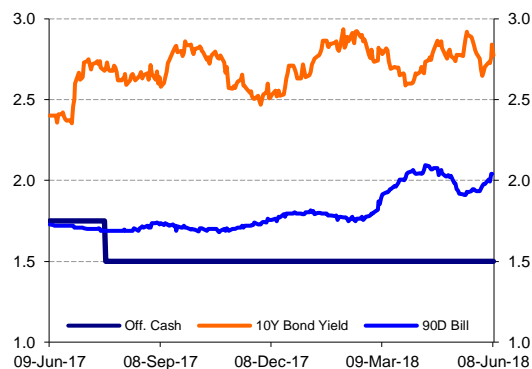
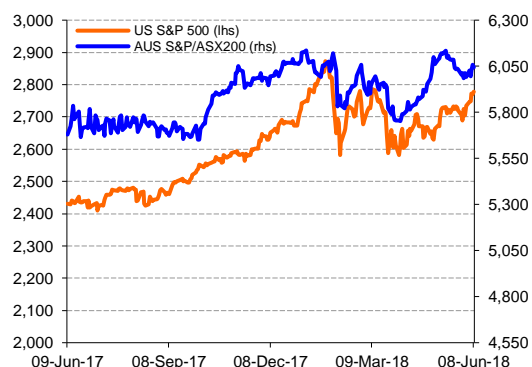


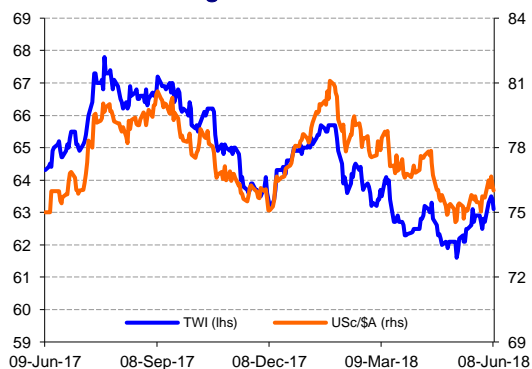
**Chart A: Domestic Interest Rates**



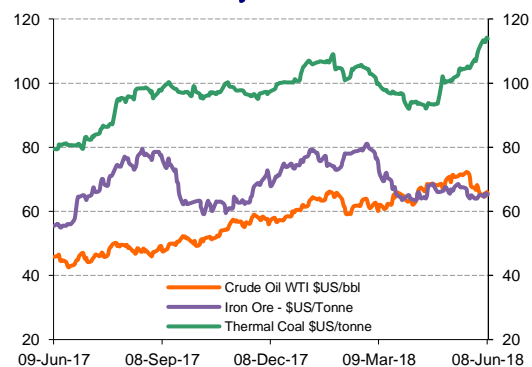
**Chart B: Share Price Index**



**Chart C: Exchange rate**



**Chart D: Commodity Prices**



## Domestic Data Releases

**ABS Retail Trade** data indicated that NSW nominal sales increased 0.7 per cent in April to be up 3.6 per cent through the year. In Australia, nominal sales increased 0.4 per cent in the month to be up 2.6 per cent through the year.

The **RBA Board** decided to leave the Official Cash Rate unchanged at 1.5 per cent following its monthly monetary policy meeting.

**ABS International Trade** data showed that the total value of NSW exports increased 2.8 per cent through the year to April, while imports increased 8.1 per cent through the year. Nationally, exports increased 6.5 per cent, and imports increased 12.2 per cent.

**ABS Balance of Payments** data showed that NSW export volumes increased 3.2 per cent through the year to the March quarter, while imports increased 5.7 per cent through the year. Nationally, exports increased 4.6 per cent through the year, and imports increased 4.7 per cent through the year. NSW's terms of trade increased 1.3 per cent through the year, while Australia's terms of trade decreased 2.6 per cent through the year.

**ABS National Accounts** data showed that NSW state final demand increased 0.7 per cent in the March quarter to be up 3.7 per cent through the year. Australian gross domestic product increased 1.0 per cent in the quarter, and 3.1 per cent through the year.

**APM Auction** data showed that the auction clearance rate rose to 53.1 per cent in Sydney in May, compared to 52.4 per cent in the previous month. The median house price in Sydney fell by 5.0 per cent through the year, and the median unit price fell by 3.0 per cent through the year – both well below long run average growth.

## Markets

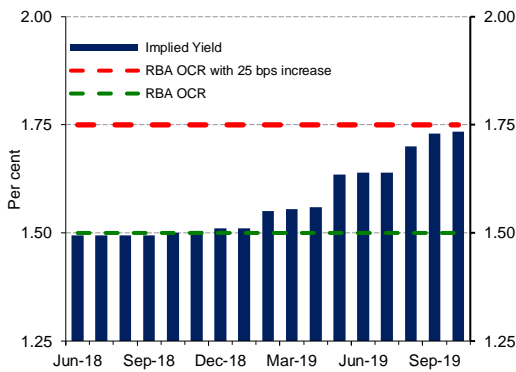
Over the week to Friday, the ASX200 rose by 0.9 per cent, the US S&P500 rose by 1.6 per cent and thermal coal prices rose by 2.5 per cent. Australian thermal coal prices increased to the highest level since 2012 this week, amid hot weather across northern Asia and disrupted coal exports from South Africa.

