Weekly Economic & Financial Market Roundup

Week ended Friday 16 February 2018

Monday, 19 February 2018

Chart A: Domestic Interest Rates

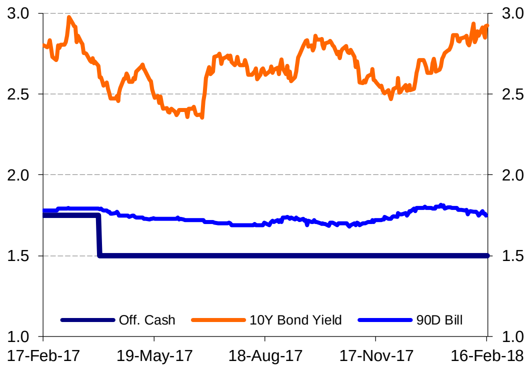


Chart B: Share Price Index

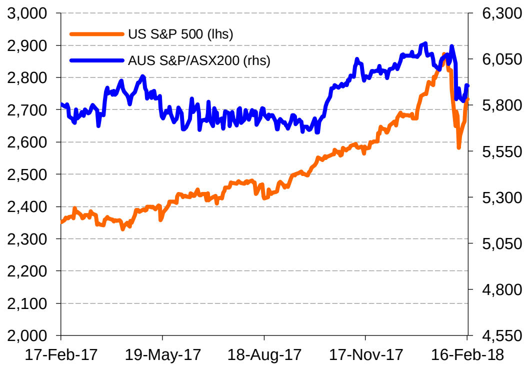


Chart C: Exchange rate

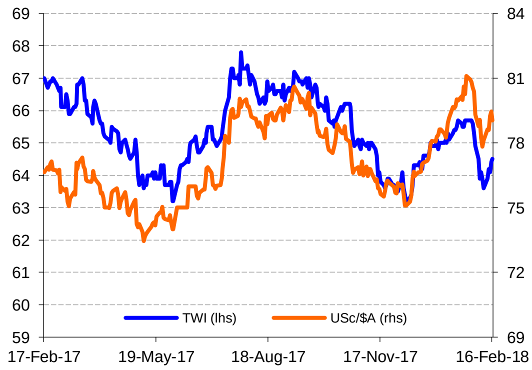
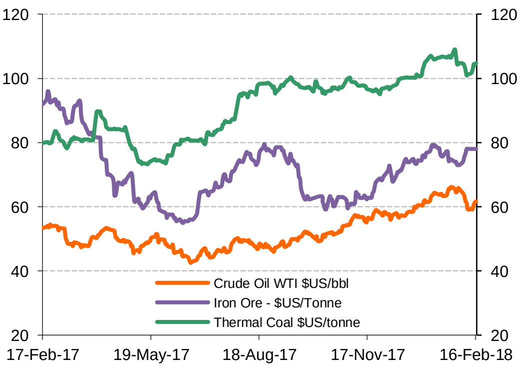


Chart D: Commodity Prices



Domestic Data Releases

ABS Lending Finance data showed that investor housing finance commitments in NSW fell by 19.4 per cent through the year to December. In the rest of Australia, commitments fell by 8.6 per cent through the year.

NAB released its **Monthly Business Survey**, which showed that NSW business conditions rose from +12 in December to +22 in January; NSW business confidence rose from +8 to +15. Nationally, business conditions rose from +13 to +19, and business confidence rose from +10 to +12.

W-MI released its monthly **Consumer Sentiment Index**, showing that consumer sentiment in NSW declined by 7.2 per cent in February to 99.5 index points. Nationally, the index was down 2.3 per cent in the month to 102.7 index points.

ABS Labour Force data for January showed that the NSW unemployment rate rose by 0.3 percentage points to 5.1 per cent whilst nationally the unemployment rate was steady at 5.5 per cent. Total employment in NSW fell by 0.5 per cent in the month to be up 3.5 per cent through the year. Nationally, total employment increased by 16,036 in the month to be up 3.3 per cent through the year.

Markets

Over the week to Friday, the ASX200 rose by 1.1 per cent, the US S&P500 rose by 4.3 per cent and thermal coal prices rose by 3.5 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2732.22	16.2 %	4.3 %
ASX200	5904.04	1.7 %	1.1 %
Australian Dollar (USD)	0.79	3.1 %	1.2 %
TWI	64.50	-3.7 %	1.4 %
Oil (USD/bbl)	61.68	15.5 %	4.2 %
Gold (USD/oz)	1352.10	8.9 %	2.9 %
Thermal Coal (USD/tonnes)	104.70	31.0 %	3.5 %
Australian 10-yr bond	2.92%	12.1 bps	6.2 bps
US 10-yr bond	2.87%	46.0 bps	2.4 bps
NSW 10-yr bond (bps) maturity 2026	3.08%	- bps	6.9 bps

Upcoming Domestic Data Releases (19/02 – 23/02)

- **ABS** will release Overseas Arrivals and Departures data for December, Wage Price Index and Construction Work Done for the December quarter. They will also release Average Weekly Earnings data for November, Regional Labour Force and Youth Labour Force data for January.
- The **RBA** will release Monetary Policy minutes. Assistant Governor Michelle Bullock will have a speech at the Responsible Lending and Borrowing Summit, Sydney.
- **ANZ** will release its Stateometer index for the December quarter.

