

Chart A: Domestic Interest Rates

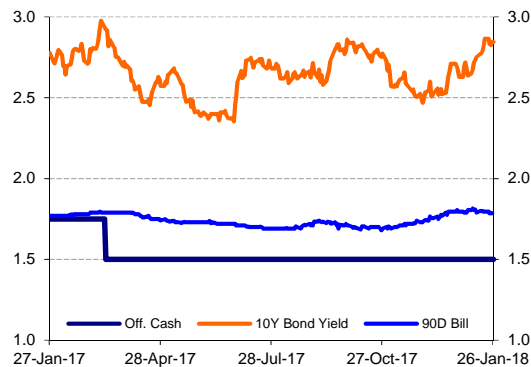


Chart B: Share Price Index

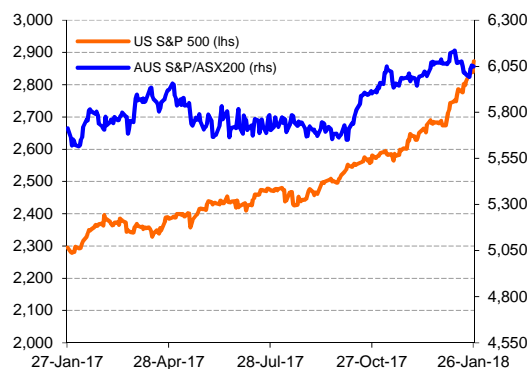


Chart C: Exchange rate

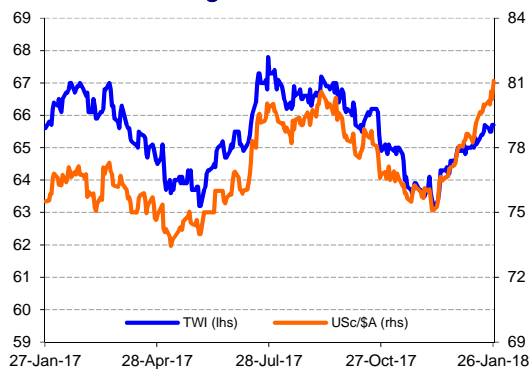
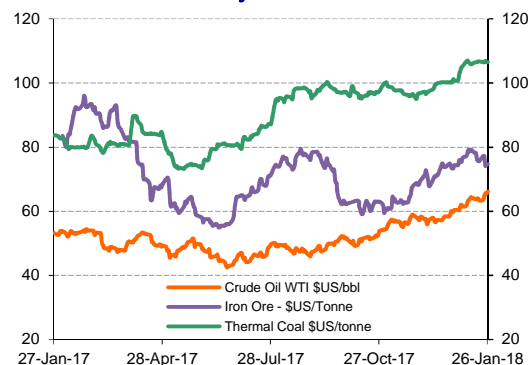


Chart D: Commodity Prices



Domestic Data Releases

ABS Detailed Labour Force data showed that employment in Greater Sydney grew by 3.9 per cent through the year to December 2017, while employment in Regional NSW grew by 3.4 per cent. In December the unemployment rate was 4.6 per cent in Greater Sydney, 5.6 per cent in the Greater Illawarra, 5.2 per cent in the Greater Hunter, and 5.3 per cent in Regional NSW. The NSW youth unemployment rate was 11.0 per cent in December.

Markets

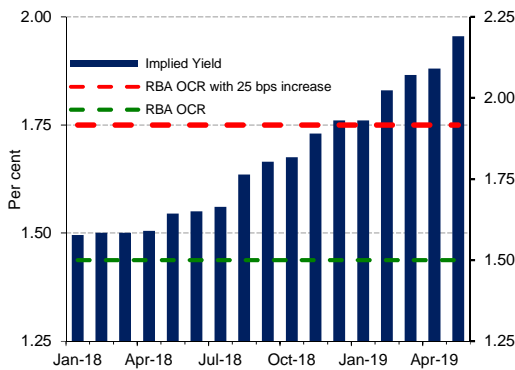
The ASX200 rose by 0.7 per cent and the US S&P500 rose by 2.2 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2872.87	25.2 %	2.2 %
ASX200	6050.02	5.9 %	0.7 %
Australian Dollar (USD)	0.81	7.4 %	1.4 %
TWI	65.70	0.2 %	0.0 %
Oil (USD/bbl)	66.14	24.4 %	4.4 %
Gold (USD/oz)	1353.15	14.2 %	1.4 %
Thermal Coal (USD/tonnes)	106.50	27.2 %	-0.2 %
Australian 10-yr bond	2.85%	6.7 bps	-2.0 bps
US 10-yr bond	2.66%	17.6 bps	0.1 bps
NSW 10-yr bond (bps) maturity 2026	3.01% -	bps	-0.3 bps

