

Weekly Economic & Financial Market Roundup

Week ended Friday 26 May 2017

Monday, 29 May 2017

Chart A: Domestic Interest Rates

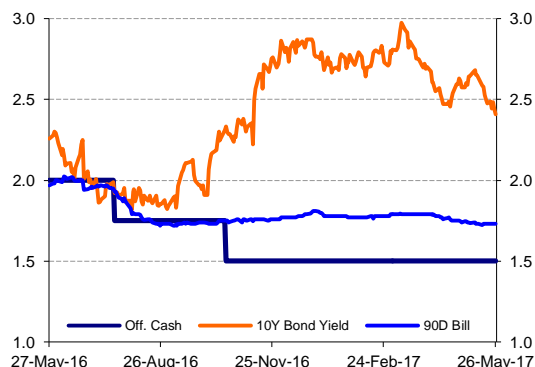


Chart B: Share Price Index

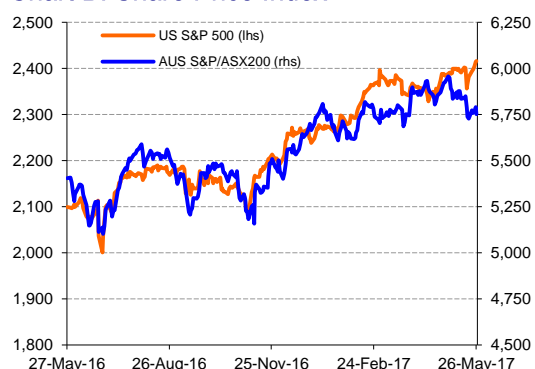


Chart C: Exchange rate

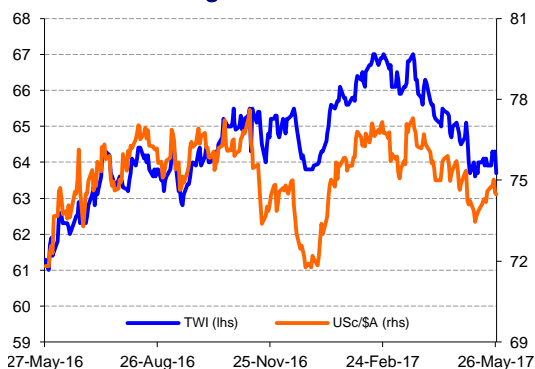
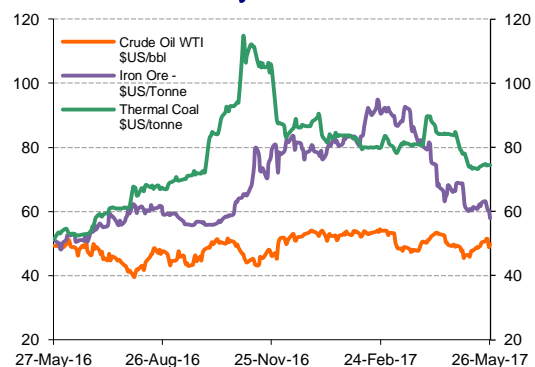


Chart D: Commodity Prices



Domestic Data Releases

ABS **Construction Work Done** data for the March quarter showed Building Work Done in NSW was down 2.2 per cent through the year and nationally this was down 2.1 per cent through the year. Total Construction Work Done (Building and Engineering) in NSW was up 0.8 per cent through the year while nationally this fell 7.2 per cent over the same period.

Regional Labour Force data showed that the regional unemployment rate, in 12-month moving average terms to April 2017, was 4.8 per cent in Greater Sydney and 5.5 per cent in the Rest of NSW. Other regional unemployment rates were 5.6 per cent in Western Sydney, 5.3 per cent in the Greater Hunter and 6.2 per cent in the Greater Illawarra.

Markets

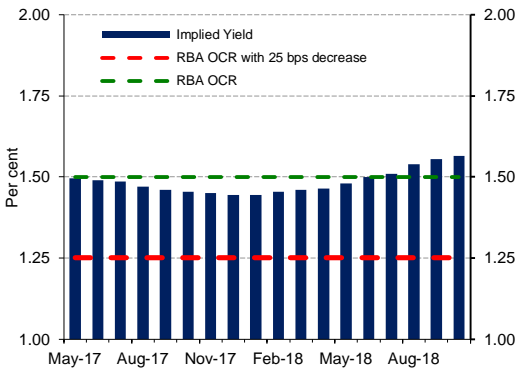
The ASX200 rose 0.4 per cent and the US S&P500 rose by 1.4 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2415.8	15.1 %	1.4 %
ASX200	5751.7	6.4 %	0.4 %
Australian Dollar (USD)	0.74	3.7 %	-0.1 %
TWI	63.7	3.9 %	-0.3 %
Oil (USD/bbl)	49.8	1.0 %	-1.1 %
Gold (USD/oz)	1265.1	4.0 %	1.0 %
Thermal Coal (USD/tonnes)	74.5	45.0 %	0.3 %
Australian 10-yr bond	2.41%	15.3 bps	-6.5 bps
US 10-yr bond	2.25%	39.6 bps	1.2 bps
NSW 10-yr bond (bps) maturity 2026	2.62% -	bps	-6.3 bps

