

Chart A: Domestic Interest Rates

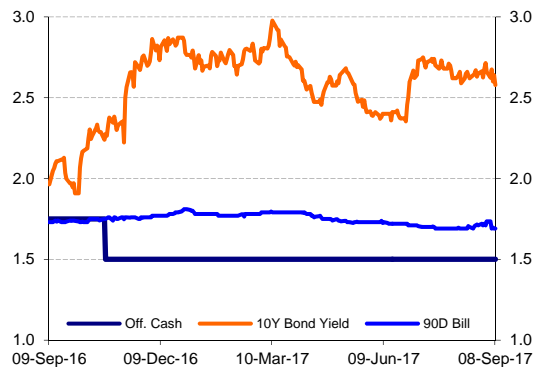


Chart B: Share Price Index

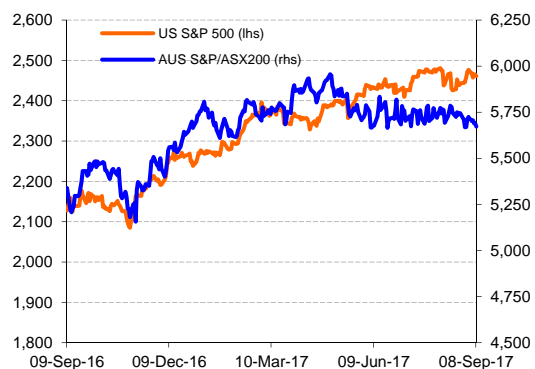


Chart C: Exchange rate

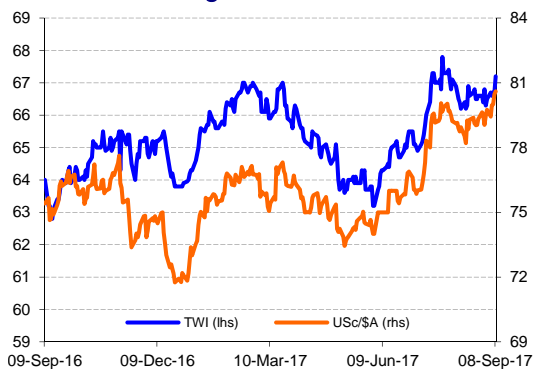
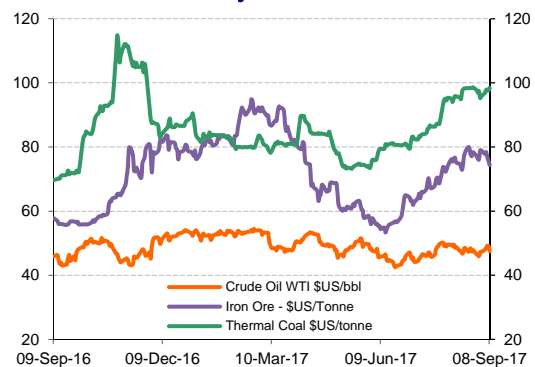


Chart D: Commodity Prices



Domestic Data Releases

The **RBA Board** decided to leave the Official Cash Rate unchanged at 1.5 per cent following its monthly monetary policy meeting.

ABS Balance of Payments statistics showed that the current account deficit rose \$4,808m to \$9,562m in the June quarter 2017.

ABS National Accounts data showed that NSW **State Final Demand** rose 1.2 per cent in the June quarter to be up 2.4 per cent through the year. Nationally, **Gross Domestic Product** rose 0.8 per cent in the quarter to be up 1.8 per cent through the year.

The number of **Housing Finance (ABS)** commitments for owner-occupiers in NSW rose by 4.3 per cent in July to be up 5.5 per cent through the year. Nationally, housing commitments rose by 2.9 per cent in the month and up 3.3 per cent through the year. Over the three months to July 2017, the proportion of first home-buyers to total home-buyers (excluding refinancing) was 13.3 per cent for NSW and 23.8 per cent for the rest of Australia.

APM released housing market data for August showing that the Sydney auction clearance rate decreased to 63 per cent from 65 per cent in the previous month. This is below the 73 per cent rate recorded a year ago and well above the long run average of 58 per cent.

ABS International Trade data for July showed that NSW merchandise exports annual average was up 23.6 per cent, while merchandise imports annual average also rose 1.4 per cent. For Australia, merchandise exports annual average was up 22.9 per cent and merchandise imports annual average was up 5.1 per cent.