Upcoming Domestic Data Releases (29/01 – 02/02)

- **Commsec** will release its State of the States report for the December quarter 2017.
- **NAB** will release its Monthly Business Survey for December 2017.
- The **ABS** will release Consumer Price Index, Producer Price Index and International Trade Price data for the December quarter 2017, and Building Approvals data for December 2017.
- The **RBA** will release Private Sector Credit data for December 2017.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

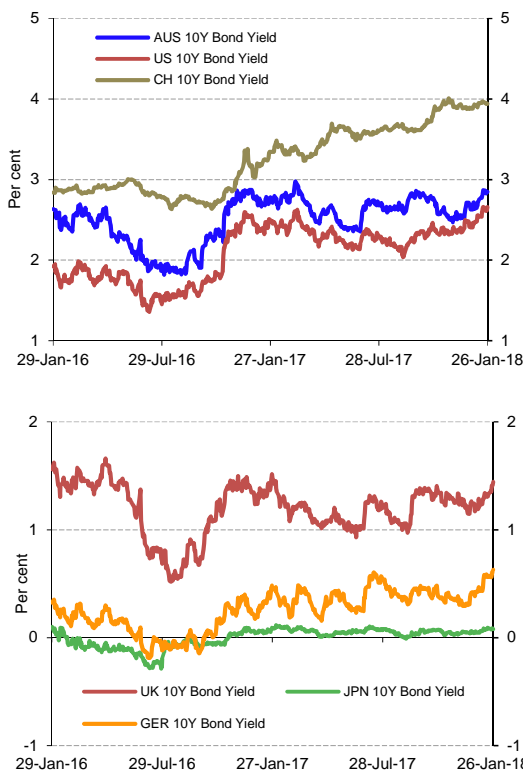
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in August 2018.

According to the ASX Target Rate Tracker, as of 25 January, 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 6 February 2018.

International Bond Yield Spreads

US bond yields rose by 0.1 basis points over the week to Friday. German bonds rose to a 3-month high following ongoing positive data in the Eurozone, as well as ECB President Mario Draghi's comments that he expects Euro inflation to rise in the medium term. The recent sell-off of UK 10 years reflected continued signs of progress in Brexit negotiations. The spread between US and Australian 10 year bonds was 18.6 basis points on Friday.

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)	2.85	6.7	-2.0	18.6	29.5
United States (US)	2.66	17.6	0.1	-	-
Germany (GER)	0.63	16.7	6.1	-203.1	-202.2
United Kingdom (UK)	1.44	-2.7	10.7	-121.6	-101.3
Japan (JPN)	0.08	-0.6	-0.7	-258.2	-240.0
China (CH)	3.94	59.4	-3.0	127.9	86.1

Key International Data Releases

UK: The unemployment rate stood at a 42-year low of 4.3 percent in the three months to November 2017, unchanged from the June to August period and in line with market expectations. The number of employed rose to a record high amidst strong labour demand and increasing nominal wage growth. However, UK workers continue to have declining real wages.

US: People filing for unemployment benefits rose to 233,000 in the week ended January 20th, from the previous week's 45-year low of 216,000 and below market expectations of 236,000. This signifies tightening labour market conditions however claims taking procedure in Puerto Rico and the Virgin Islands have still not returned to normal after Hurricanes Irma and Maria.

Euro area: Benchmark refinancing rate was held at 0 per cent, as expected.

Germany: The GfK Consumer confidence rose to 11 for February from 10.8 in January and above market consensus of 10.8. It was the highest reading since October 2001, due to rises in both economic and income expectations as well as propensity to buy.

Japan: The trade surplus dropped to ¥359 billion in December, missing expectations of a ¥530 billion surplus, as imports of crude oil and telecommunications products increased. CPI rose by 1.0 per cent through the year to December, after a 0.6 per cent gain in the prior month while markets expected 1.1 per cent. It was the highest inflation rate since March 2015, mainly driven by a jump in cost of food and an increase in fuel, light and water charges. The Bank of Japan left its short-term interest rate unchanged at -0.1 per cent at its January 2018 meeting, as expected.

Upcoming Key International Data Releases (29/01 – 02/02)

- **US:** Manufacturing PMI, Nonfarm Payrolls, Unemployment data and Federal interest rate decision for January 2018.
- **Euro:** GDP Growth for the December Quarter, CPI data for January and Unemployment data for December.
- **Japan:** Unemployment Rate and Retail Sales data for December 2017. Consumer confidence data for January 2018.