Week ended Friday 28 October 2016

WEEKLY ECONOMIC & FINANCIAL MARKET ROUNDUP

Chart A: Domestic Interest Rates

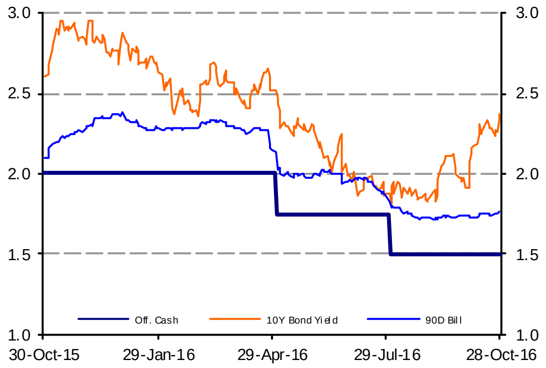


Chart B: Share Price Index

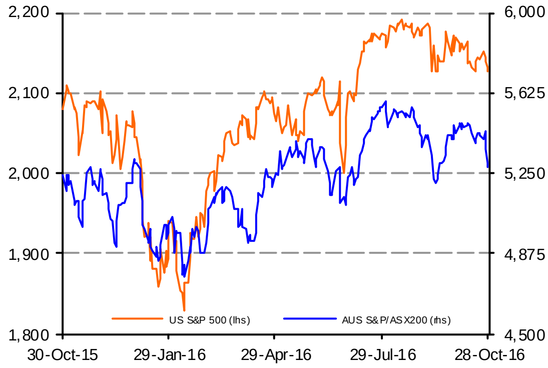


Chart C: Exchange rate

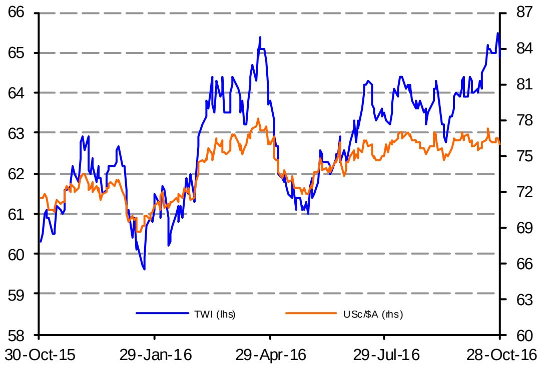
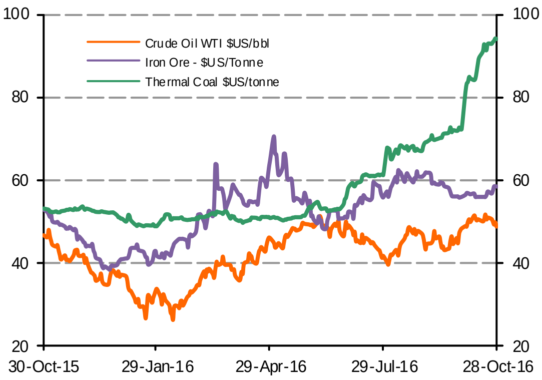


Chart D: Commodity Prices



Domestic Data Releases

ABS **Consumer Price Index** data showed that headline inflation in Sydney has increased by 1.0% in the September quarter 2016, and 1.7% through the year. Nationally, headline inflation has increased by 0.7% in the quarter and 1.3% through the year. Underlying inflation has increased by 1.5% through the year during the same period.

CommSec's **the State of the States** report commented that the NSW economy continued to be the best performing economy, retaining its number one overall ranking.

Markets

The ASX200 fell 2.7% compared to last Friday and the US S&P500 was down 0.7%.

	Value	Change on Year	Change on Week
US S&P 500	2,126.4	2.3 %	-0.7 %
ASX200	5,283.8	0.8 %	-2.7 %
Australian Dollar (USD)	0.7599	6.5 %	-0.1 %
TWI	64.9	7.6 %	-0.2 %
Oil (USD/bbl)	48.7	4.5 %	-4.2 %
Gold (USD/oz)	1,273.00	11.4 %	0.5 %
Thermal Coal (USD/tonne)	94.0	77.1 %	1.2 %
Australian 10-yr bond	2.38%	-23.4 bps	9.0 bps
US 10-yr bond	1.85%	-29.5 bps	11.2 bps
Australian 90-day bill	0.00%	-210.2 bps	-174.5 bps

Upcoming Domestic Data Releases (31/10 – 4/11)

- **ABS** releases building approvals, international and retail trade data.
- **RBA** publishes its interest rate decision, financial aggregates and Statement on Monetary Policy.
- **Deloitte Access Economics** releases its Investment Monitor.

