

Weekly Market and Economics Roundup

For the week ended 16 May 2014

Chart A: Domestic Interest Rates

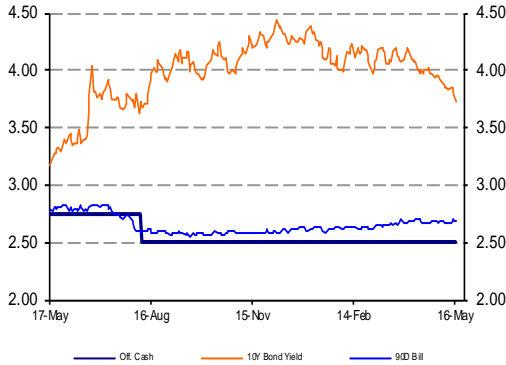


Chart B: Share Price Index

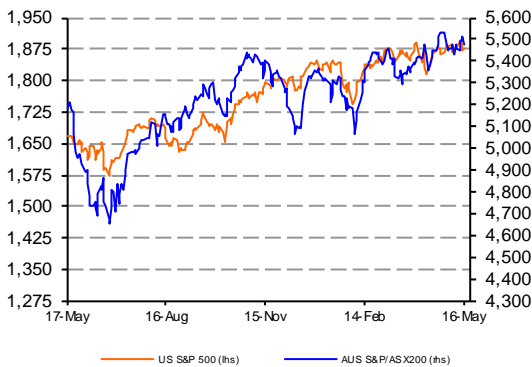


Chart C: Exchange Rate

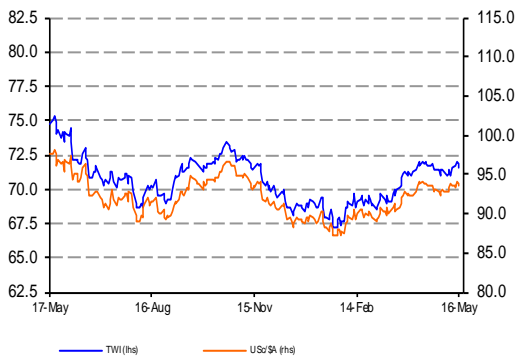
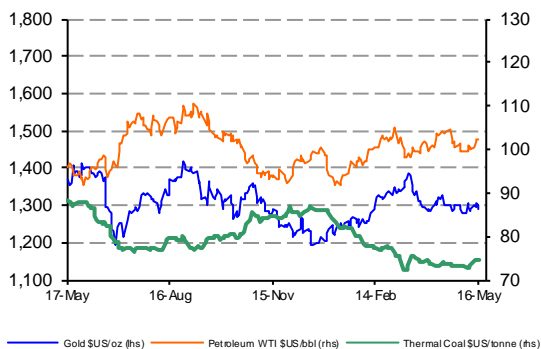


Chart D: Commodities



Domestic Data Releases

NAB Monthly Business Survey (index, sa, m%ch) showed business confidence increased to +4 index points in April in NSW while nationally it rose to +6. Business conditions decrease to 0 index points both in NSW and nationally in April.

ABS Housing Finance (number, sa, y%ch) showed NSW owner-occupier housing finance approval was up 9.0% through the year to March. Nationally, the number was 7.3% higher than a year ago. **Residential Property Price Index** (index, sa, y%ch) saw property price level in Sydney rose 15.7% through the year to the March quarter while the eight capital cities average rose 10.9% through the year. **New Car Sales** (value, sa, y%ch) was up 4.6% through to the year to April in NSW but down 1.9% nationally. **Lending Finance** (value, nsa, y%ch) showed in NSW total commercial finance was up 79.5% through the year to February and up 40.8% nationally; Investor housing finance were up 48.4% through the year to February and up 31.2% nationally.

Markets

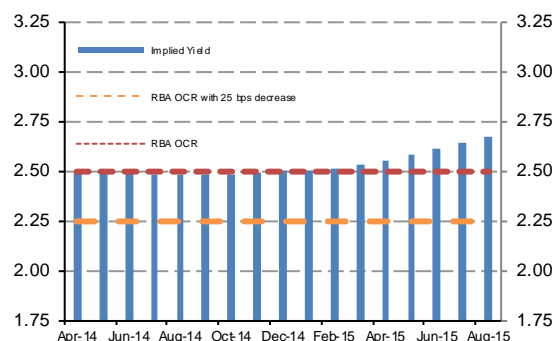
The **Australian stock market** rose by 0.3% on the previous Friday, while the **New York stock exchange** was flat.

