

Chart A: Domestic Interest Rates

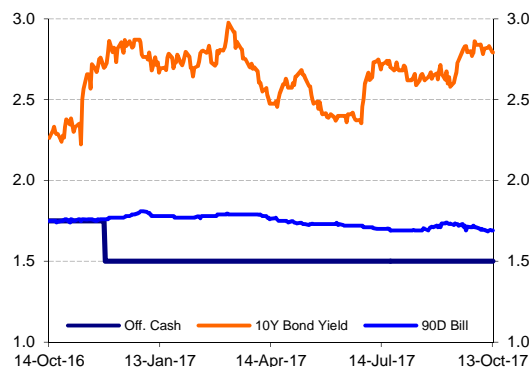


Chart B: Share Price Index

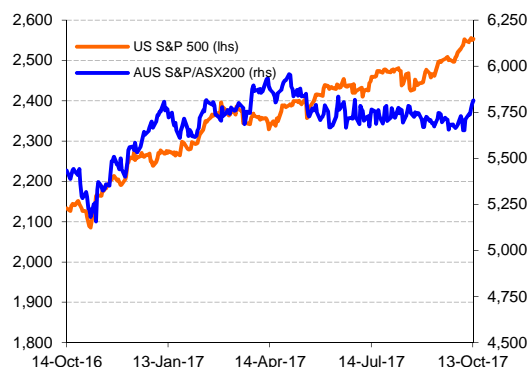


Chart C: Exchange rate

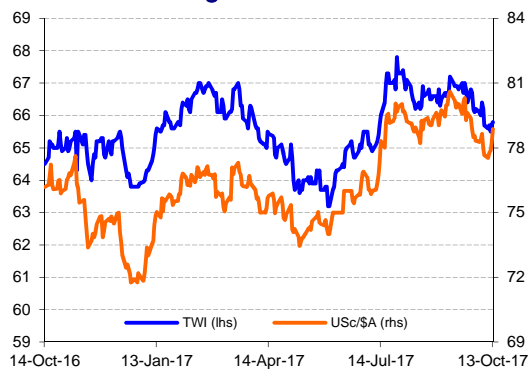
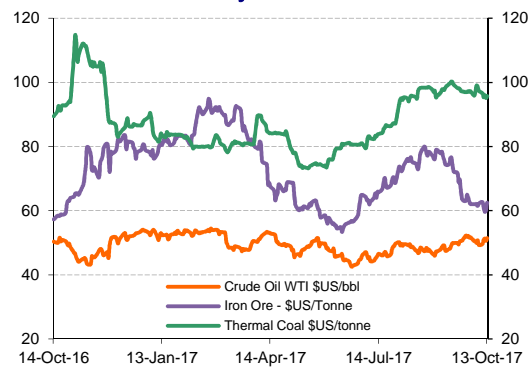


Chart D: Commodity Prices



Domestic Data Releases

APM released housing market data for September showing that the Sydney auction clearance rate remained unchanged at 63 per cent. This is below the 73 per cent rate recorded a year ago and well above the long run average of 58 per cent.

The September **NAB Monthly Business Survey** showed that NSW business confidence fell by 4 index points to +5 points and business conditions increased by 5 index point to +18 points. Nationally, business confidence fell by 2 index point to +7 points and business conditions remained unchanged at +14 points.

The Westpac – Melbourne Institute **Consumer Sentiment Survey** showed that NSW consumer sentiment rose by 7.3 per cent to 103.7 index points in October. Nationally, consumer sentiment rose by 3.6 per cent to 101.4 index points. An index over 100 indicates optimists outweigh pessimists.

ABS Building activity data showed that the 12 months sum of total dwelling completions were 63,446, up 22.4 per cent through the year. Total dwelling commencements were 72,952, up 13.0 per cent through the year. Total value of work approved but not yet commenced is up 6.7 per cent from a year earlier. Nationally, through the year completions were up 8.8 per cent, commencements were down 0.6 per cent and approved but not yet commenced was up 11.2 per cent.

