

Weekly Economic & Financial Market Roundup

Week ended Friday 14 April 2017

Thursday, 20 April 2017

Chart A: Domestic Interest Rates

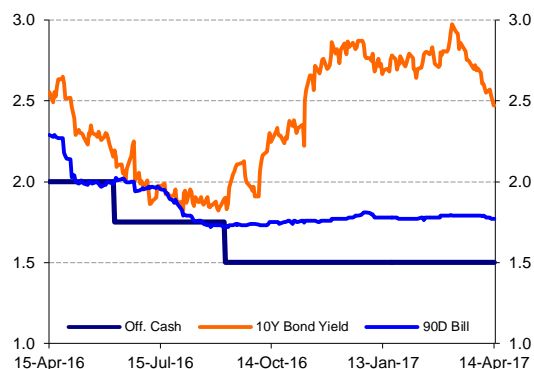


Chart B: Share Price Index

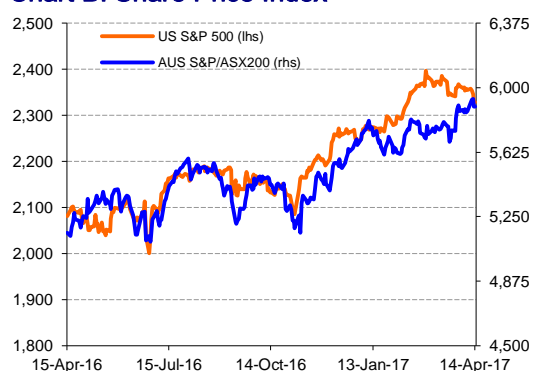


Chart C: Exchange rate

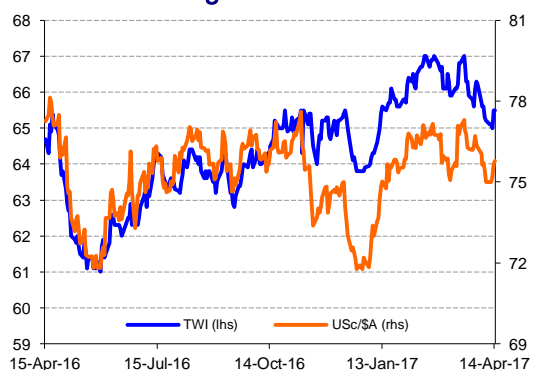
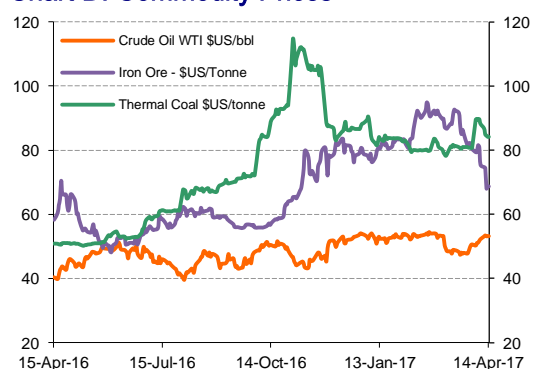


Chart D: Commodity Prices



Domestic Data Releases

The number of **Housing Finance (ABS)** commitments for owner-occupiers in NSW fell by 1.7 per cent in February to be down 4.3 per cent through the year. Nationally, housing commitments fell by 0.5 per cent in the month and down 2.1 per cent through the year. Over the three months to February 2017, the proportion of first home-buyers to total home-buyers (excluding refinancing) was 12.6 per cent for NSW and 20.1 per cent nationally compared with January 2017 figure of 12.9 per cent for NSW and 20.4 per cent nationally.

APM released housing market data for March showing that the Sydney auction clearance rate decreased to 75 per cent. This is above the 69 per cent rate recorded a year ago and well above the long run average of 58 per cent.

The March **NAB Monthly Business Survey** showed that NSW business confidence eased by 2 index points to +4 points and business conditions rose by 1 index point to +15 points. Nationally, business confidence fell by 1 index point to +6 points and business conditions increased by 5 index points to +14 points.

The **Westpac – Melbourne Institute Consumer Sentiment Survey** showed that NSW consumer sentiment decreased by 9.3 per cent to 96.5 index points in April. Nationally, consumer sentiment fell by 0.7 per cent to 99.0 index points. An index over 100 indicates optimists outweigh pessimists.

ABS Overseas Arrivals and Departures data for February showed that visitors to NSW increased by 4.9 per cent through the year to reach 317.0k in the month. Nationally, visitors increased by 2.6 per cent through the year to reach 769.8k in the month.

ABS Lending Finance data for February indicated that NSW investor housing finance approvals were up 26.4 per cent compared to a year ago, while national investor housing finance approvals were up 9.0 per cent. More broadly, total NSW commercial finance was down 8.4 per cent through the year, while total national commercial finance was down 10.2 per cent.

ABS Building activity data showed that total construction work commenced rose by 23.8 per cent through the year to the December quarter, while work done and work yet to be done were up 15.4 per cent and 19.7 per cent respectively. Nationally, work commenced was up 5.2 per cent, work done was up 4.6 per cent and work yet to be done up 12.1 per cent during the same period.

The NSW **Unemployment Rate** decreased 0.1 percentage points to 5.1 per cent in March. Nationally the unemployment rate was unchanged at 5.9 per cent. Employment in NSW increased by 23,300 in the month and was up 20,000 (0.5 per cent) through the year. Nationally, employment increased by 60,900 in the month, and was 145,900 (or 1.2 per cent) higher through the year.

