

Weekly Market and Economics Roundup

For the week ended 2 May 2014

Chart A: Domestic Interest Rates

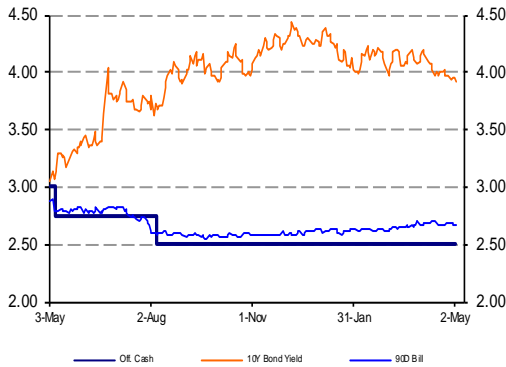


Chart B: Share Price Index

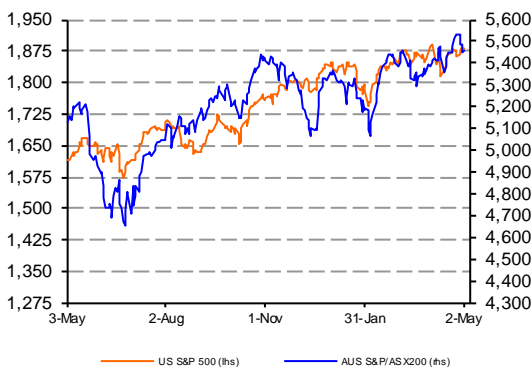
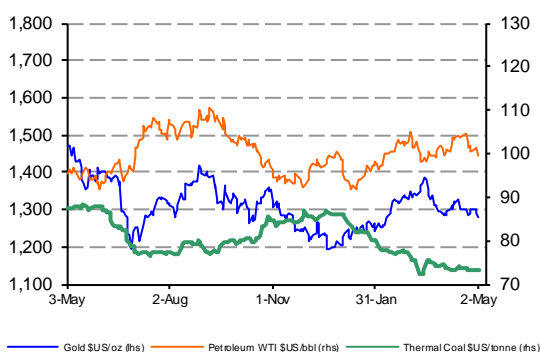


Chart C: Exchange Rate



Chart D: Commodities



Domestic Data Releases

RBA Financial Aggregates data (\$bn, sa, m%ch) for March showed that total private sector credit grew 0.4 per cent in March, while total housing credit increased by 0.5 per cent.

ABS international trade price index showed (index, original, y%ch) import price index rose 8.6% through the year in the March quarter while export price index was up 7.0% through the year in the same quarter. **Producer price index** (index, sa, y%ch) for the March quarter showed prices for final stage products rose 2.5% through the year.

HIA new home sales (number, sa, y%ch) showed new house sales in NSW were up 21.7% through the year in March while they were up 28.7% nationally.

AiG released their **PMI survey** results (index, sa, number) which showed manufacturing index dropped to 44.8 index points in April.

Markets

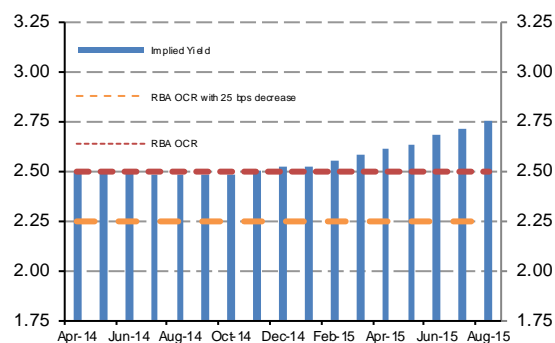
The **Australian stock market** fell by 1.3% on the previous Friday, while the **New York stock exchange** rose by 1.0%.

