

Chart A: Domestic Interest Rates

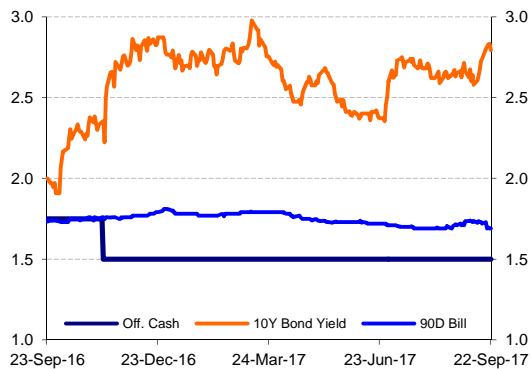


Chart B: Share Price Index

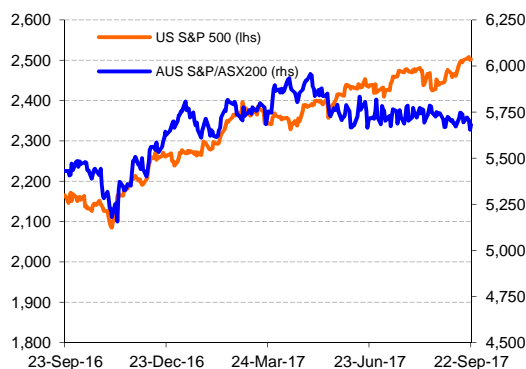


Chart C: Exchange rate

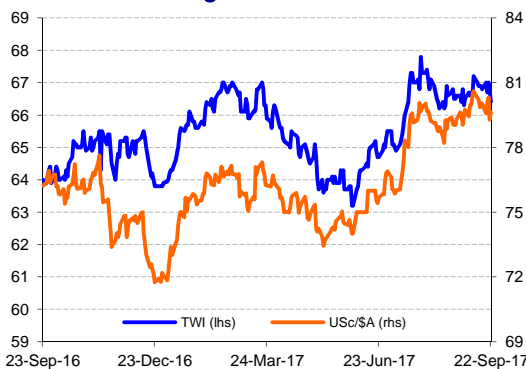
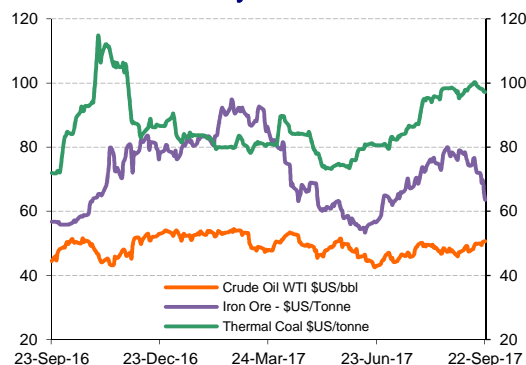


Chart D: Commodity Prices



Domestic Data Releases

Regional Labour Force data showed that the regional unemployment rate, in 12-month moving average terms to August 2017, was 4.7 per cent in Greater Sydney and 5.5 per cent in the Rest of NSW. Other regional unemployment rates were 5.4 per cent in Western Sydney, 5.2 per cent in the Greater Hunter and 6.0 per cent in the Greater Illawarra.

Industry Labour Force data showed that NSW annual average employment growth was 0.7 per cent, the biggest contributors being the construction industry (adding 0.7 percentage points) and Public administration and safety (adding 0.4 percentage points). While Retail trade (detracting 0.5 percentage points) and Agriculture and Forestry (detracting 0.3 percentage points) detracted the most from employment growth.

Markets

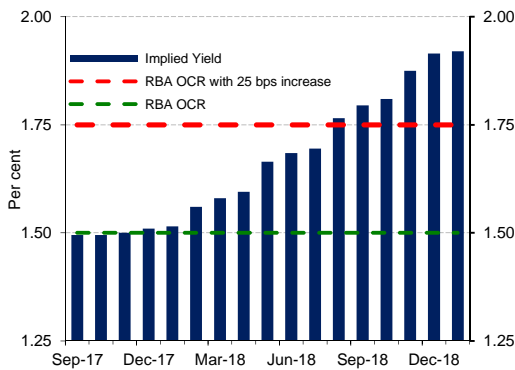
The ASX200 fell by 0.2 per cent and the US S&P500 rose by 0.1 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2502.2	15.6 %	0.1 %
ASX200	5682.1	4.6 %	-0.2 %
Australian Dollar (USD)	0.80	4.4 %	-0.5 %
TWI	66.4	3.8 %	-0.6 %
Oil (USD/bbl)	50.7	13.9 %	1.5 %
Gold (USD/oz)	1294.8	-3.3 %	-2.1 %
Thermal Coal (USD/tonnes)	97.2	35.1 %	-2.0 %
Australian 10-yr bond	2.79%	79.6 bps	5.2 bps
US 10-yr bond	2.25%	63.2 bps	4.8 bps
NSW 10-yr bond (bps) maturity 2026	2.96%	-	bps 4.7 bps

