

Weekly Economic & Financial Market Roundup

Week ended Friday 18 August 2017

Monday, 21 August 2017

Chart A: Domestic Interest Rates

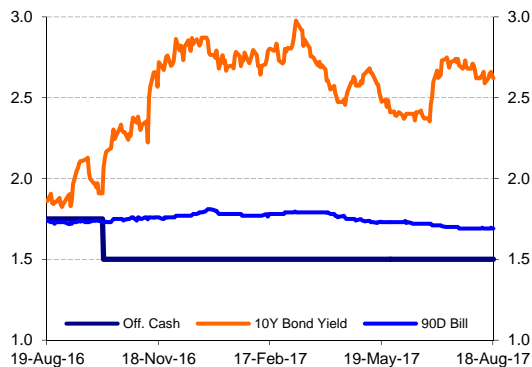


Chart B: Share Price Index

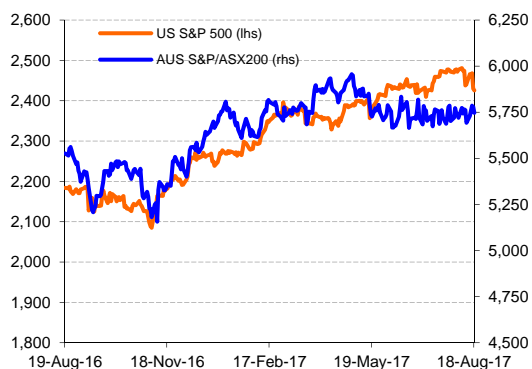


Chart C: Exchange rate

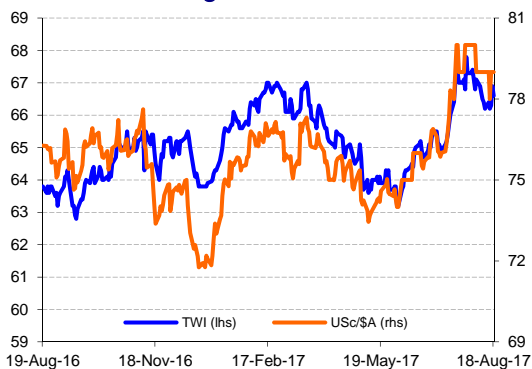
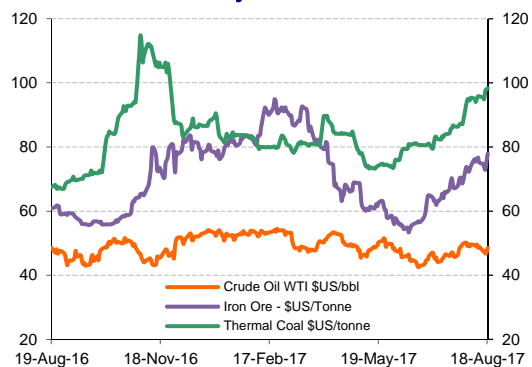


Chart D: Commodity Prices



Domestic Data Releases

ABS Overseas Arrivals and Departures data for June showed that visitors to NSW increased by 15.0 per cent through the year to reach 246.8k in the month. Nationally, visitors increased by 10.9 per cent through the year to reach 655.8 k in the month.

ABS Wage Price Index data for the June quarter showed that the NSW Index increased by 2.0 per cent through the year. Nationally, the Wage Price Index rose by 1.9 per cent through the year.

The **ABS Labour Force** data for July 2017 shows that NSW unemployment rate increased 0.2 percentage points to 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 500 in the month and was up 44,300 (1.2 per cent) through the year. Nationally, employment increased by 27,900 in the month, and was 239,300 (2.0 per cent) higher through the year.

The ABS released its biannual **Average Weekly Earnings** data for May 2017, NSW average weekly earnings rose 0.6 per cent through the year; nationally it increased by 1.6 per cent.

Markets

The ASX200 rose by 0.9 per cent and the US S&P500 fell by 0.6 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2425.6	11.1 %	-0.6 %
ASX200	5747.1	4.0 %	0.9 %
Australian Dollar (USD)	0.79	3.6 %	0.0 %
TWI	66.6	4.4 %	0.6 %
Oil (USD/bbl)	48.5	0.0 %	-0.6 %
Gold (USD/oz)	1295.8	-3.8 %	0.8 %
Thermal Coal (USD/tonnes)	98.3	45.5 %	2.6 %
Australian 10-yr bond	2.62%	76.0 bps	3.0 bps
US 10-yr bond	2.19%	61.2 bps	0.0 bps
NSW 10-yr bond (bps) maturity 2026	2.79%	- bps	2.7 bps

Upcoming Domestic Data Releases (21/08– 25/08)