	Value	Change on Year	Change on Week
S&P 500	1,881.1	16.5 %	1.0 %
ASX200	5,458.1	6.4 %	-1.3 %
Australian Dollar (USD)	0.9277	-9.7 %	-0.2 %
TWI	71.20	-8.4 %	-0.3 %
Oil (USD/bbl)	99.74	4.3 %	-0.9 %
Gold (USD/oz)	1,281.25	-12.8 %	-1.5 %
Thermal Coal (USD/tonne)	73.06	-16.2 %	-0.1 %
Australian 10-yr bond	3.92%	86.2 bps	-5.6 bps
US 10-yr bond	2.63%	100.0 bps	-7.0 bps
Australian 90-day bill	2.50%	-50.0 bps	0.0 bps

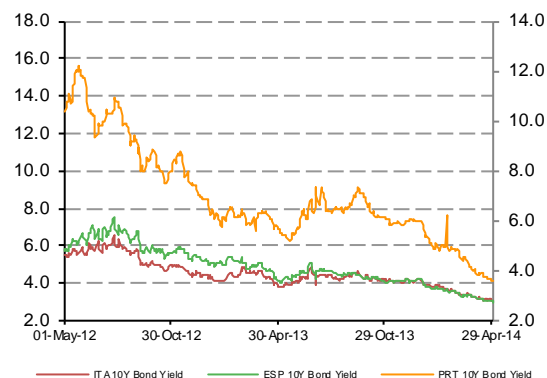
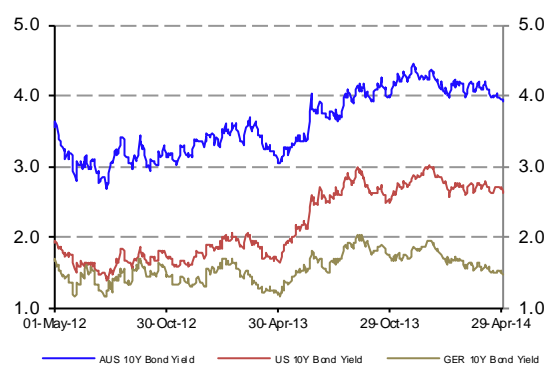
Upcoming Domestic Data Releases (5/5 – 9/5)

- The ABS will release data on building approvals, international trade, retail sales, overseas visitors and labour force.
- The RBA will release its interest rate decision for May and its statement on monetary policy.
- OECD will release economic outlook.
- Victoria and WA will release their state budgets.
- TD-MI will release its inflation gauge.
- The AiG will release its PSI and PCI Survey.

Chart E: Interest Rate Expectations



Charts F & G: International Bond Yields



Market Interest Rate Expectations

Current **market expectations**, as shown by the implied yield curve on ASX 30 day interbank cash rate futures, **favour no change** by the RBA at its next meeting.

According to the **ASX target rate tracker**, as of 2 May, there is a 98% expectation that the RBA will keep the cash rate at 2.50% at its 6 May policy meeting.

International Bond Yield Spreads

10-yr bond yield	Yield	Change on Year	Change on Week	Spread on 10-yr US bond week end	Spread on 10-yr US bond year ago
Australian (AUS)	3.92%	86.2 bps	-5.6 bps	128.7 bps	142.5 bps
United States (US)	2.63%	100.0 bps	-7.0 bps	- -	- -
Germany (GER)	1.47%	28.9 bps	-6.9 bps	-116.5 bps	-45.4 bps
Italy (ITA)	3.04%	-73.8 bps	-7.1 bps	41.1 bps	214.9 bps
Portugal (PRT)	3.59%	-187.8 bps	-6.8 bps	95.7 bps	383.5 bps
Spain (ESP)	2.98%	-104.0 bps	-8.5 bps	34.5 bps	238.5 bps

International Data Releases

US kept its FOMC rate between 0-0.25% while its **non-farm payrolls** increased 288,000 in April, compare to 203,000 in March. **Unemployment rate** dropped from 6.7% in March to 6.3% in April. The **ISM Manufacturing** index rose to 54.9 in April from 53.7 in March.

The **retail sales** in the **Japan** rose 6.3% in March, compared to February.

European consumer confidence index rose to -8.6 in April, from -9.3 in March.

UK PMI rose from 55.8 to 57.3 in April.

Upcoming International Data Releases (5/5 – 9/5)

- **US:** ISM non-manufacturing, trade balance, consumer credit and job openings
- **Euro:** producer price index, retail sales and ECB interest rate decision
- **Germany:** industrial orders and trade balance,
- **UK:** industrial production and BoE interest rate decision
- **China:** trade balance and inflation