

Chart A: Domestic Interest Rates



Chart B: Share Price Index

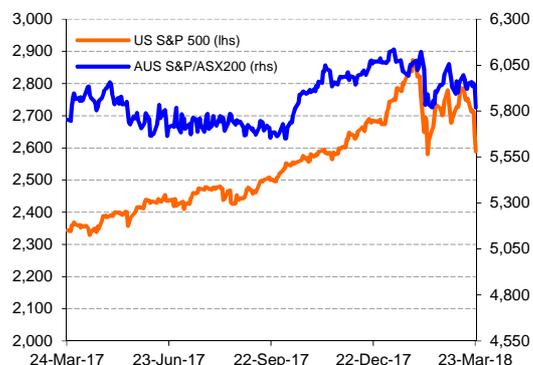


Chart C: Exchange rate

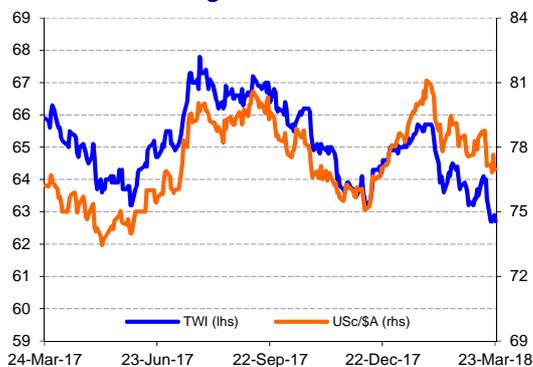
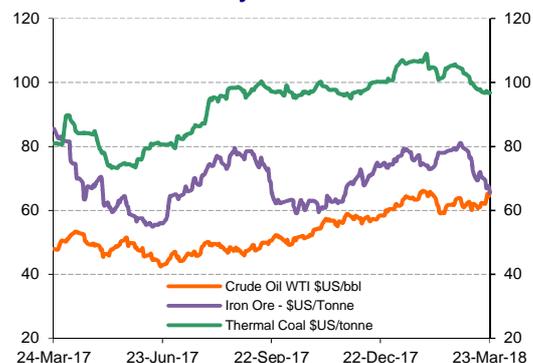


Chart D: Commodity Prices



Domestic Data Releases

ABS Residential Property Price Index data showed the residential property price index for Sydney fell 0.1 per cent in the December quarter to be up 3.8 per cent through the year. Nationally (weighted average of capital cities), the index rose 1.0 per cent in the quarter to be up 5.0 per cent through the year. This was largely driven by Melbourne with a rise of 2.6 per cent in the quarter to be up 10.2 per cent through the year.

ABS Labour Force data showed that employment in NSW increased by 28,400 in February. The number of people in full-time employment was up 11,000, while part-time employment increased by 17,500. The NSW unemployment rate fell to 4.8 per cent, from 5.1 per cent last month. Nationally, employment increased by 17,500 in the month and the unemployment rate increased slightly to 5.6 per cent, from 5.5 per cent last month.

ABS Demographics data showed that the population in NSW was up 1.6 per cent through the year, net interstate migration contributed -0.2 percentage points, net overseas migration 1.3 percentage points and natural increase 0.5 percentage points to growth. In Australia, the population was also up 1.6 per cent, net overseas migration contributed 1.0 percentage point and the natural increase contributed 0.6 percentage points to growth.

Markets

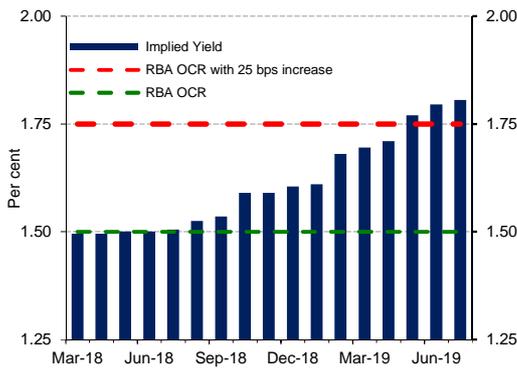
Over the week to Friday, the ASX200 fell by 2.2 per cent, the US S&P500 fell by 6.0 per cent and thermal coal prices fell by 0.4 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2588.26	10.4 %	-6.0 %
ASX200	5820.73	1.2 %	-2.2 %
Australian Dollar (USD)	0.77	1.0 %	-0.2 %
TWI	62.70	-4.9 %	-1.1 %
Oil (USD/bbl)	65.88	37.3 %	5.7 %
Gold (USD/oz)	1346.60	7.9 %	2.8 %
Thermal Coal (USD/tonnes)	96.75	19.5 %	-0.4 %
Australian 10-yr bond	2.65%	-9.9 bps	-4.1 bps
US 10-yr bond	2.81%	40.1 bps	-3.1 bps
NSW 10-yr bond (bps) maturity 2026	2.88%	-	bps

