

Weekly Market and Economics Roundup

For the week ended 4 April 2014

Chart A: Domestic Interest Rates

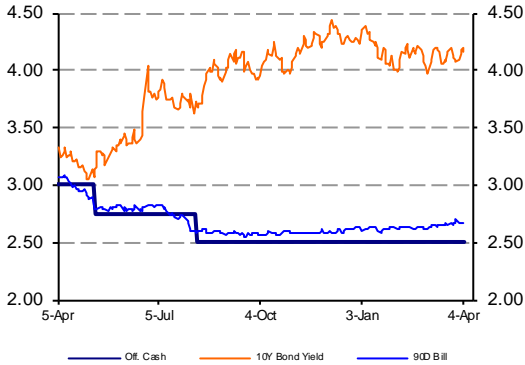


Chart B: Share Price Index

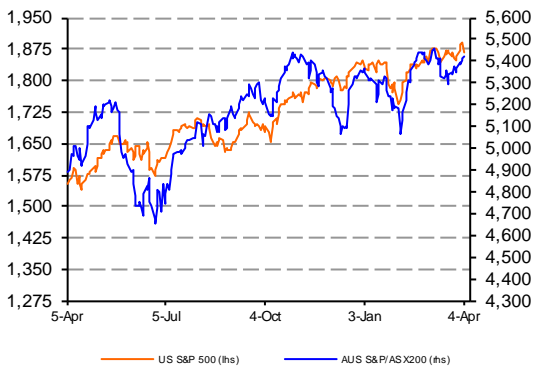


Chart C: Exchange Rate

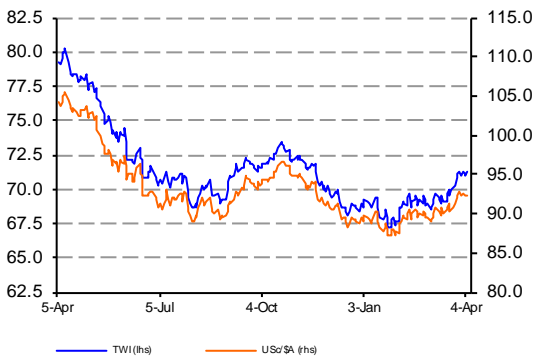
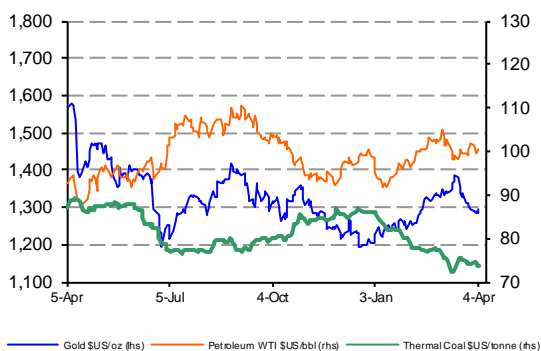


Chart D: Commodities



Domestic Data Releases

The RBA at their April Monetary Policy meeting decided to leave the **official cash rate unchanged**, at 2.5%.

Residential building approvals (number, sa) in NSW were up 38.7% through the year to February 2014, they were 23.2 per higher through the year nationally.

In December quarter 2013, **engineering work done** (value, sa) was 6.0% higher than previous quarter in NSW and 0.9% lower than previous quarter nationally.

Total **Job Vacancies** (number, nsa) in NSW were up 11.0% through the year to February quarter. Nationally it was 4.1% lower through the year.

Retail sales (value, sa) were up 6.7% through the year to February in NSW, and up 4.9% through the year nationally.

NSW **merchandise imports** (value, nsa) were up 9.6% and **exports** were up 3.4% through the year to February. Nationally, imports were up 13.6% and exports were up 19.8% through the year.

New house sales (number, sa) in NSW were up 42.9% through the year in February. Nationally, new house sales were up 32.9% through the year.

AIG **PMI** survey (index, sa) showed the manufacturing sector contracted again in March, dropped to 47.9 index points. **PSI** survey showed service sector dropped 6.2 index points to 48.9 index points in March.

Markets

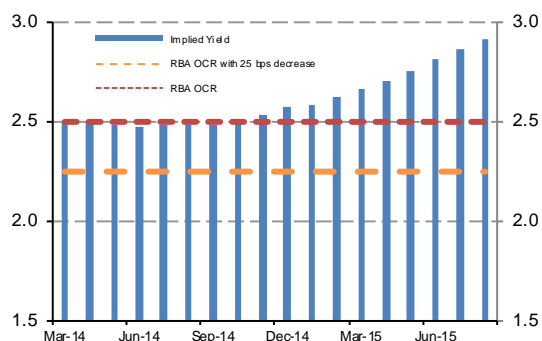
The **Australian stock market** rose by 1.0% on the previous Friday, while the **New York stock exchange** rose by 0.4%.