Markets

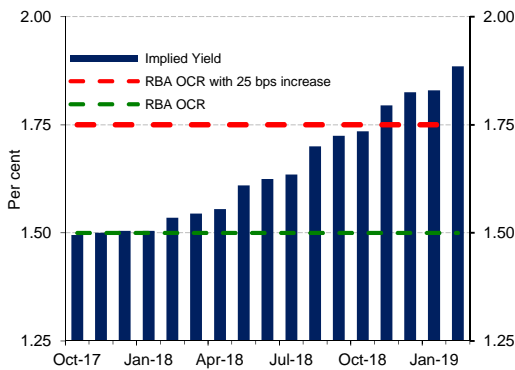
The ASX200 rose by 1.8 per cent and the US S&P500 rose by 0.2 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2553.17	19.7 %	0.2 %
ASX200	5814.15	7.0 %	1.8 %
Australian Dollar (USD)	0.79	3.5 %	1.5 %
TWI	65.80	2.0 %	0.2 %
Oil (USD/bbl)	51.45	2.2 %	4.4 %
Gold (USD/oz)	1299.60	3.8 %	3.0 %
Thermal Coal (USD/tonnes)	95.75	7.0 %	-1.6 %
Australian 10-yr bond	2.79%	52.9 bps	-2.3 bps
US 10-yr bond	2.27%	47.5 bps	-8.6 bps
NSW 10-yr bond (bps) maturity 2026	2.95%	-	bps -2.4 bps

Upcoming Domestic Data Releases (16/10 – 20/10)

- The **ABS** will release overseas arrivals and departures and lending finance data for August, Labour force and sale of new motor vehicles data for September.
- The **RBA** will release Monetary policy minutes, a speech by Michele Bullock, Assistant Governor for October
- **NAB** will release their Quarterly Business Survey data for the September quarter

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

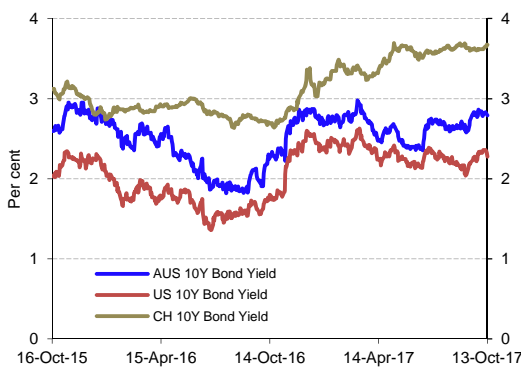
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in July 2018.

According to the ASX Target Rate Tracker, as of 12 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 fell by 8.6 basis points over the week to Friday as investors digested the latest FOMC minutes, with the US central bank indicating that an interest rate hike is likely for later in 2017, even if low inflation continues to weigh on sentiment. The spread between US and Australian bond yields was 52 basis points last week.

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	52.9	-2.3	51.9	46.5
United States (US)	2.27	47.5	-8.6	-	-
Germany (GER)	0.40	34.5	-5.6	-187.0	-174.0
United Kingdom (UK)	1.37	27.0	0.4	-90.6	-70.1
Japan (JPN)	0.06	11.8	0.8	-220.9	-185.2
China (CH)	3.67	98.2	5.6	139.9	89.2

Key International Data Releases

US: CPI rose by 0.5 per cent in September, the biggest increase in eight months to be 2.2 per cent higher through the year. The strong rise was due to gasoline prices soaring in the wake of hurricane-related production disruptions at oil refineries in the Gulf Coast area. Underlying inflation remained muted. Retail sales increased by 1.6 per cent in September, the largest increase since March 2015, to be 4.4 per cent higher on an annual basis. The strong rise was likely due to an increase in building material and motor vehicle sales in the areas effected by Hurricanes Harvey and Irma.

Euro: Industrial production rose 1.4 per cent in August to be 3.8 per cent higher through the year. The increase in the month was supported by production of capital goods rising by 3.1 per cent.

UK: Industrial production growth surpassed annual expectations of 0.8 per cent, increasing 1.6 per cent through the year to August.

Japan: Machinery Orders rose by 3.4 per cent in August, rising for the second consecutive month. Orders from manufactures surged in August by 16.1 per cent while orders from non-manufacturers excluding volatile orders rose by 3.1 per cent.

Upcoming Key International Data Releases (16/10 – 20/10)

- **US:** Industrial Production data for September
- **UK:** CPI, PPI, Retail sales data for September and the unemployment rate data for August
- **Japan:** Balance of trade data for September
- **China:** Industrial Production, Retail sales, CPI and PPI data for September and GDP data for the September quarter
- **Canada:** CPI data for September and Retail Sales data for August