Markets

The ASX200 increased by 0.5 per cent and the US S&P500 decreased by 1.1 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2,329.0	11.9 %	-1.1 %
ASX200	5,890.0	14.2 %	0.5 %
Australian Dollar (USD)	0.76	-1.9 %	1.1 %
TWI	65.5	1.2 %	0.5 %
Oil (USD/bbl)	53.2	31.8 %	1.8 %
Gold (USD/oz)	1,284.2	4.6 %	1.4 %
Thermal Coal (USD/tonnes)	84.2	65.5 %	-4.6 %
Australian 10-yr bond	2.47%	-8.3 bps	-7.7 bps
US 10-yr bond	2.24%	48.6 bps	-14.5 bps
NSW 10-yr bond (bps) maturity 2026	2.69%	- bps	-6.4 bps

Chart E: Interest Rate Expectations

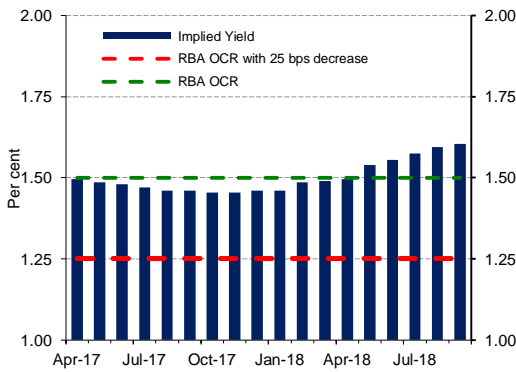
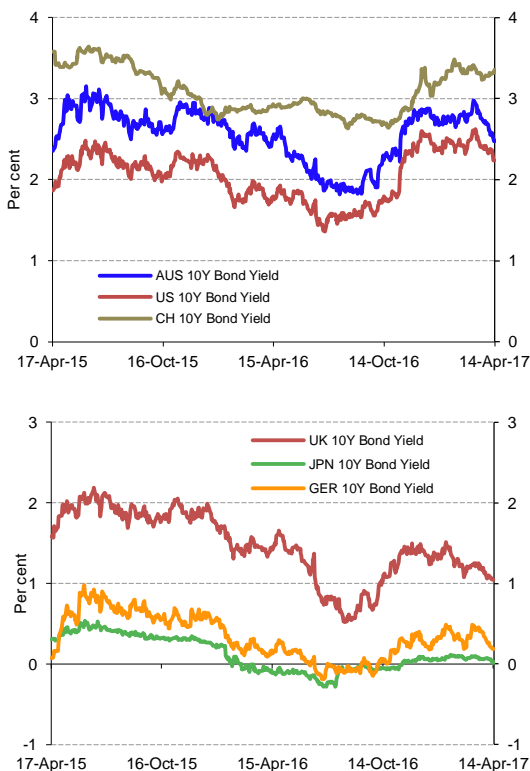


Chart F & G: International Bond Yields



Upcoming Domestic Data Releases (17/04 – 21/04)

- The **ABS** will release Detailed Labour Force and Sales of New Motor Vehicles data for March.
- **NAB** will release Quarterly Business Survey data for the March quarter.
- **ANZ** will release the Stateometer for February.

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 leave the cash rate unchanged past the projection period which extends to September 2018.

According to the ASX Target Rate Tracker, as of 13 April, there is a 6 per cent expectation that the RBA will lower the cash rate to 1.25 per cent at its policy meeting on 2 May 2017.

International Bond Yield Spreads

US bond yields fell over the week to Friday partly due to geopolitical worries and comments by Trump on keeping low interest rates. This is the biggest weekly decline this year. The spread between US and Germany bond yields remains above two percentage points. Bond yields fell in all countries tracked except China over the past 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)	2.47	-8.3	-7.7	23.7	80.5
United States (US)	2.24	48.6	-14.5	-	-
Germany (GER)	0.19	6.0	-4.1	-205.0	-162.5
United Kingdom (UK)	1.04	-37.1	-3.2	-119.4	-33.8
Japan (JPN)	0.01	12.5	-5.1	-222.7	-186.7
China (CH)	3.36	45.3	6.8	112.3	115.5

Key International Data Releases

US: Retail Sales fell by 0.2 per cent in March to be up 5.2 per cent through the year, amid softening demand for automobiles. The CPI rose by 2.4 per cent through the year to March, compared with 2.7 per cent increase in February. The PPI increased by 2.3 per cent through the year to March, compared with 2.2 per cent increase in February.

China: The CPI increased by 0.9 per cent through the year to March due partly to price increases in non-food sectors, compared with a 0.8 per cent increase in the previous month. The PPI rose by 7.6 per cent through the year March, lower than its peak of 7.8 per cent increase in the previous month. Trade surplus was \$23.93 billion in March, more than double the market expectations.

UK: The CPI remained unchanged at 2.3 per cent in March, above the Bank of England's inflation target of 2 per cent. The Unemployment Rate was 4.7 per cent in February, compared with 5.1 per cent a year earlier.

Upcoming Key International Data Releases (17/04 – 21/04)

- **US:** Industrial Production and Manufacturing Production data for March as well as Manufacturing PMI for April
- **China:** GDP data for the March quarter as well as Industrial Production and Retail Sales data for March
- **Euro Area:** Trade Balance data for February as well as Consumer Confidence and Manufacturing PMI data for April