Weekly Market and Economics Roundup

For the week ended 28 February 2014

Chart A: Domestic Interest Rates

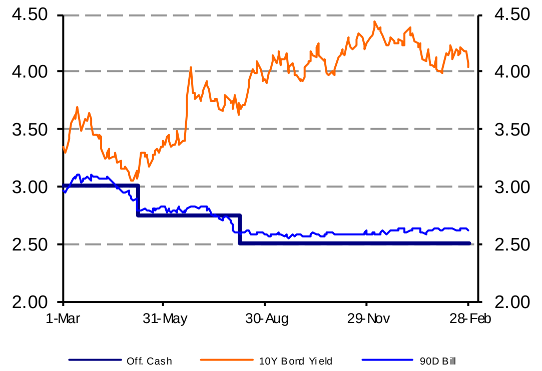


Chart B: Share Price Index

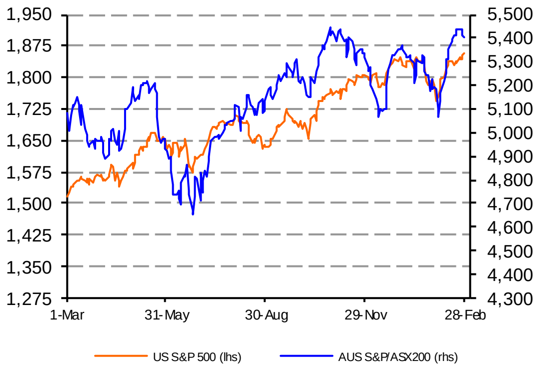


Chart C: Exchange Rate

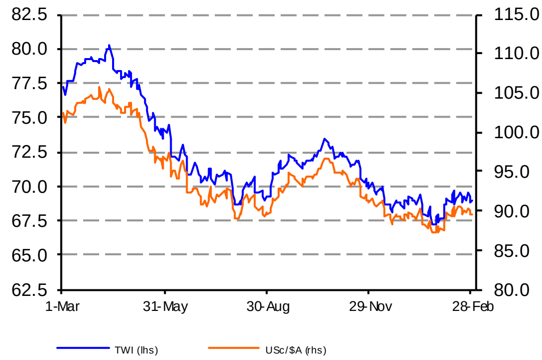
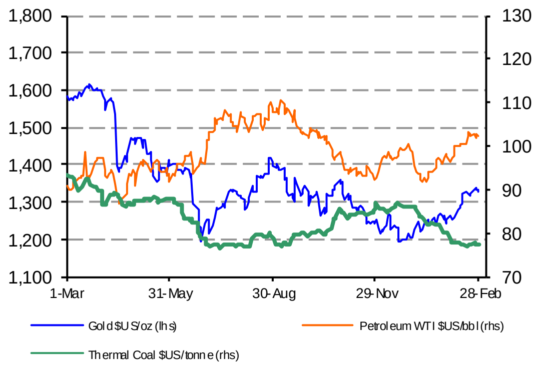


Chart D: Commodities



Domestic Data Releases

Construction work done (Value, sa, Y%ch) Total construction work done for December quarter was 0.7% lower through the year for NSW and 1% lower for Australia. Total residential building work done for December quarter was 2.9% lower through the year for NSW and 1.7% lower nationally.

Private new capital expenditure (Volume, sa, Y%ch) total in December quarter fell 15.8% for NSW and 5.7% nationally through the year. New Capex on Building and Structure fell 19.9% for NSW through the year and rose 0.3% nationally in December quarter. New Capex on Equipment, Plant and Machinery fell 12.9% for NSW and 16.3% nationally through the year.

RBA Financial Aggregates (Value, sa, M%ch) showed total credit to private sector rose 4.1% in January through the year in Australia. Housing credit rose 5.6% in January than a year ago, personal credit and business credit rose 1% and 2% respectively through the year.

Markets

The **Australian stock market** fell by 0.6% on the previous Friday, while the **New York stock exchange** rose by 1.3%.