Chart E: Interest Rate Expectations

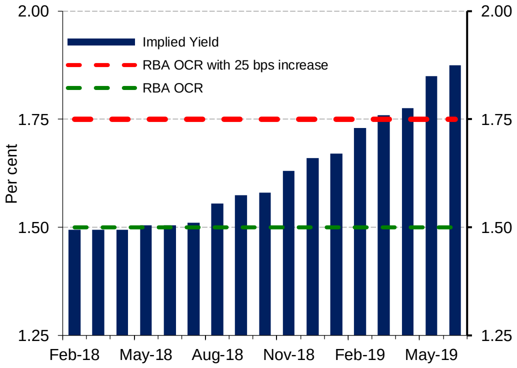
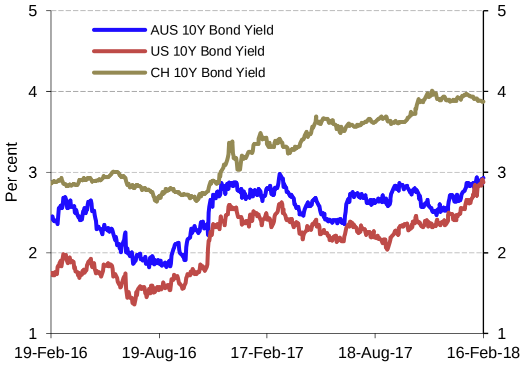
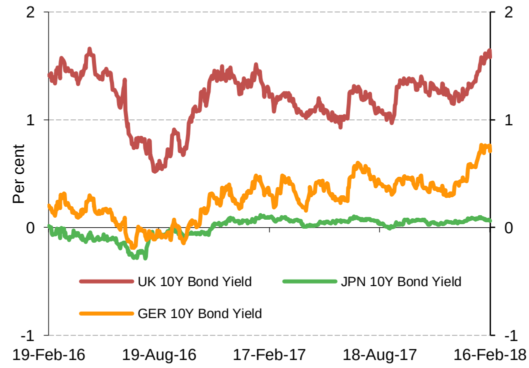


Chart F & G: International Bond Yields





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 8 February, 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 6 March 2018.

International Bond Yield Spreads

US bond yields rose by 2.4 basis points over the week to Friday. The 10-year bond yield edged up to a four-year high of 2.93 per cent this week as further signs of inflation pressures caused sustained selling of bonds. There are increasing concerns about the US economy overheating as significant tax cuts may translate into price increases. Bond yields fell in all countries tracked over the week except Australia, the UK and the US.

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)	2.92	12.1	6.2	4.9	38.8
United States (US)	2.87	46.0	2.4	-	-
Germany (GER)	0.71	40.4	-3.9	-216.9	-211.3
United Kingdom (UK)	1.58	37.0	1.1	-129.4	-120.4
Japan (JPN)	0.06	-3.5	-0.7	-281.6	-232.1
China (CH)	3.87	52.1	-1.4	99.7	93.6

Key International Data Releases

Euro area: Industrial production rose by 0.4 per cent in December compared with an increase of 1.3 per cent in the previous month, driven by increases in the production of durable consumer goods, intermediate goods, energy and non-durable consumer goods. GDP rose by 0.6 per cent during the December quarter compared with an increase of 0.7 per cent in the previous quarter.

US: The Consumer Price Index (CPI) increased by 0.5 per cent in January compared with an increase of 0.2 per cent in the previous month, driven by increases in the indexes for gasoline, shelter, apparel, medical care and food. Retail sales fell unexpectedly by 0.3 per cent in January due to falls in motor vehicles and building materials purchases. Industrial production fell by 0.1 per cent in January compared with an increase of 0.4 per cent in the previous month, due to decline in mining output.

Japan: GDP grew at an annualised rate of 0.5 in the December quarter compared with an annualised growth of 2.2 per cent in the previous quarter.

UK: The Consumer Price Index (CPI) remained flat at 3.0 per cent in January. Retail sales increased by 0.1 per cent in January with declines across all main sectors except non-food stores, compared with a decrease of 1.4 per cent in the previous month.

Upcoming Key International Data Releases (19/02 – 23/02)

- **US:** Jobless Claims data for February
- **Japan:** Trade Balance and CPI data for January as well as Manufacturing PMI for February
- **UK:** Unemployment Rate data for December and GDP for the December quarter
- **Euro:** Manufacturing PMI, Services PMI and Consumer Confidence data for February