Upcoming Domestic Data Releases (29/05 – 02/06)

- The **ABS** will release Building Approvals and Retail Trade data for April as well as Private New Capital Expenditure and Industrial Disputes data for the March quarter.
- The **RBA** will release Private Sector Credit data for April.
- **HIA** will release their New Home Sales Report for April.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

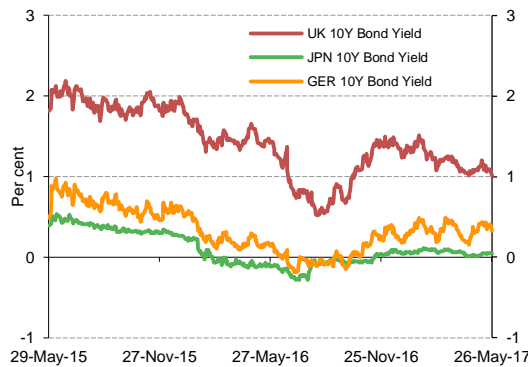
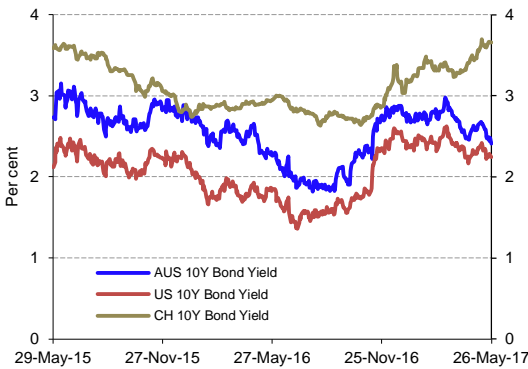
The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates that the majority of the market expects the RBA to leave the cash rate unchanged past the projection period which extends to October 2018.

According to the ASX Target Rate Tracker, as of 25 May, there is a 5 per cent expectation that the RBA will lower the cash rate to 1.25 per cent at its policy meeting on 6 June 2017.

International Bond Yield Spreads

US bond yields rose by 1.2 basis points over the week to Friday. The spread between US and Australian bond yields decreased to 0.16 percentage points last week, signalling possible depreciation of the Australian dollar. Bond yields also rose in Japan and China.

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)	2.41	15.3	-6.5	16.4	40.6
United States (US)	2.25	39.6	1.2	-	-
Germany (GER)	0.33	19.3	-3.7	-191.6	-171.3
United Kingdom (UK)	1.01	-42.4	-8.1	-123.5	-41.5
Japan (JPN)	0.04	15.5	0.2	-220.5	-196.4
China (CH)	3.66	71.0	3.8	141.2	109.7

Key International Data Releases

Japan: The trade surplus decreased to ¥481.7 billion in April, compared with \$811.3 billion in the previous year. This is partly due to the increased exports of semiconductors. The CPI rose by 0.3 per cent through the year to April, mainly due to the increases in fuel, water, food and electricity prices. Manufacturing PMI fell to 52.0 in May from 52.7 in April.

Germany: Manufacturing PMI increased to 59.4 in May from 58.2 in April, reflecting the sharpest rise in manufacturing output since April 2011. Consumer confidence increased by 0.2 index points to 10.4 points in June.

UK: GDP rose by 2.0 per cent through the year to March quarter, compared with 1.9 per cent in the previous quarter but below the preliminary figure of 2.1 per cent.

Canada: Bank of Canada has maintained its target for the overnight rate at 0.50 per cent in May.

US: Manufacturing PMI decreased to 52.5 in May from 52.8 in the previous month. This is due to the softer rates of output, new order and employment growth in May. The minutes of the Federal Open Market Committee suggested that US central bank was wary of raising interest rates.

Upcoming Key International Data Releases (29/05 – 02/06)

- **US:** ISM Manufacturing PMI, Unemployment Rate and Non-farm Payrolls Change data for May as well as Trade Balance data for April
- **Japan:** Retail Sales, Unemployment Rate and Industrial Production data for April
- **Euro Area:** CPI data for May and Unemployment Rate and PPI data for April
- **UK:** Consumer Confidence and Manufacturing PMI for May
- **Germany:** CPI and Unemployment Rate data for May