	Value	Change on Year	Change on Week
S&P 500	1,859.5	22.5 %	1.3 %
ASX200	5,404.8	6.3 %	-0.6 %
Australian Dollar (USD)	0.8947	-12.6 %	-0.5 %
TWI	68.90	-10.8 %	-0.4 %
Oil (USD/bbl)	102.40	12.9 %	0.2 %
Gold (USD/oz)	1,326.50	-16.2 %	0.2 %
Thermal Coal (USD/tonne)	77.16	-17.5 %	-0.2 %
Australian 10-yr bond	4.03%	68.8 bps	-17.8 bps
US 10-yr bond	2.64%	76.0 bps	-12.0 bps
Australian 90-day bill	2.50%	-50.0 bps	0.0 bps

Upcoming Domestic Data Releases (03/3 – 07/3)

- The **ABS** will release data on Business indicators, building approvals, balance of payments, government finance, **national accounts**, retail sales and international trade.
- The **RBA** will release monthly interest decision and commodity price index.
- **AiG** survey will release manufacturing, service and construction performances.
- **HIA** will release new home sales.
- **TD-MI** will release inflation gauge.

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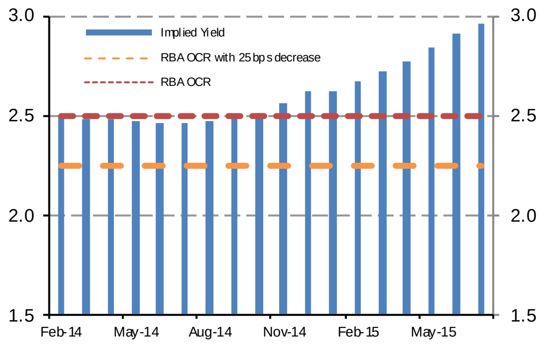
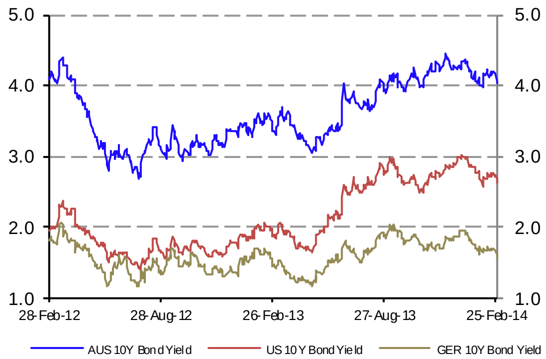
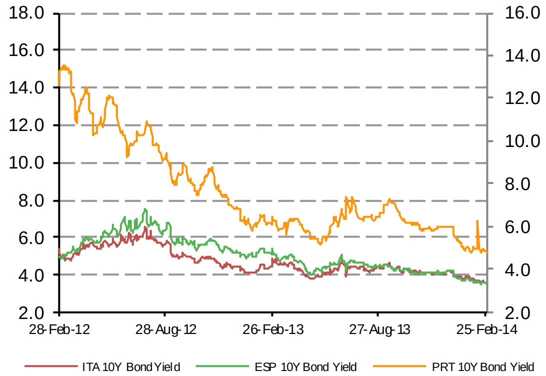
Chart E: Interest Rate Expectations



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 a no change** by the RBA at its next meeting.

According to the **ASX target rate tracker**, as of 28 February, there is a 95% expectation that the RBA will keep the cash rate at 2.50% at its 4 March 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)	4.03%	68.8 bps	-17.8 bps	139.3 bps	146.5 bps
United States (US)	2.64%	76.0 bps	-12.0 bps	- -	- -
Germany (GER)	1.56%	11.3 bps	-12.7 bps	-107.6 bps	-42.9 bps
Italy (ITA)	3.48%	-124.6 bps	-12.1 bps	83.7 bps	284.3 bps
Portugal (PRT)	4.82%	-148.4 bps	-8.1 bps	218.3 bps	442.7 bps
Spain (ESP)	3.51%	-158.4 bps	-4.1 bps	86.6 bps	321.0 bps

International Data Releases

Japan unemployment rate was 3.7% in January, its CPI rose 1.4% through the year. Industrial production in January was up 4% compare to December 2013.

US durable goods orders fell 1% in January compare to previous month.

Germany GDP rose 1.3% for December quarter through the year while its CPI rose 1.2% in February than a year ago.

Upcoming International Data Releases (03/3 – 07/3)

- **US:** ADP employment and Non-farm payrolls.
- **China:** PMI manufacturing.
- **Europe:** PMI manufacturing and ECB rate announcement
- **UK:** PMI manufacturing and BoE rate announcement.