Upcoming Domestic Data Releases (25/09– 29/09)

- The **ABS** will release Demographic statistics for the March quarter, Engineering construction activity data for the June quarter and Job vacancies data for the August quarter.
- The **RBA** will release Private sector credit for August and a speech by Guy Debelle.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

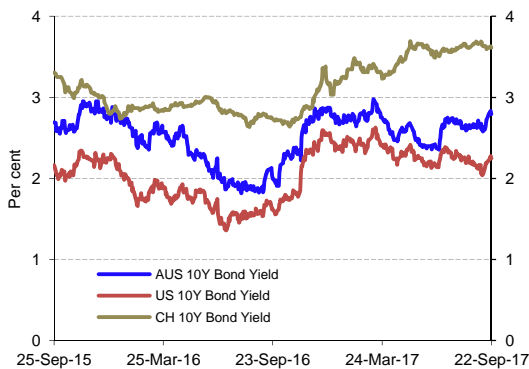
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in May 2018.

According to the ASX Target Rate Tracker, as of 22 September, 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 3 October 2017.

International Bond Yield Spreads

US bond yields rose by 4.8 basis points over the week to Friday while Australian bonds rose by 5.2 basis points to reach 2.79 per cent, their highest level since March. The spread between US and Australian bond yields was 54 basis points last week, up from 20 basis points 3 months ago. Rising Australian yields indicate that investors are selling out of the relative safety of bonds and purchasing growth assets like shares or property.

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)	2.79	79.6	5.2	54.4	38.0
United States (US)	2.25	63.2	4.8	-	-
Germany (GER)	0.45	52.9	1.4	-180.3	-170.0
United Kingdom (UK)	1.36	62.5	4.6	-89.5	-88.8
Japan (JPN)	0.03	7.9	0.5	-221.6	-166.3
China (CH)	3.62	88.3	1.3	136.5	111.4

Key International Data Releases

US: The US Fed decided to leave Interest rates unchanged at 1.25 to 1.5 per cent and are expected increase rates one more time this year. In a landmark decision the Fed announced it would start slowing cutting it \$4.5 trillion balance sheet in October, initially by just \$10bn per month. Janet Yellen said the normalisation process would be gradual and predictable. Markit Manufacturing PMI dropped to 52.8 in August from 53.3 in July, the lowest reading since June 2016 – reading above 50 indicates an expansion of output. This is despite the report highlighting that workforce numbers grew by their fastest pace in six months.

UK: Retail sales rose by 1.0 per cent in August, well above the market expectation of 0.2 per cent to be 2.4 per cent through the year. The strong result was driven by non-food stores which rose by 2.8 per cent though the year while food stores were flat.

Japan: The Bank of Japan kept monetary policy steady on and maintained its upbeat view of the economy, signalling its conviction that a solid recovery will gradually accelerate inflation towards its 2 percent target without additional stimulus.

Euro: Consumer confidence rose 0.3 index points to -1.2 index points, the highest level since April 2001 – two years after the euro was launched.

Canada: CPI rose by 1.4 per cent through the year to August, up slightly from July. The increase was largely driven by higher transportation and shelter costs, rising by 2.8 per cent and 1.3 per cent respectively.

Upcoming Key International Data Releases (25/09 – 29/09)

- **US:** Consumer confidence data for September and New Home sales data for August
- **UK:** Consumer confidence data for September and Current Account data for the June quarter
- **Germany:** Retail sales data for August, Consumer confidence for October and CPI and unemployment rate data for September
- **Japan:** Retail sales, CPI, Unemployment rate and industrial production data for August and Manufacturing PMI data for September