

Chart A: Domestic Interest Rates

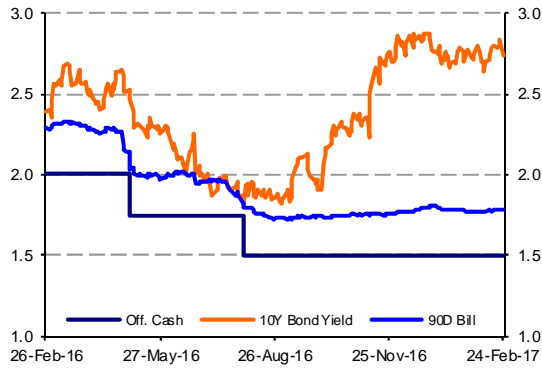


Chart B: Share Price Index

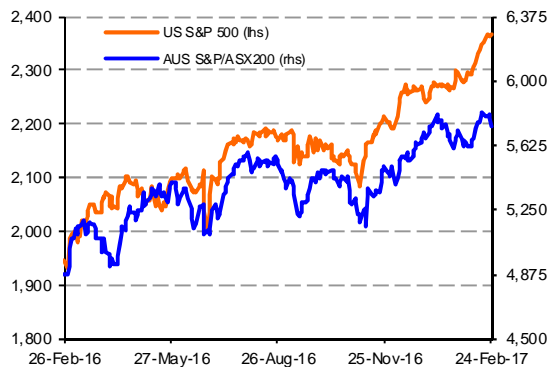


Chart C: Exchange rate

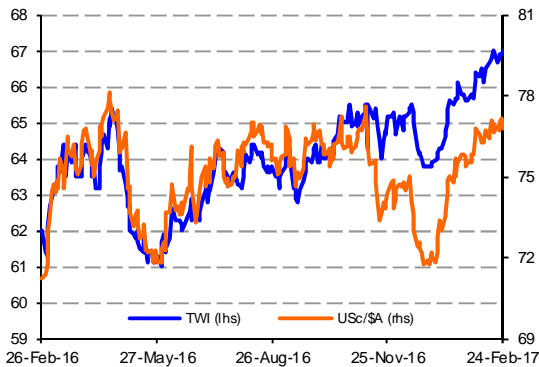
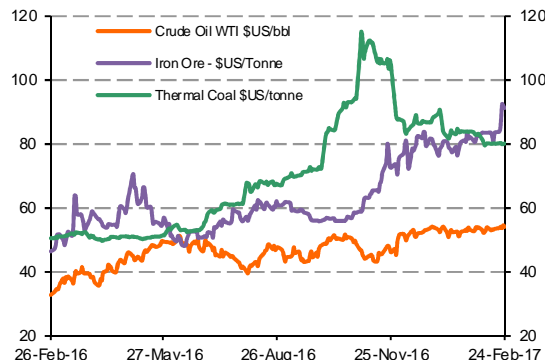


Chart D: Commodity Prices



Domestic Data Releases

ABS Private New Capital Expenditure (capex) for the December quarter 2016 showed that NSW total capex fell 2.3% in the quarter, but was up 0.8% through the year. Nationally, total capex fell 2.1% in the quarter and was down 15.5% through the year. Expectations for NSW capex investment in 2016-17 are 3.1% higher compared to actual 2015-16 capex. Nationally, capex investment expectations in 2016-17 are 11.4% lower compared to actual 2015-16 capex.

The NSW **Regional Labour Force** data showed that the regional unemployment rate, in 12-month moving average terms to January 2017, was 4.9% in Greater Sydney and 5.5% in the Rest of NSW. Other regional unemployment rates were 5.5% in Western Sydney, 5.2% in the Greater Hunter and 6.6% in the Greater Illawarra.

ABS Construction Work Done data for the December quarter showed Building Work Done in NSW was up 12.0% through the year while nationally this was up 2.1% through the year. Total Construction Work Done (Building and Engineering) in NSW was up 10.8% through the year while nationally this fell 7.8% over the same period.

ABS Wage Price Index data for the December quarter showed that the NSW Index increased by 2.1% through the year. Nationally, the Wage Price Index rose by 2.0% through the year.

The ABS released its biannual **Average Weekly Earnings** data for November 2016, NSW average weekly ordinary time earnings rose 0.6% through the year; nationally it increased by 2.2%.

Markets

The ASX200 fell by 1.2% and the US S&P500 rose by 0.7% over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2,367.3	21.5 %	0.7 %
ASX200	5,739.0	17.6 %	-1.2 %
Australian Dollar (USD)	0.7676	7.7 %	0.2 %
TWI	67.0	8.1 %	0.0 %
Oil (USD/bbl)	54.0	64.7 %	1.1 %
Gold (USD/oz)	1,253.65	2.2 %	0.9 %
Thermal Coal (USD/tonne)	80.0	58.6 %	0.1 %
Australian 10-yr bond	2.73%	34.6 bps	-7.3 bps
US 10-yr bond	2.31%	54.9 bps	-10.3 bps
NSW 10-yr bond (bps) maturity 2028	3.16%	51.9 bps	-7.3 bps

