

Chart A: Domestic Interest Rates

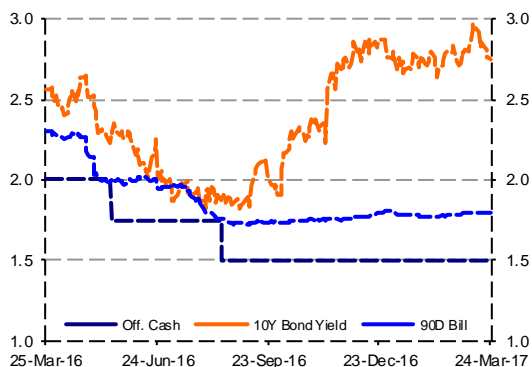


Chart B: Share Price Index

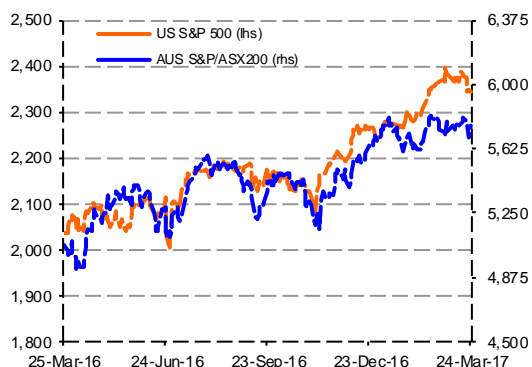


Chart C: Exchange rate

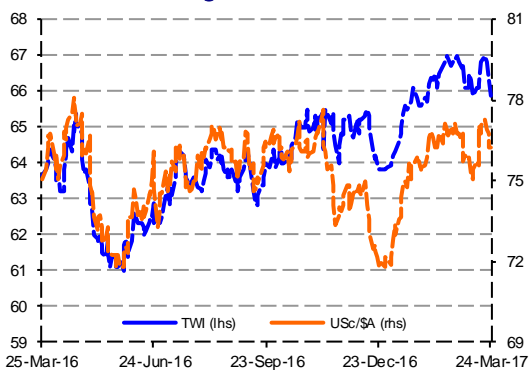
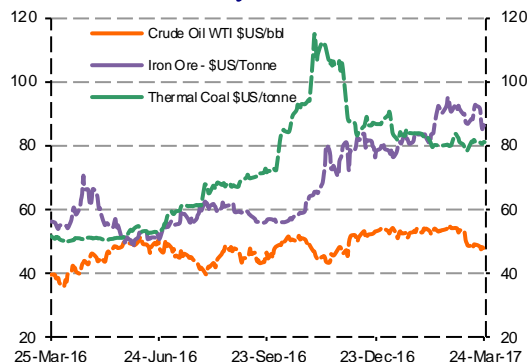


Chart D: Commodity Prices



Domestic Data Releases

The ABS **Residential Property Price Index** for Sydney rose by 5.2 per cent in the December quarter and is now up 10.3 per cent through the year. The index for the weighted average of the eight capital cities rose by 4.1 per cent in the September quarter and is up 7.7 per cent through the year.

ABS **Demographic Statistics** indicated that NSW population grew by 1.4 per cent over the year ended 30 September 2016 and Australia's population grew by 1.5 per cent in the same period.

Regional Labour Force data showed that the regional unemployment rate, in 12-month moving average terms to February 2017, was 4.8 per cent in Greater Sydney and 5.6 per cent in the Rest of NSW. Other regional unemployment rates were 5.6 per cent in Western Sydney, 5.3 per cent in the Greater Hunter and 6.5 per cent in the Greater Illawarra.

Quarterly Industry Labour Force data showed that NSW employment rose by 1.4 per cent through the year to the February quarter 2017 compared with 1.2 per cent nationally. The industries that made the largest contributions to employment growth over this period were Construction (1.0ppt), Public Administration (0.5ppt) and Education (0.5ppt). The largest detraction came from retail (-0.7ppt).

