

# Weekly Market and Economics Roundup

For the week ended 7 February 2014

Chart A: Domestic Interest Rates

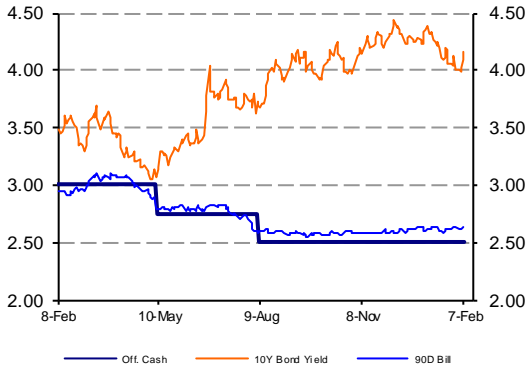


Chart B: Share Price Index

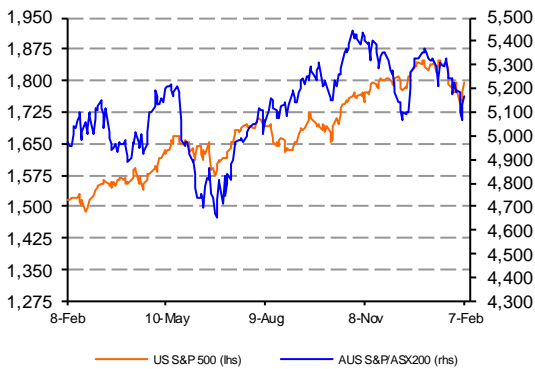


Chart C: Exchange Rate

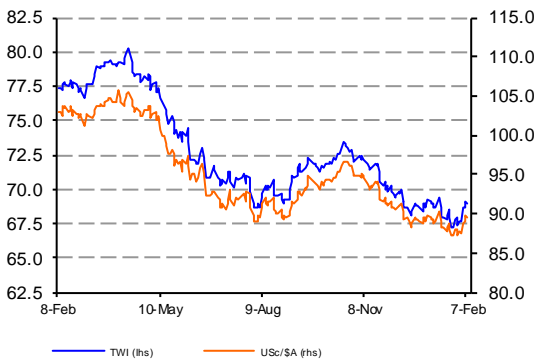
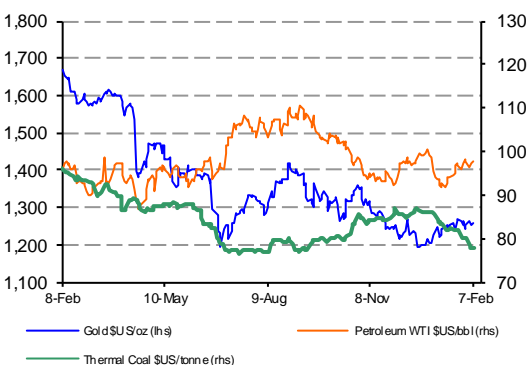


Chart D: Commodities



## Domestic Data Releases

At its monthly monetary policy meeting, the RBA board decided to leave the **Overnight Cash Rate** unchanged at 2.5%.

**Retail Sales** (value, sa, y%ch) for December were 7.2% higher through the year for NSW and 5.7% higher for Australia. **Real retail sales** (volume, sa, y%ch) for the December quarter were 4.2% higher for NSW and 3.4% for Australia.

The number of **newspaper job ads** (number, sa, y%ch) in January, as measured by ANZ, fell 18.1% in NSW and was down 22.1% nationally.

Building Approvals data (number, sa, y%ch) for December showed that the number of **residential approvals** in NSW increased 27.7% while approvals nationally were up 21.8%. **Non-Residential approvals** (value, sa, y%ch) were up 133.4% in NSW and 37% higher nationally.

**Merchandise Imports** (value, nsa, y%ch) rose 13.5% for NSW and increased 11.4% for Australia in December. **Merchandise Exports** (value, nsa, y%ch) were up 3.9% for NSW and rose 18.4% for Australia.

TD-MI's Inflation Gauge for January (index, nsa, y%ch) showed **Headline Inflation** rose 2.5% and **Underlying Inflation** (as measured by the trimmed mean) rose 2.7% across Australia.

AiG's **Performance of Manufacturing Index** (index, sa) fell 0.9 points to 46.7 in January. The AiG-Combank **Performance of Services Index** (index, sa) rose 3.2 points to 49.3 in January. The AiG-HIA **Performance of Construction Index** (index, sa) fell 2.6 points to 48.2 in January. A reading above 50.0 shows expansion in the industry and below 50.0 a contraction.