Chart E: Interest Rate Expectations

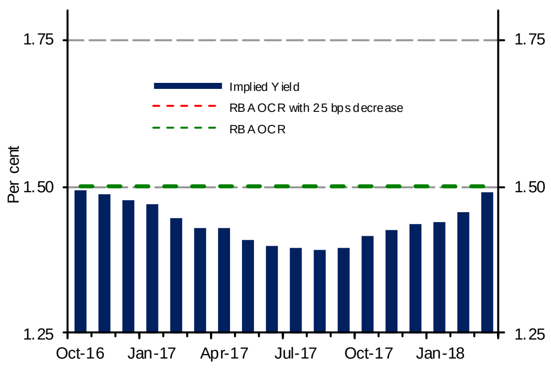
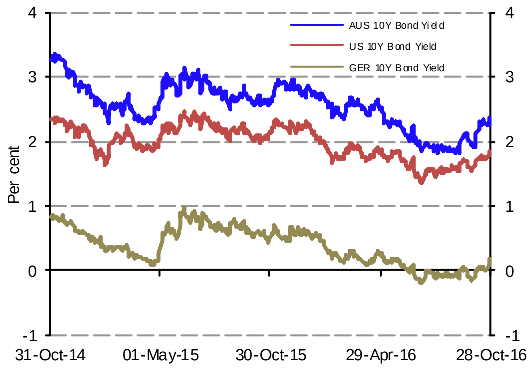
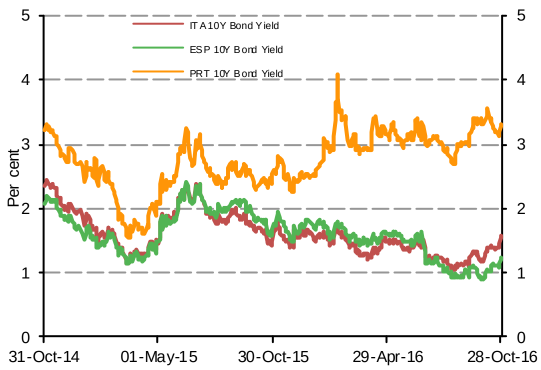


Chart F & G: International Bond Yields





Market Interest Rate Expectations

The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates that market expectations are almost evenly split on whether the RBA will lower the cash rate to 1.25% in 2017, with a very slight majority now expecting RBA will leave the rates unchanged throughout 2017.

According to the ASX target rate tracker, as of 28 October, there was a 6% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 1 November 2016.

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)	2.38%	-23.4 bps	9.0 bps	53.0 bps	46.9 bps
United States (US)	1.85%	-29.5 bps	11.2 bps	- -	- -
Germany (GER)	0.17%	-35.0 bps	16.1 bps	-168.0 bps	-162.5 bps
Italy (ITA)	1.58%	10.5 bps	21.1 bps	-26.3 bps	-66.3 bps
Portugal (PRT)	3.32%	79.1 bps	14.5 bps	147.4 bps	38.8 bps
Spain (ESP)	1.23%	-44.1 bps	11.6 bps	-61.6 bps	-47.0 bps

Key International Data Releases

US: GDP grew at an annualised pace of 2.9% in the third quarter.

Japan: Flash manufacturing PMI rose to 51.7 index points in October, the highest in nine months. Both headline and core CPI fell by 0.5% through the year to September, in line with market expectations.

Europe: Eurozone Manufacturing PMI rose sharply in October to 53.3 index points, beating market expectations.

Upcoming Key International Data Releases (31/10 – 4/11)

– **US: FOMC interest rate announcement,** Non-farm payrolls, unemployment and ISM manufacturing PMI