Markets

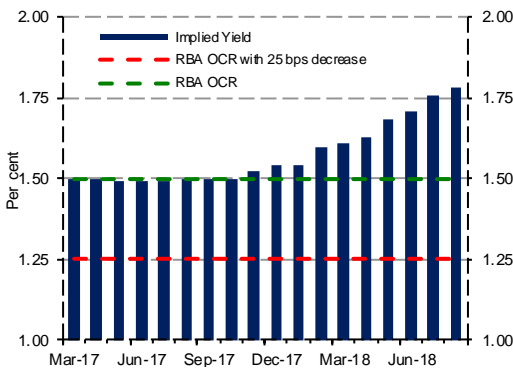
The ASX200 fell by 0.8% and the US S&P500 fell by 1.4% over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2,344.0	15.1 %	-1.4 %
ASX200	5,753.6	13.8 %	-0.8 %
Australian Dollar (USD)	0.76	1.5 %	-1.1 %
TWI	65.9	3.5 %	-1.3 %
Oil (USD/bbl)	48.0	21.7 %	-1.7 %
Gold (USD/oz)	1,247.5	2.0 %	1.5 %
Thermal Coal (USD/tonnes)	81.0	57.3 %	-0.4 %
Australian 10-yr bond	2.75%	18.4 bps	-11.0 bps
US 10-yr bond	2.41%	51.0 bps	-9.0 bps
NSW 10-yr bond (bps) maturity 2026	2.95%	- bps	-9.8 bps

Upcoming Domestic Data Releases (27/03 – 31/03)

- The **ABS** will release Engineering Construction Activity data for the December quarter and Job Vacancies data for February.
- The **RBA** will release Private Sector Credit data for February. Deputy Governor Guy Debelle will speak at the FX Week Australia conference, Sydney.
- The **Department of Employment** will release Skilled Vacancies data for February.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

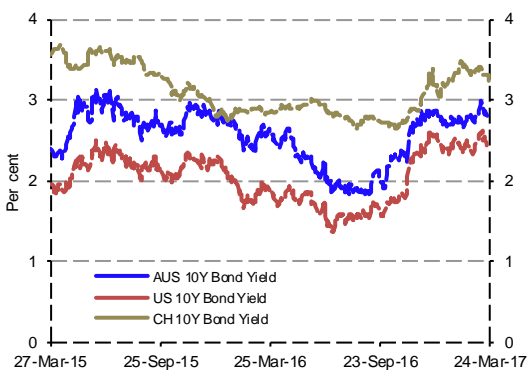
The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates that the majority of the market expects the RBA to leave the cash rate unchanged until April 2018.

According to the ASX Target Rate Tracker, as of 24 March, there is a 2% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 4 April 2017.

International Bond Yield Spreads

US bond yields declined over the week to Friday as the markets absorbed a less aggressive stance on federal fund rate over the recent weeks. The spread between US and Germany bond yields has been above two percentage points. Despite a less aggressive interest rate outlook in the US, the US dollar remains relatively strong against the Euro. Bond yields fell across the board over the past week.

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)	2.75	18.4	-11.0	34.0	66.6
United States (US)	2.41	51.0	-9.0	-	-
Germany (GER)	0.40	22.0	-4.0	-201.0	-172.0
United Kingdom (UK)	1.20	-25.3	-4.0	-121.0	-44.7
Japan (JPN)	0.07	16.3	-1.0	-234.0	-199.3
China (CH)	3.23	39.8	-8.0	82.0	93.2

Key International Data Releases

EU: The current account surplus fell to €24.1 billion in January from €30.8 billion in the previous month, the lowest since November 2015. The manufacturing PMI rose to 56.2 in March from 55.4 in the previous month.

UK: Retail sales rose by 1.4 per cent in February to be up 3.7 per cent through the year. This increase could not make up for declines in December and January. Recently, retail sales have been weak due partly to rising petrol prices. The CPI increased from 1.8 per cent to 2.3 per cent in February surpassing the Bank of England's 2 per cent inflation target.

US: The current account deficit fell to \$112.4 billion in the December quarter from \$116.0 billion in the previous quarter. In March, the initial jobless claims rose unexpectedly from 240,000 to 258,000. The manufacturing PMI fell to 53.4 in the month from 54.2 in the previous month, the lowest since October.

Germany: The consumer confidence index fell to 9.8 in April from 10.0 in the previous month. The manufacturing PMI rose to a 71-month high of 58.3 in March.

Canada: Retail sales rose by 2.2 per cent in January. CPI increased by 2.0 per cent through the year to February compared with 2.1 percent in the previous month.

Upcoming Key International Data Releases (27/03 – 31/03)

- **Japan:** Retail Sales, the Unemployment Rate, Industrial Production and CPI data for February
- **UK:** Consumer Confidence data for March
- **Germany:** Retail Sales data for February as well as CPI and the Unemployment Rate data for March
- **Euro Area:** CPI data for March
- **China:** Manufacturing PMI and Non-manufacturing PMI data for March
- **Canada:** GDP data for January