- The **ABS** will release the detailed labour force data for July
- The **DOE** will release their Skilled Vacancies data for July
- The **ANZ** will release Stateometer data for the June quarter

Chart E: Interest Rate Expectations

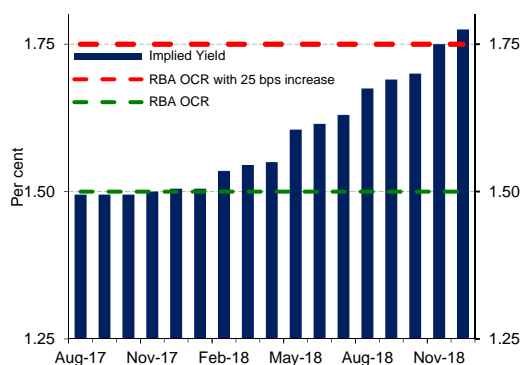
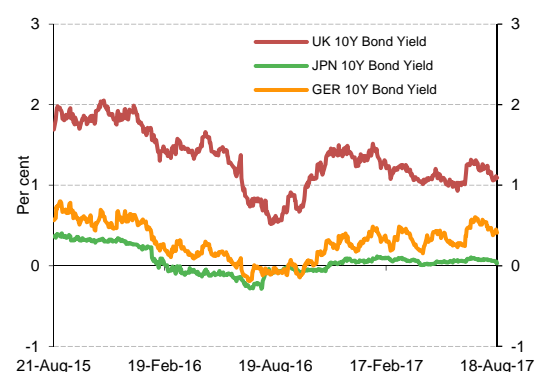
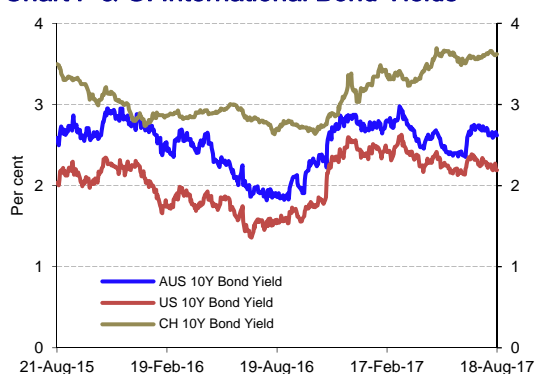


Chart F & G: International Bond Yields



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 July 2018.

According to the ASX Target Rate Tracker, as of 18 August, 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 September 2017.

International Bond Yield Spreads

US bond yields remained unchanged over the week to Friday as market nerves surrounding US and North Korea tension appeared to have eased for the time being. The spread between US and Australian bond yields was 0.43 percentage points last week. Bond yields rose in all other countries tracked except China and Japan where bond yields fell by 1.0 and 3.0 percentage points respectively.

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)	2.62	76.0	3.0	43.0	28.2
United States (US)	2.19	61.2	0.0	-	-
Germany (GER)	0.41	44.2	3.0	-178.0	-161.0
United Kingdom (UK)	1.09	47.1	3.0	-110.0	-95.9
Japan (JPN)	0.03	10.8	-3.0	-216.0	-165.6
China (CH)	3.62	91.9	-1.0	143.0	112.3

Key International Data Releases

US: After the decision to hold the target rate to a range of 1 to 1.25 per cent in July, the FOMC minutes released stated that most participants expected inflation to reach the 2 per cent target over the next couple of years. Some participants expressed concern about the recent decline in inflation and were against additional adjustments until the central bank was sure that inflation was on track. Meanwhile, the preliminary Michigan consumer confidence index for August increased to 97.6 from 93.4 previously, well above consensus forecasts of 94.0 and the highest reading since January.

UK: UK's inflation rate remains unchanged at 2.6 per cent in July despite forecasts of a rise to 2.7 per cent, driven by falling motor fuel prices which had an impact in restraining price increases for month. Retail Sales increased by 1.3 per cent through the year to July, following a downwardly revised 2.8 per cent gain in June.

Japan: Japan's GDP increased by 2.0 per cent through the year to June quarter. It was the strongest growth rate since the March quarter 2015, boosted by strong domestic demand. Japan's trade surplus fell 17.0 per cent in the year to July to ¥418.77 billion.

India: India's inflation rate increased 2.4 per cent through the year to July, driven by higher costs of housing, energy and clothing.

Upcoming Key International Data Releases (21/08 – 25/08)

- **US:** New Home Sales data for July and Markit Manufacturing PMI for August
- **UK:** GDP data for the June quarter
- **Euro:** Markit Manufacturing PMI and Consumer Confidence data for August
- **Japan:** CPI data for July and Nikkei Manufacturing PMI data for August
- **Canada:** Retail Sales data for June