	Value	Change on Year	Change on Week
<b>US S&amp;P 500</b>	2779.03	14.3 %	1.6 %
<b>ASX200</b>	6045.18	6.5 %	0.9 %
<b>Australian Dollar (USD)</b>	0.76	1.3 %	0.4 %
<b>TWI</b>	63.10	-1.9 %	0.6 %
<b>Oil (USD/bbl)</b>	65.74	43.4 %	-0.1 %
<b>Gold (USD/oz)</b>	1298.25	2.5 %	0.3 %
<b>Thermal Coal (USD/tonnes)</b>	113.85	43.3 %	2.5 %
<b>Australian 10-yr bond</b>	2.78%	37.5 bps	7.3 bps
<b>US 10-yr bond</b>	2.95%	74.6 bps	4.4 bps
<b>NSW 10-yr bond (bps) maturity 2026</b>	2.94%	- bps	5.8 bps

## Upcoming Domestic Data Releases (11/06 – 15/06)

- **ABS** will release Housing Finance and Lending Finance data for April and Labour Force data for May.
- **NAB** will release its Monthly Business Survey data for May.
- **W-MI** will release its Consumer Sentiment data for June.

**Chart E: Interest Rate Expectations**



**Market Interest Rate Expectations**

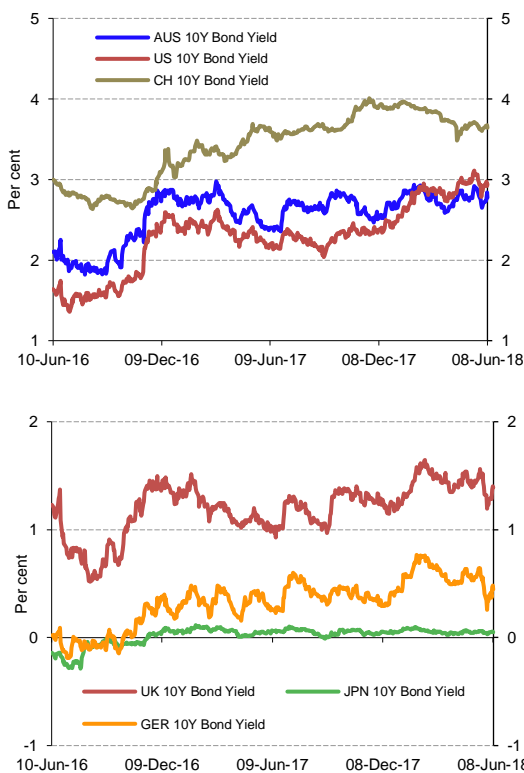
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in May 2019.

According to the ASX Target Rate Tracker, as at 8 June, 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 July 2018.

**International Bond Yield Spreads**

US bond yields rose by 4.4 basis points over the week to Friday. The yield held steady on the last trading day of the week. Concerns over a potential trade war in recent weeks have emerged after the US administration imposed tariffs on Canada, Mexico and Europe. Bond yields rose in all countries tracked except Japan.

**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)
<b>Australian (AUS)</b>	2.78	37.5	7.3	-17.1	20.0
<b>United States (US)</b>	2.95	74.6	4.4	-	-
<b>Germany (GER)</b>	0.45	18.9	6.3	-249.7	-194.0
<b>United Kingdom (UK)</b>	1.39	37.8	11.0	-155.8	-119.0
<b>Japan (JPN)</b>	0.05	-1.3	-0.1	-289.9	-214.0
<b>China (CH)</b>	3.65	4.9	1.4	69.9	139.6

**Key International Data Releases**

**China:** The Consumer Price Index (CPI) rose 1.8 per cent through the year to May, which is unchanged from April. The Producer Price Index (PPI) rose 4.1 per cent through the year to May compared with 3.4 per cent in the previous month. Trade surplus narrowed to \$24.92 billion in May compared with \$28.8 billion in the previous month.

**US:** Trade deficit decreased to \$46.2 billion in April from \$47.2 billion in the previous month.

**Euro:** Retail sales rose 0.1 per cent in April to be up 1.7 per cent through the year. This is due to a rise of 1.7 per cent in non-food products, while “food, drinks and tobacco” fell by 0.7 per cent and automotive fuels by 0.8 per cent.

**Germany:** Trade surplus increased to €20.4 billion in April from €20.2 billion in the previous month and €17.8 billion in the same month a year ago.

**Canada:** Unemployment rate remained unchanged at 5.8 per cent in May for the fourth consecutive month. Merchandise trade deficit narrowed to \$1.9 billion in April from \$3.9 billion in March.

