

Chart A: Domestic Interest Rates

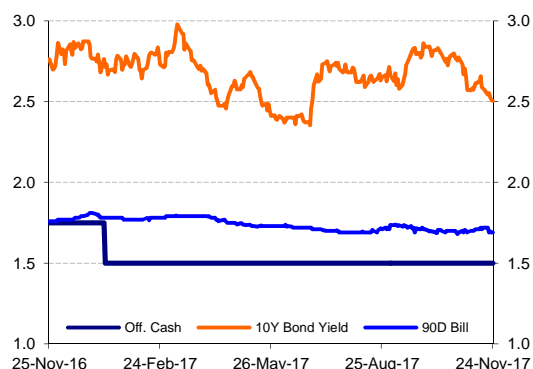


Chart B: Share Price Index

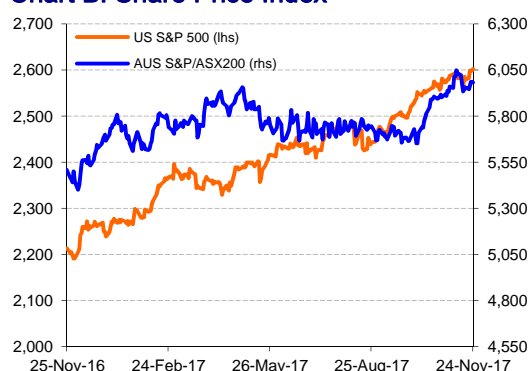


Chart C: Exchange rate

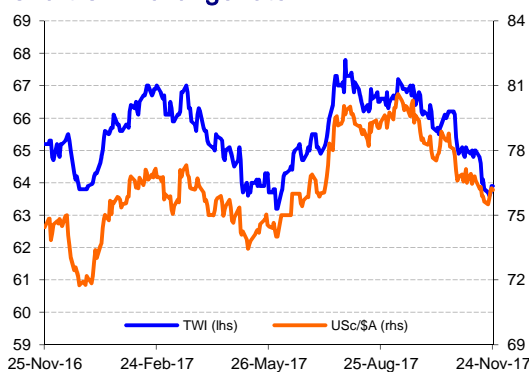
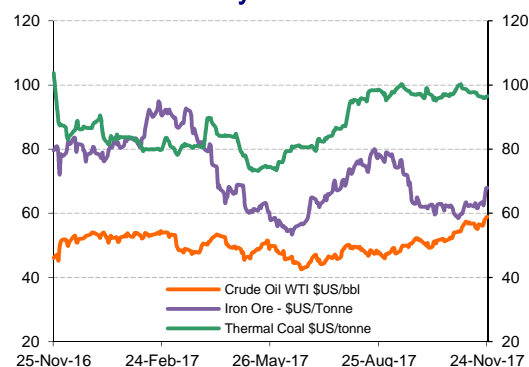


Chart D: Commodity Prices



Domestic Data Releases

The **ABS** released data on **Construction Work Done** for the September Quarter, which showed that building work done (residential, public and private non-residential) was up 2.3 per cent through the year in NSW, and 1.4 per cent through the year in Australia. Engineering work done was up 32.8 per cent through the year in NSW and 68.4 per cent through the year nationally. Total work done (building and engineering) was up 12.4 per cent through the year in NSW and 30.1 per cent through the nationally.

ABS Regional Labour Force data showed that employment increased by 50,000 (1.9 per cent) in Greater Sydney through the year to October; the unemployment rate in Greater Sydney fell by 0.2 percentage points to 4.6 over the year October. In the rest of NSW employment increased by 41,000 (3.3 per cent), and the unemployment rate fell by 0.3 percentage points to 5.4 per cent. The unemployment rate was 5.3 per cent in Western Sydney, 5.8 per cent in the Greater Illawarra, and 5.2 per cent in the Greater Hunter.

ANZ's Stateometer report said that economic activity in NSW was above trend in the September quarter, driven by an improvement in labour market activity and strong housing activity. The report said that the main drag for NSW in the third quarter was the household sector. Nationally, the report highlighted a relatively strong outlook. Growth is solid among the eastern states, and the recovery of the mining states is continuing.

Markets

The ASX200 rose by 0.4 per cent and the US S&P500 rose by 0.9 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2602.42	17.6 %	0.9 %
ASX200	5982.55	8.6 %	0.4 %
Australian Dollar (USD)	0.76	2.3 %	0.7 %
TWI	63.90	-2.0 %	0.2 %
Oil (USD/bbl)	58.95	28.0 %	4.2 %
Gold (USD/oz)	1290.50	8.7 %	0.5 %
Thermal Coal (USD/tonnes)	96.55	-6.9 %	0.0 %
Australian 10-yr bond	2.50%	-25.7 bps	-6.9 bps
US 10-yr bond	2.34%	-1.5 bps	-0.2 bps
NSW 10-yr bond (bps) maturity 2026	2.70%	-	bps -5.3 bps

Upcoming Domestic Data Releases (27/11 – 1/12)

- The **ABS** will release its Capital Expenditure data for the September quarter, and Building Approvals data for October.
- The **RBA** will release Private Sector Credit data for October.

