

Chart A: Domestic Interest Rates

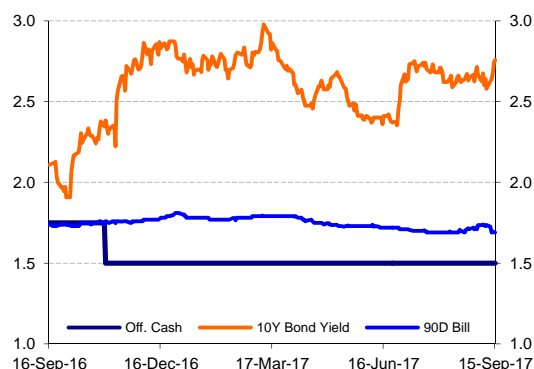


Chart B: Share Price Index

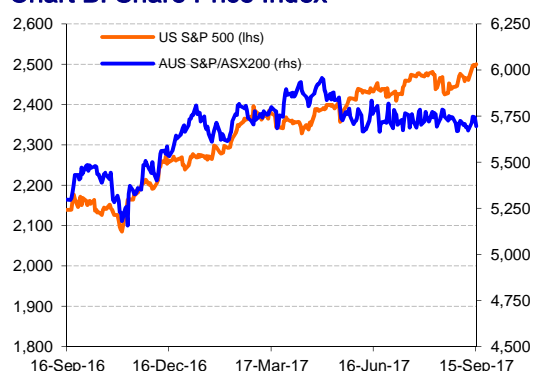


Chart C: Exchange rate

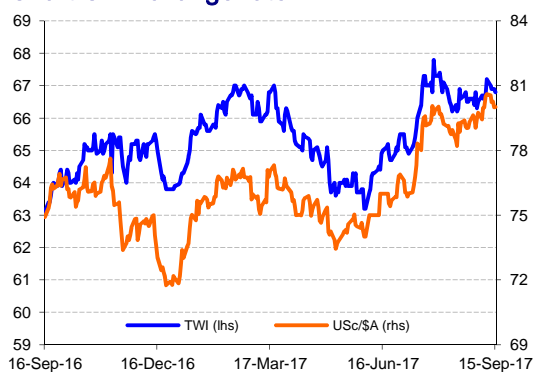
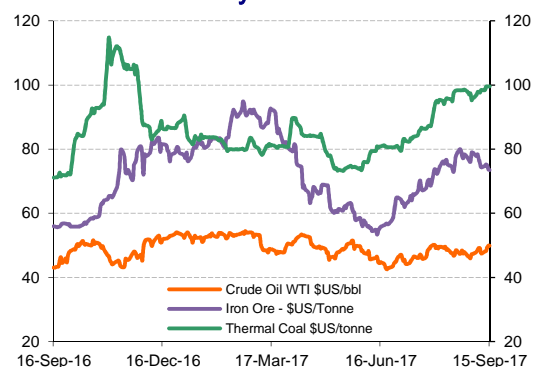


Chart D: Commodity Prices



Domestic Data Releases

ABS **Overseas Arrivals and Departures** data for July showed that visitors to NSW increased by 8.4 per cent through the year to reach 268.9k in the month. Nationally, visitors increased by 4.2 per cent through the year to reach 746.1k in the month.

ABS **Household Expenditure Survey** data for 2015-16 showed that average weekly expenditure for a NSW household increased by 20.5 per cent between 2009-10 and 2015-16 to reach \$1,525. This is both the largest increase, as well as the highest level of weekly expenditure, of any state. After-tax income in New South Wales was \$1,815 in 2015-16, the highest among the states. Between 2009-10 and 2015-16, the net worth of Australian households increased by 22 per cent to \$892,000. In New South Wales, the increase was a much larger 53 per cent – to reach a record \$1.1 million.

The August NAB **Monthly Business Survey** showed that NSW business confidence fell by 6 index points to +9 points and business conditions increased by 10 index point to +12 points. Nationally, business confidence fell by 7 index point to +5 points and business conditions remained unchanged at +15 points.

The ABS **Labour Force** data for August 2017 shows that NSW unemployment rate remained unchanged at 5.0 per cent in the month. Nationally the unemployment rate was unchanged at 5.6 per cent in the month. Employment in NSW increased by 12,900 in the month and was up 71,600 (1.9 per cent) through the year. Nationally, employment increased by 54,200 in the month, and was 325,600 (2.7 per cent) higher through the year.

The **Westpac – Melbourne Institute Consumer Sentiment Survey** showed that NSW consumer sentiment rose by 0.7 per cent to 96.6 index points in September. Nationally, consumer sentiment rose by 2.5 per cent to 97.9 index points. An index over 100 indicates optimists outweigh pessimists.