## Markets

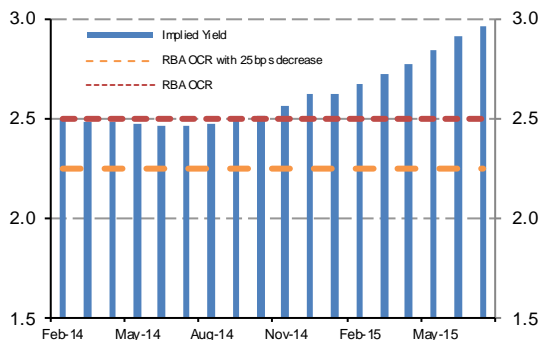
The **Australian stock market** fell by 0.5% on the previous Friday, while the **New York stock exchange** rose by 0.8%.

	Value	Change on Year	Change on Week
<b>S&amp;P 500</b>	1,797.0	18.4 %	0.8 %
<b>ASX200</b>	5,166.5	3.9 %	-0.5 %
<b>Australian Dollar (USD)</b>	0.8940	-13.1 %	2.0 %
<b>TWI</b>	68.90	-10.9 %	1.8 %
<b>Oil (USD/bbl)</b>	97.84	2.2 %	0.4 %
<b>Gold (USD/oz)</b>	1,259.25	-24.5 %	0.7 %
<b>Thermal Coal (USD/tonne)</b>	77.79	-19.0 %	-2.8 %
<b>Australian 10-yr bond</b>	4.17%	68.1 bps	15.8 bps
<b>US 10-yr bond</b>	2.70%	74.0 bps	1.0 bps
<b>Australian 90-day bill</b>	2.63%	-32.2 bps	0.0 bps

## Upcoming Domestic Data Releases (10/2 – 14/2)

- The **ABS** will release data on housing finance, residential price indexes, overseas arrivals & departures, the labour force and lending finance.
- **ABARES** will release their crop report.
- **NAB** will release their monthly business survey.
- **W-MI** will release their consumer sentiment report.
- **Consensus Economics** will release their Asia-pacific forecasts.

**Chart E: Interest Rate Expectations**



**Market Interest Rate Expectations**

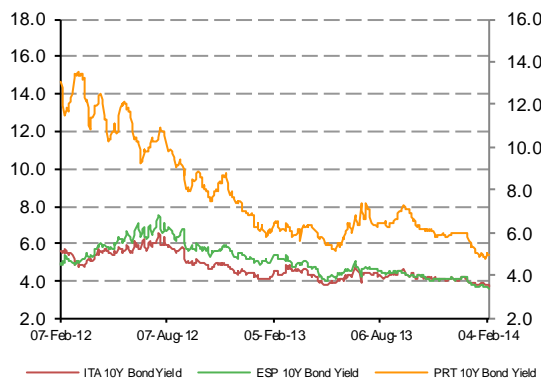
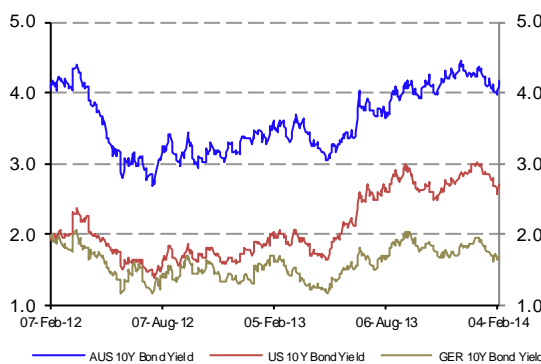
Current **market expectations**, as shown by the implied yield curve on ASX 30 day interbank cash rate futures, **favour a no change** by the RBA at its next meeting.

According to the **ASX target rate tracker**, as of 7 February, there is a 93% expectation that the RBA will keep the cash rate at 2.50% at its 4 March 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
<b>Australian (AUS)</b>	4.17%	68.1 bps	15.8 bps	146.6 bps	152.5 bps
<b>United States (US)</b>	2.70%	74.0 bps	1.0 bps	- -	- -
<b>Germany (GER)</b>	1.70%	8.2 bps	-1.7 bps	-100.2 bps	-34.4 bps
<b>Italy (ITA)</b>	3.69%	-81.4 bps	-8.0 bps	98.7 bps	254.1 bps
<b>Portugal (PRT)</b>	4.94%	-153.3 bps	11.3 bps	223.8 bps	451.1 bps
<b>Spain (ESP)</b>	3.59%	-176.6 bps	-7.9 bps	89.3 bps	339.9 bps

**Charts F & G: International Bond Yields**



**International Data Releases**

The **European Central Bank** at its **monetary policy meeting** decided to leave their main refinancing operations interest rate, margin lending facility interest rate and deposit facility rate unchanged at 0.25%, 0.75% and 0% respectively.

The **bank of England** in its **monetary policy meeting** decided to leave their official bank rate unchanged at 0.5%.

**Upcoming International Data Releases (10/2 – 14/2)**

- **US:** retail sales, university of Michigan consumer confidence survey.
- **China:** inflation.
- **Germany:** GDP.
- **Europe:** GDP.