	Value	Change on Year	Change on Week
S&P 500	1,865.1	20.1 %	0.4 %
ASX200	5,422.8	10.9 %	1.0 %
Australian Dollar (USD)	0.9234	-11.4 %	-0.4 %
TWI	71.20	-10.1 %	-0.1 %
Oil (USD/bbl)	100.29	8.2 %	-1.4 %
Gold (USD/oz)	1,297.25	-17.3 %	0.2 %
Thermal Coal (USD/tonne)	73.77	-15.2 %	-0.4 %
Australian 10-yr bond	4.17%	84.0 bps	9.1 bps
US 10-yr bond	2.80%	109.0 bps	12.0 bps
Australian 90-day bill	2.50%	-50.0 bps	0.0 bps

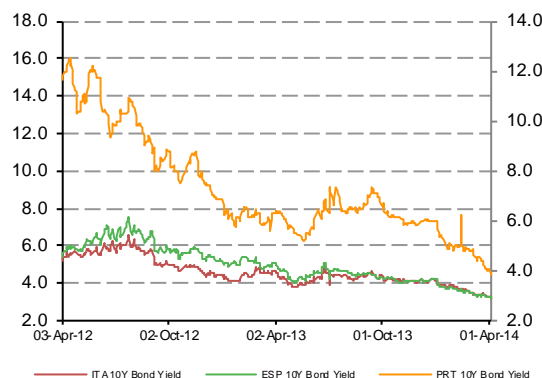
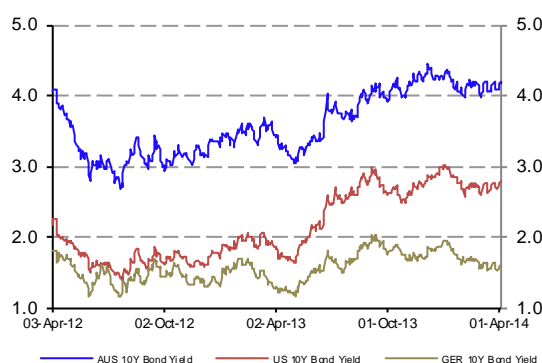
Upcoming Domestic Data Releases (7/4 – 11/4)

- The **ABS** will release data on overseas visitors, housing finance, **labour force** and lending finance.
- **ANZ** will release newspaper job ads series.
- **Westpac-MI** will release consumer sentiment index.
- **NAB** will release monthly business survey.
- **Consensus Economics** will release Asia-Pacific consensus forecasts.
- **AiG** will release their performance of construction 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 6 May meeting.

According to the **ASX target rate tracker**, as of 4 April, there is a 95% 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)	4.17%	84.0 bps	9.1 bps	136.8 bps	161.8 bps
United States (US)	2.80%	109.0 bps	12.0 bps	- -	- -
Germany (GER)	1.61%	38.5 bps	6.7 bps	-119.5 bps	-49.0 bps
Italy (ITA)	3.17%	-115.2 bps	-13.5 bps	37.0 bps	261.2 bps
Portugal (PRT)	3.82%	-252.1 bps	-19.3 bps	101.6 bps	462.7 bps
Spain (ESP)	3.15%	-162.0 bps	-8.3 bps	34.7 bps	305.7 bps

International Data Releases

Japan industrial production fell 2.3% in February (month to month), reversing the 3.8% growth in the previous month.

Europe's unemployment rate stood at 11.9% in February. **Retail sales** grew 0.4% in February compare to previous month, and the **European Central Bank** kept their main refinancing operations, marginal lending facility and deposit facility interest rates unchanged, at 0.25%, 0.75% and 0% respectively .

China HSBC PMI recorded 48.0 index points for March, still in contraction level.

The US Non-farm payrolls increased 192,000 in March, weaker than the 197,000 increase in February. **US unemployment rate** remained at 6.7% in March.

Upcoming International Data Releases (7/4 – 11/4)

- **JAPAN:** Bank of Japan 2014 Monetary Base Target, monetary policy statement and trade balance.
- **UK:** Bank of England interest rate announcement.
- **CHINA:** trade data, CPI and PPI.
- **US:** FOMC March meeting minute/