Chart E: Interest Rate Expectations

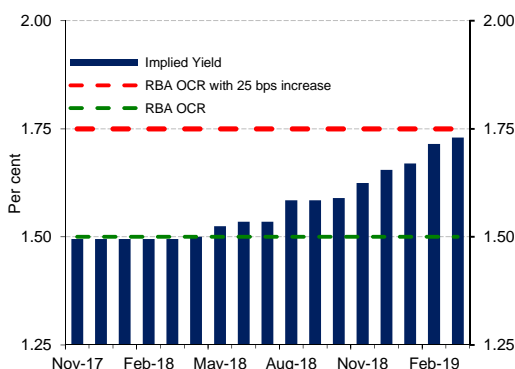
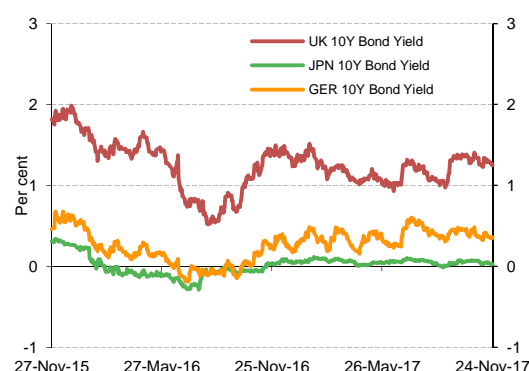
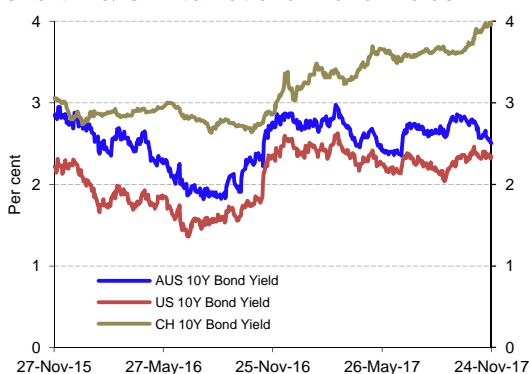


Chart F & G: International Bond Yields



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 December 2018.

According to the ASX Target Rate Tracker, as of 24 November, 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 5 December 2017.

International Bond Yield Spreads

US bond yields fell by 0.2 basis points over the week to Friday, staying relatively flat in line with global yields. Yields are being held down by stubbornly low inflation, which has flattened yield curves. However, strong data out of Europe suggested that there may be pressure on yields to rise. The spread between US and Australian bond yields was 16.2 basis points last week.

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)	2.50	-25.7	-6.9	16.2	40.4
United States (US)	2.34	-1.5	-0.2	-	-
Germany (GER)	0.36	12.0	-0.1	-198.2	-211.7
United Kingdom (UK)	1.25	-16.7	-4.4	-109.2	-94.0
Japan (JPN)	0.03	-1.3	-0.7	-231.3	-231.5
China (CH)	3.96	109.1	2.1	161.5	50.9

Key International Data Releases

Euro: Consumer Confidence data beat expectations to rise to 0.1 index points in November, its highest level since 2001, and a sign of the ongoing pickup in the Euro economy. The read on consumer sentiment will have encouraged the ECB, which recently decided to cut the rate of monthly bond purchases as part of its quantitative easing program.

Germany: The manufacturing PMI improved to 62.5, beating expectations significantly. This was its highest level since 2010. Manufacturing sectors in Germany have been buoyed by an increase in global demand and stronger domestic consumption. The IFO Business Climate Survey also rose to a record high of 117.5, driven by rising exports and investment.

Japan: Export growth in Japan continued to be strong, growing at 14.0 per cent through the year to October, driven by cars, semiconductors, and raw materials to China. This was the fourth consecutive quarter of double digit export growth for Japan. The trade balance showed a surplus of 322.9 billion yen, narrower than expectations.

UK: GDP grew by 1.4 per cent through the year, with a rebound in consumer spending but ongoing weakness in business investment. This year looks likely to be the UK economy’s worst since the crisis. The growth outlook remains subdued given uncertainty around the details of Brexit.

Upcoming Key International Data Releases (27/11 – 1/12)

- **US:** GDP Growth data for September quarter, New Home Sales data for October, Manufacturing PMI data for November.
- **China:** Manufacturing and Non Manufacturing PMI data for November.
- **Euro:** Business Confidence and CPI data for November, Unemployment data for October.
- **Germany:** Consumer Confidence data for December, CPI and Unemployment data for November, Retail Sales data for October
- **Japan:** CPI, Unemployment, Industrial Production and Retail Sales data for October.