Markets

The ASX200 fell 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	2461.4	15.7 %	-0.6 %
ASX200	5672.6	6.2 %	-0.9 %
Australian Dollar (USD)	0.81	6.9 %	1.1 %
TWI	67.2	5.0 %	1.1 %
Oil (USD/bbl)	47.5	3.5 %	0.4 %
Gold (USD/oz)	1346.3	1.2 %	2.0 %
Thermal Coal (USD/tonnes)	98.5	41.2 %	2.8 %
Australian 10-yr bond	2.58%	61.5 bps	-8.1 bps
US 10-yr bond	2.05%	37.6 bps	-11.5 bps
NSW 10-yr bond (bps) maturity 2026	2.75% -	bps	-7.4 bps

Upcoming Domestic Data Releases (11/09– 15/09)

- The **ABS** will release Overseas Arrivals and Departures data for July, Lending Finance and Labour force data for August, as well as Households Income and Wealth and Household Expenditure Survey data for 2015-2016
- **NAB** will release their Monthly Business Survey data for August
- **ABARES** will release their Crop Report data for September
- The **RBA** will release a speech by Guy Debelle at King & Wood Mallesons, Sydney
- **Westpac-MI** will release Consumer Sentiment data for September

Chart E: Interest Rate Expectations

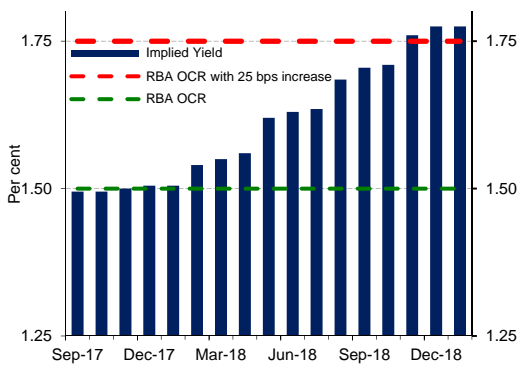
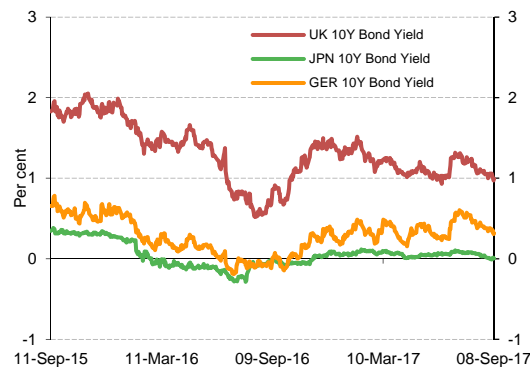
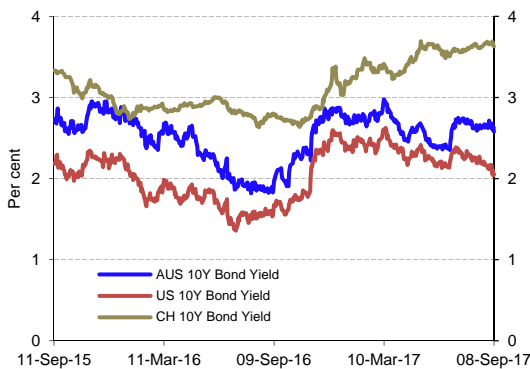


Chart F & G: International Bond Yields



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 June 2018.

According to the ASX Target Rate Tracker, as of 11 September, 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 3 October 2017.

International Bond Yield Spreads

US bond yields fell by 11.5 basis points over the week to Friday. This follows rising geopolitical tensions between North Korea and US, as well as the speech by NY Fed President William Dudley where he appeared less confident about interest rate raises following low inflation rate expectation. The spread between US and Australian bond yields was 0.53 percentage points last week. Bond yields declined in all other countries tracked except Japan where bond yields rose by 0.5 basis points.

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)	2.58	61.5	-8.1	52.8	28.9
United States (US)	2.05	37.6	-11.5	-	-
Germany (GER)	0.31	30.1	-6.7	-173.9	-166.4
United Kingdom (UK)	0.99	13.1	-6.7	-106.1	-81.6
Japan (JPN)	0.00	1.9	0.5	-204.7	-169.0
China (CH)	3.63	84.2	-3.3	157.9	111.3

Key International Data Releases

US: US's trade deficit rose slightly to \$43.7 billion in July of 2017, following a downwardly revised \$43.5 billion gap in June, driven by the declines of exports by 0.3 per cent and imports by 0.2 per cent.

Canada: The Bank of Canada increased its key interest rate by 0.25 percentage points to 1.00 per cent, following the first interest rate hike in July. According to the statement, recent economic data have been stronger than expected; supporting the Bank's view that growth in Canada is becoming more broadly-based and self-sustaining.

UK: UK's trade deficit was almost unchanged at £2.87 billion in July, as imports fell by 0.2 per cent in the month to £52.50 billion and exports fell by 0.2 per cent to £49.63 billion. Meanwhile, UK's industrial production increased by 0.4 per cent through the year to July, compared to 0.3 per cent in June, driven by strength in manufacturing production.

Euro: The ECB left all benchmark interest rates unchanged following the latest Council meeting, with the main interest rate remains at 0.0 per cent, in line with consensus forecasts. According to the statement, the bank expects that interest rates will be held at present levels for an extended period and well past the horizon of net asset purchases.

Upcoming Key International Data Releases (11/09 – 15/09)

- **US:** PPI and CPI data for August, Retail Sales data for August as well as Uni of Michigan Consumer Sentiment data for September
- **UK:** Interest rate decision for September, as well as ILO Unemployment Rate data for July and CPI data for August
- **Euro:** Industrial Production and Trade Balance data for July
- **India:** Trade Balance data for August
- **China:** Industrial Production and Retail Sales data for August