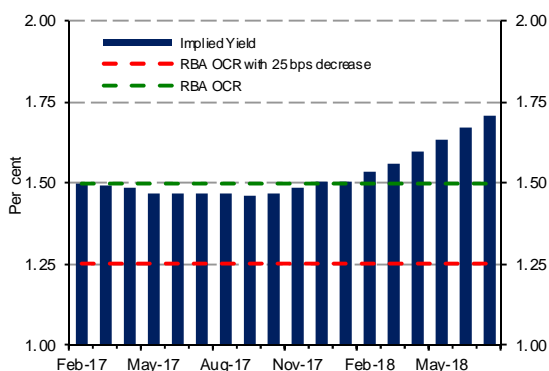
Upcoming Domestic Data Releases (27/02 – 03/03)

- **ABS** will release National Accounts, Business Indicators, Balance of Payments and Government Finance Statistics Data for the December Quarter and Building Approvals and International Trade in Goods and Services data for January.
- **Austrade** will release the results of the International Visitor Survey for the December Quarter.
- **The RBA** will release Private Sector Credit data for January.
- **HIA** will release their New Home Sales Report for January.

Market Interest Rate Expectations

The current implied yield curve on ASX 30 day interbank cash rate futures

Chart E: Interest Rate Expectations



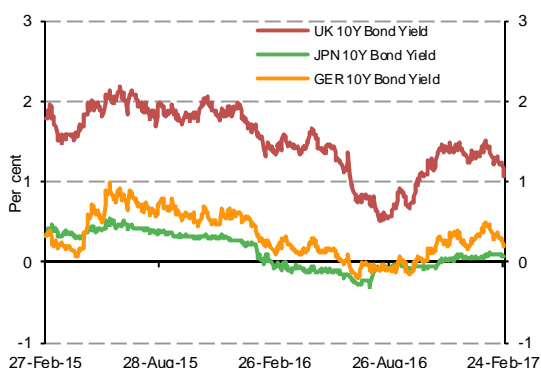
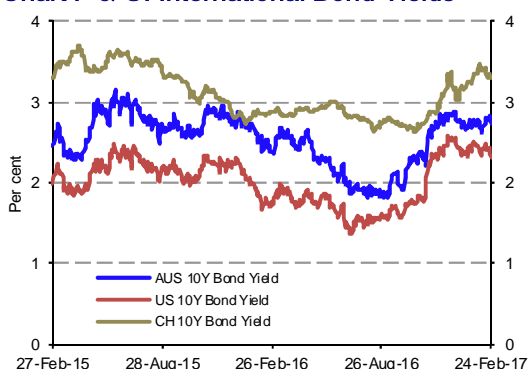
(Chart E) indicates that the majority of the market expects the RBA to leave the cash rate unchanged until the May quarter of 2018.

According to the ASX Target Rate Tracker, as of 24 February, there is a 5% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 7 March 2017.

International Bond Yield Spreads

US bond yields again fell during the week; this is their lowest level since November 2016 due to fading expectations of US fiscal stimulus. Across the board bond yields fell over the week to Friday. More recently, the spread between US and Germany bond yields has been noticeably wider due to different policy outlooks.

Chart F & G: International Bond Yields



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)	2.73	34.6	-7.3	41.8	62.2
United States (US)	2.31	54.9	-10.3	-	-
Germany (GER)	0.19	3.9	-11.6	-212.6	-161.5
United Kingdom (UK)	1.08	-32.1	-13.3	-123.4	-36.3
Japan (JPN)	0.07	13.3	-2.6	-224.4	-182.7
China (CH)	3.31	43.3	-3.8	100.1	111.8

Key International Data Releases

Japan: Posted a higher than expected Trade Deficit in January of ¥1.087 trillion, exceeding expectations by ¥464 billion as Imports increased for the first time in two years, driven by higher oil prices. The Nikkei Manufacturing PMI expanded by 0.8 index points to 53.6.

EU: The Markit Manufacturing PMI improved markedly to hit a six year high of 56.0 in February, up 0.8 index points on last month. Consumer Confidence fell to -6.2 in February from an upwardly revised -4.8 in January.

Germany: The Markit Manufacturing PMI rose to a 69-month high of 57.0 in February, up from 56.4 the previous month. IFO Business Climate also rose in February to 111.0 index points from 109.9 the previous month. Meanwhile Gfk Consumer Confidence declined slightly in February to 10.0 from last month's result of 10.2.

Canada: CPI exceeded through the year expectations of 1.6% in January to reach 2.1%. This follows two consecutive months of declines and may cause the Canadian central bank to move away from their downward bias at next week interest rate decision.

Upcoming Key International Data Releases (27/02 – 03/03)

- **US:** GDP data for the December quarter and Manufacturing PMI and Non-Manufacturing PMI data for February
- **Japan:** Industrial Production, Retail sales, CPI and the Unemployment Rate data for January and Consumer Confidence data for February
- **EU:** The Unemployment Rate and Retail Sales data for January and CPI data for February
- **China:** Manufacturing PMI and Non-Manufacturing PMI data for February
- **UK:** Consumer Confidence, Manufacturing PMI data for February
- **Germany:** Retail Sales data for January and the Unemployment rate and CPI data for February.
- **New Zealand:** Trade Balance data for January
- **Canada:** Interest rate decision