	Value	Change on Year	Change on Week
S&P 500	1,877.9	12.6 %	0.0 %
ASX200	5,479.0	5.8 %	0.3 %
Australian Dollar (USD)	0.9354	-4.2 %	-0.1 %
TWI	71.60	-4.3 %	0.0 %
Oil (USD/bbl)	102.37	6.6 %	2.4 %
Gold (USD/oz)	1,291.50	-5.6 %	0.0 %
Thermal Coal (USD/tonne)	74.60	-15.4 %	1.5 %
Australian 10-yr bond	3.73%	55.5 bps	-10.8 bps
US 10-yr bond	2.50%	55.0 bps	-11.0 bps
Australian 90-day bill	2.50%	-25.0 bps	0.0 bps

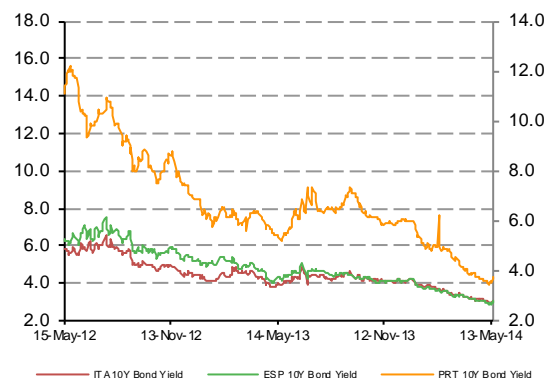
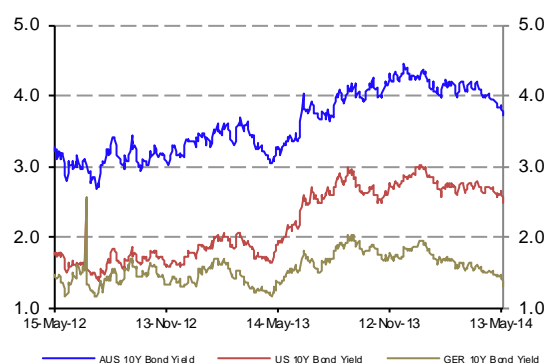
Upcoming Domestic Data Releases (19/5 – 23/5)

- The ABS will release data on merchandise imports, international trade in service by state, country and detailed category and wage price index.
- Westpac-MI will release its consumer sentiment report.
- RBA will release its Minutes of Monetary Policy Meeting for its May meeting.

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 16 May, there is a 96% expectation that the RBA will keep the cash rate at 2.50% at its 3 June 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)	3.73%	55.5 bps	-10.8 bps	122.5 bps	122.0 bps
United States (US)	2.50%	55.0 bps	-11.0 bps	- -	- -
Germany (GER)	1.32%	-1.6 bps	-13.8 bps	-118.5 bps	-61.9 bps
Italy (ITA)	3.04%	-81.5 bps	8.9 bps	54.3 bps	190.8 bps
Portugal (PRT)	3.73%	-152.3 bps	20.3 bps	122.7 bps	330.0 bps
Spain (ESP)	2.96%	-124.3 bps	5.4 bps	45.9 bps	225.2 bps

International Data Releases

In April, **China** fixed assets investment ex.rural was up 17.3% in April, retail sales were up 12.0% and industrial production was up 8.7%.

The unemployment in **UK** was at 6.8% in March.

GDP grew 1.5% in the March quarter in **Japan** while it grew 0.2% in **Europe monetary union**. CPI rose 2.0% through the year in **US** and 0.7% in **Europe**.

University of Michigan consumer confidence index in **US** fell to 81.8 in May.

Upcoming International Data Releases (19/5 – 23/5)

- **US:** FOMC minutes.
- **Euro:** Consumer confidence and PMI
- **UK:** CPI
- **China:** HSBC PMI