Markets

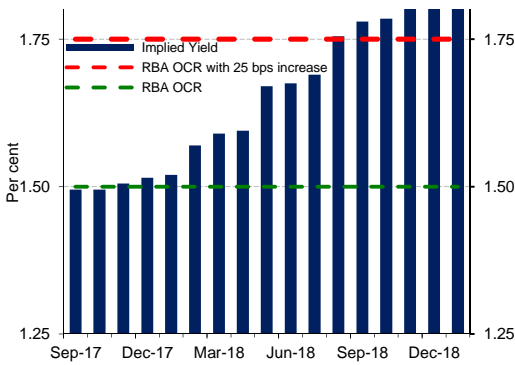
The ASX200 rose by 0.4 per cent and the US S&P500 rose by 1.6 per cent over the week to Friday.

| | Value | Change on Year | Change on Week |
|-------------------------------------------|---------|----------------|----------------|
| US S&P 500 | 2500.2 | 16.9 % | 1.6 % |
| ASX200 | 5695.0 | 7.5 % | 0.4 % |
| Australian Dollar (USD) | 0.80 | 6.8 % | -0.7 % |
| TWI | 66.8 | 5.9 % | -0.6 % |
| Oil (USD/bbl) | 49.9 | 15.9 % | 5.1 % |
| Gold (USD/oz) | 1325.2 | 1.3 % | -1.6 % |
| Thermal Coal (USD/tonnes) | 99.6 | 40.0 % | 1.1 % |
| Australian 10-yr bond | 2.76% | 65.0 bps | 17.8 bps |
| US 10-yr bond | 2.20% | 50.9 bps | 15.1 bps |
| NSW 10-yr bond (bps) maturity 2026 | 2.91% - | bps | 16.0 bps |

Upcoming Domestic Data Releases (18/09– 22/09)

- The **ABS** will release Detailed Labour force and Sale of New Motor Vehicles data for August as well as Residential Property Indexes data for the June quarter
- The **RBA** will release Monetary Policy Minutes and the RBA Bulletin for September as well as speeches by Phillip Lowe and Luci Ellis.
- **DoE** will release Skilled Vacancies data for August

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

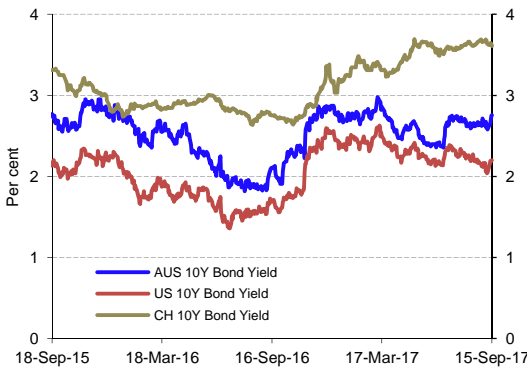
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in May 2018.

According to the ASX Target Rate Tracker, as of 15 September, 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 3 October 2017.

International Bond Yield Spreads

US bond yields rose by 15.1 basis points over the week to Friday. The rise in rates was expected as the market looked to unwind a number of safe-haven trades following the rising geo-political tensions in North Korea last week. The spread between US and Australian bond yields was 0.55 percentage points last week. Bond yields rose in all other countries tracked except China where bond yields fell by 2.1 basis points.

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) | 2.76 | 65.0 | 17.8 | 55.5 | 41.4 |
| United States (US) | 2.20 | 50.9 | 15.1 | - | - |
| Germany (GER) | 0.43 | 42.5 | 12.0 | -177.0 | -168.6 |
| United Kingdom (UK) | 1.31 | 43.6 | 31.9 | -89.3 | -82.0 |
| Japan (JPN) | 0.04 | 7.9 | 3.6 | -216.2 | -173.2 |
| China (CH) | 3.61 | 85.6 | -2.1 | 140.7 | 106.0 |

Key International Data Releases

US: CPI rose 0.4 per cent in August to be 1.9 per cent through the year. The strong rise was driven by a rise in the cost of rents and petrol prices, with petrol prices expected to increase further in September due to Hurricane Harvey forcing temporary shutdowns to refineries. Retail sales were negatively affected by Hurricane Harvey, unexpectedly declining in August by 0.2 per cent to be 3.2 per cent higher through the year.

UK: The unemployment rate fell to 4.3 per cent in July down from 4.4 per cent in June – the lowest level in 42 years, with the employment to working age population rate increasing to 75.3 per cent, the highest level since records began in 1971. While wage growth was unchanged at 2.1 per cent – below the comparable rate of growth in inflation of 2.9 per cent. The Bank of England decided to leave interest rates unchanged at 0.25 per cent.

China: Retail sales slowed in August, increasing 10.1 per cent through the year, down from 10.4 per cent in July. Industrial production rose 6.0 per cent through the year to August, down from 6.4 per cent the previous month and well below the market forecast of 6.6 per cent.

Upcoming Key International Data Releases (18/09 – 22/09)

- **US:** Current account data for the June quarter, Manufacturing PMI and Interest rate decision for September.
- **UK:** Retail sales data for August
- **Euro:** Consumer confidence and Manufacturing PMI data for September
- **Canada:** Retail Sales data for July and CPI data for August
- **Japan:** Interest rate decision for September