– **Japan:** BoJ interest rate announcement, Industrial production, retail trade

– **China:** NBS manufacturing and non- manufacturing PMI

– **UK:** BoE interest rate announcement, Manufacturing PMI

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
31-Oct	1-Nov	2-Nov	3-Nov	4-Nov
RBA Private Sector Credit, Oct-16 Deloitte Investment Monitor, SepQ-16	RBA Cash Rate, Nov-16	Building Approvals, Sep-16	International Trade in Goods and Services, Sep-16	Retail Trade, Sep-16 RBA SOMP, Nov-16
7-Nov	8-Nov	9-Nov	10-Nov	11-Nov
ANZ Jobs Ads, Oct-16	NAB Monthly Business Survey, Oct-16 APM Auction data, Oct-16 Speech by Chris Ryan, Head of International Department, at the 7th Pan Asian Regulatory Summit, Hong Kong	W-MI Consumer Sentiment, Nov-16	Overseas Arrivals and Departures, Sep-16 Housing Finance, Sep-16	Panel participation by Guy Debelle, Deputy Governor, at FINSIA's Regulators Panel, Melbourne
14-Nov	15-Nov	16-Nov	17-Nov	18-Nov
Lending Finance, Sep-16	RBA Board Meeting Minutes, Nov-16 Speech by Philip Lowe, Governor, at the Committee for Economic Development of Australia (CEDA) Annual dinner, Melbourne	Wage Price Index, Sep-16 Sales of New Motor Vehicles, Oct-16	Labour Force, Oct-16	State Accounts, 2015-16
21-Nov	22-Nov	23-Nov	24-Nov	25-Nov
	Speech by Guy Debelle, Deputy Governor, at the Australian Business Economists (ABE) Conference dinner, Sydney	Construction Work Done, Sep Q-16	Detailed Labour Force, Oct-16	
28-Nov	29-Nov	30-Nov	1-Dec	2-Dec
		RBA Private Sector Credit, Nov-16 Building Approvals, Oct-16 Austrade International Visitor Survey, SepQ-16 HIA New Home Sales Report, Oct-16	Private New Capex, SepQ-16 Industrial Disputes, SepQ-16	Retail Trade, Oct-16
5-Dec	6-Dec	7-Dec	8-Dec	9-Dec
ANZ Jobs Ads, Nov-16 Business Indicators, Sep-16	RBA Cash Rate, Dec-16 Crop Report, Dec-16 Balance of Payments, Sep-16	National Accounts, SepQ-16	APM Auction data, Nov-16 International Trade in Goods & Services, Oct-16	Housing Finance, Oct-16

***Bolded items indicate an Economic Data Note will be associated with release.**

The Treasury

ECONOMIC FACTS

ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
ECONOMIC GROWTH				
Gross State/ Domestic Product	2.4%	2.3%	% annual average	2014-15 Next:18 Nov 16
State/Domestic Final Demand	3.8%	1.2%	% through the year	Jun qtr 16 Next: 7 Dec 16
	0.6%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+7	+6	NAB Index	Sep 16 (mthly) Next: 8 Nov 16
NAB Business Conditions	+10	+8		
HOUSING				
Dwelling Approvals	73.6k	238.2k	Number of app 12mms	Aug 16 (mthly) Next: 2 Nov 16
	37.0%	10.1%	% through the year	
Residential Prices (capitals)	3.6%	4.1%	% through the year	Jun qtr 16 Next: 13 Dec 16
LABOUR FORCE				
Employment	1.8%	1.4%	% through the year	Sep 16 (mthly)
Unemployment Rate	4.9%	5.6%	Current rate	Next:17 Nov 16
Youth unemployment rate	11.5%	12.4%	12 monthly moving average rate	Sep 16 (mthly) Next: 24 Nov 16
CONSUMER				
Retail Sales	3.3%	2.8%	% through the year	Jul 16 (mthly) Next: 4 Nov 16
Westpac MI Consumer Confidence	100.1	102.4	Westpac MI Index	Oct 16 (mthly) Next: 9 Nov 16
CPI (Capital cities)	1.7%	1.3%	% through the year	Sep qtr 16 Next: 25 Jan 17
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 1 Nov 16

ECONOMIC FORECASTS	NSW Forecasts (as per 2016-17 Budget)			Australian Gov't Forecasts (as per 2016-17 Budget)		
	2014-15 Actual	2015-16 Forecast	2016-17 Forecast	2014-15 Actual	2015-16 Forecast	2016-17 Forecast
State/Domestic Final Demand (%)	3.3	3¼	3½	0.8	n.a.	n.a.
Gross State /Domestic Product (%)	2.4	2¾	3	2.2	2½	2½
Employment (%) [(a)]	1.2	3½ (3.8)*	1¾	1.6	2 (2.3)*	1¾
Unemployment rate (%)[(b)]	5.9	5½ (5.4)*	5¼	6.1	5¾ (5.9)*	5½
CPI (%)[(c)]	2.2	1 (0.9)*	2	1.5	1¼ (1.0)*	2
Wage Price Index (%)	2.3	2¼ (2.1)*	2½	2.3	2¼ (2.1)*	2½

(a) Australia- per cent change through the Year to June quarter (b) Australia- per cent in the June quarter (c) Per cent change, through the year to the June Quarter

(b) *Outcomes in annual average terms and (c) through the year terms where applicable