical equipment, with the weakened pound aiding exports. The Industrial Production result was offset by weak construction data, which went backwards, presenting a mixed overall picture of the UK economy.

Upcoming Key International Data Releases (13/11 – 17/11)

- **US:** CPI, PPI, Retail Sales, and Industrial Production data for October.
- **Euro:** GDP data for the September quarter, Industrial Production and Trade Balance data for September.
- **Germany:** GDP data for the September quarter.
- **Japan:** GDP data for the September quarter, PPI data for October.
- **UK:** CPI and Retail Sales data for October, Unemployment data for September.
- **China:** Retail Sales and Industrial Production data for October.
- **India:** CPI data for October.