**Upcoming Key International Data Releases (11/06 – 15/06)**

- **US:** CPI, PPI, Retail Sales and Industrial Production data for May.
- **Euro:** Trade Balance data for April and Interest Rate Decision for June.
- **UK:** Trade Balance and Unemployment Rate data for April as well as CPI and Retail Sales data for May.
- **China:** Industrial Production and Retail Sales data for May.
- **Japan:** PPI data for May.

## Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
11-Jun	12-Jun	13-Jun	14-Jun	15-Jun
	NAB Monthly Business Survey, May-18 ABS Housing Finance, Apr-18 ABS Lending Finance, Apr-18	ABARES Crop Report, Jun-18 W-MI Consumer Sentiment, Jun-18 Speech by Philip Lowe, Governor, at the Australian Industry Group members, Melbourne	ABS Labour Force, May-18	Speech by Luci Ellis, Assistant Governor (Economic), at the Infrastructure Partnerships Australia (IPA) Leader's Luncheon, Sydney
18-Jun	19-Jun	20-Jun	21-Jun	22-Jun
ABS Overseas Arrivals and Departures, Apr-18	RBA Monetary Policy Minutes, Jun-18 ABS Residential Property Price Indexes, MarQ-18	DoE Skilled Vacancies, May-18	ABS Detailed Monthly Labour Force, May-18 ABS Detailed Quarterly Labour Force, MayQ-18 RBA Bulletin, Jun-18	
25-Jun	26-Jun	27-Jun	28-Jun	29-Jun
		ABS Engineering Construction Activity, MarQ-18	ABS Job Vacancies, May-18	RBA Private Sector Credit, May-18
2-Jul	3-Jul	4-Jul	5-Jul	6-Jul
	RBA Interest Rate Decision, Jul-18 ABS Building Approvals, May-18	ABS International Trade in Goods & Services, May-18 ABS Retail Trade, May-18		APM Auction data, Jun-18
9-Jul	10-Jul	11-Jul	12-Jul	13-Jul
	NAB Monthly Business Survey, Jun-18 ABS Regional Building Approvals, May-18	W-MI Consumer Sentiment, Jul-18 ABS Housing Finance, May-18 ABS Building Activity, MarQ-18		ABS Lending Finance, May-18
16-Jul	17-Jul	18-Jul	19-Jul	20-Jul
ABS Overseas Arrivals and Departures, May-18	RBA Monetary Policy Minutes, Jul-18		NAB Quarterly Business Survey, JunQ-18 ABS Labour Force, Jun-18	

## ECONOMIC FACTS

ECONOMIC GROWTH				
ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
Gross State/ Domestic Product	2.9%	2.0%	% annual average	2016-17 Next: November 18
State/Domestic Final Demand	3.7%	3.2%	% through the year	March quarter 18 Next: 5 September 18
	0.7%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+8	+10	NAB Index	April 18 (mthly) Next: 12 June 18
NAB Business Conditions	+21	+21		
HOUSING				
Dwelling Approvals	70.8k	227.9k	Number of app 12mms	April 18 (mthly) Next: 3 July 2018
	-5.1%	-5.5%	% annual average	
Residential Prices (capitals)	3.8%	5.0%	% through the year	December quarter 17 Next: 19 June 18
LABOUR FORCE				
Employment	4.1%	2.7%	% through the year	April 18 (mthly) Next: 14 June 18
Unemployment Rate	5.0%	5.6%	Current rate	
Youth unemployment rate	10.7%	12.6%	12 monthly moving average rate	
CONSUMER				
Retail Sales	3.6%	2.6%	% through the year	April 18 (mthly) Next: 4 July 18
Westpac MI Consumer Confidence	101.7	101.8	Westpac MI Index	May 18 (mthly) Next: 13 June 18
CPI (Capital cities)	2.1%	1.9%	% through the year	March quarter 18 Next: 25 July 2018
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 3 July 18

ECONOMIC FORECASTS	NSW Forecasts (as per 2017-18 HYR)			Australian Gov't Forecasts (as per 2018-19 Budget)		
	2016-17 Actual	2017-18 Forecast	2018-19 Forecast	2016-17 Actual	2017-18 Forecast	2018-19 Forecast
State/Domestic Final Demand (%)	3.8	3½	2¾	2.3	n.a.	n.a.
Gross State /Domestic Product (%)	2.9	3	2¾	2.1	2¾	3
Employment (%) (a)	0.9	2½	1¾	1.9	2¾	1½
Unemployment rate (%) <sup>(b)</sup>	5.0	4¾	4¾	5.6	5½	5¼
CPI (%) <sup>(c)</sup>	2.0	2¼	2¼	1.9	2	2¼
Wage Price Index (%)	2.1	2	2½	1.9	2¼	2¾

(a) Australia: per cent change through the year to June quarter, NSW: year average per cent growth (b) Australia: per cent in the June quarter, NSW: year average per cent (c) Australia and NSW: per cent change through the year to June quarter