Upcoming Domestic Data Releases (26/03 – 30/03)

- **ABS** will release Engineering Construction data for the December quarter, Job Vacancies, Regional and Youth Labour Force data for February; as well as Detailed Quarterly Labour Force data for February.
- **RBA** will release its Private Sector Credit data for February.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

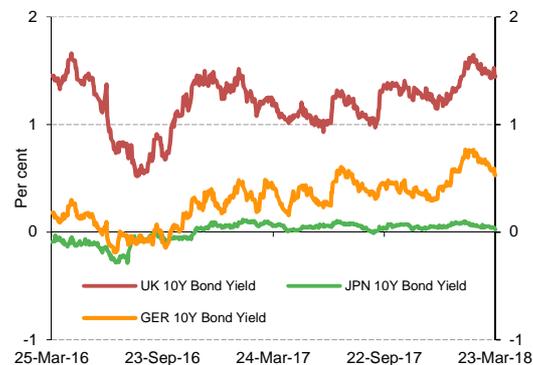
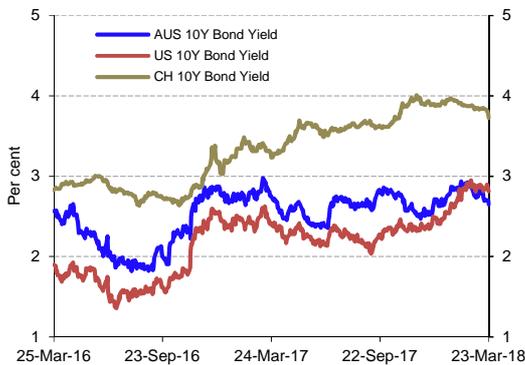
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in February 2019.

According to the ASX Target Rate Tracker, as at 22 March, there is a 0 per cent expectation that the RBA will increase the cash rate to 1.75 per cent at its next policy meeting on 3 April 2018.

International Bond Yield Spreads

US bond yields fell by 3.1 basis points over the week to Friday. US 10-year bond yield fell the most since September amid tensions over trade wars. The White House revealed \$50 billion of duties on Chinese imports during the previous week causing concerns that China may use retaliatory measures leading to some investors seeking safety in US bond. Uncertainties around the US Monetary Policy might have also affected the bond-buying over the week. Bond yields fell in all countries tracked over the week except the UK.

Chart F & G: International Bond Yields



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	-9.9	-4.1	-16.3	33.8
United States (US)	2.81	40.1	-3.1	-	-
Germany (GER)	0.53	12.4	-4.4	-228.7	-200.9
United Kingdom (UK)	1.45	24.9	1.6	-136.9	-121.6
Japan (JPN)	0.02	-4.1	-1.4	-279.0	-234.7
China (CH)	3.73	49.4	-11.0	91.4	82.1

Key International Data Releases

US: The US Federal Reserve raised the interest rate by a quarter of a percentage point to a range of 1.50 per cent to 1.75 per cent amid growing confidence that tax cuts and government spending will boost the economy and inflation. The Current Account deficit widened by \$26.7b to \$128.2b in the December quarter amid an increase in goods imports.

Euro area: The Trade Balance surplus was €19.9bn in January down from €23.2b last month. Consumer Confidence stood at 0.1 in March, unchanged from the previous month and in line with forecasts. Manufacturing PMI fell to 56.6 in March from 58.6 in the previous month.

UK: The Consumer Price Index fell to 2.7 per cent in February down from 3 per cent in the previous month due to decreases in food and petroleum prices. Unemployment Rate fell to 4.3 per cent in January from 4.4 per cent in the previous month. Retail sales rose by 0.8 per cent in February to be up 1.5 per cent through the year, with increases seen across all main sectors except non-food stores. The Bank of England’s Monetary Policy Committee has decided to maintain the Bank Rate at 0.50 per cent following the meeting in March.

Japan: The Trade balance returned to surplus of ¥3.4b in February. The manufacturing sector in Japan continues to expand but at a slower pace as the Nikkei Manufacturing PMI declined to 53.2 in March down from 54.1 last month.

Upcoming Key International Data Releases (26/03 – 30/03)

- **Germany:** Retail Sales data for February, Unemployment Rate and CPI data for March and Consumer Confidence data for April.
- **Japan:** Retail Sales, Unemployment Rate and Industrial Production data for February.
- **China:** Manufacturing PMI for March.
- **UK:** Consumer Confidence data for March