

Monday, 1 June 2015

Chart A: Domestic Interest Rates

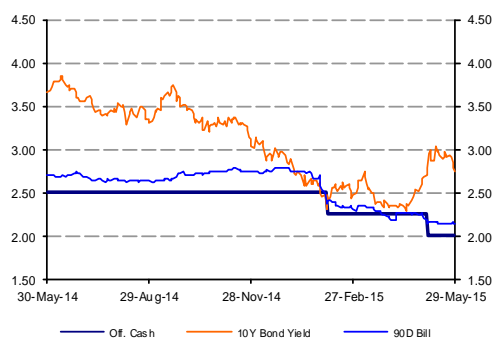


Chart B: Share Price Index

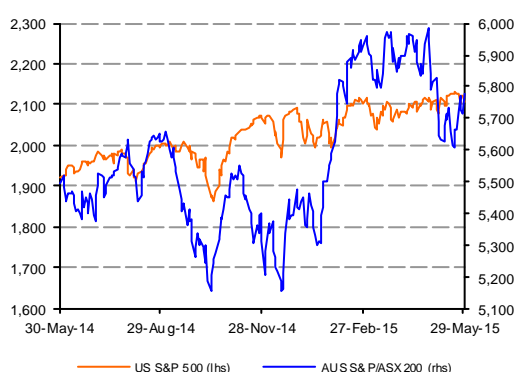


Chart C: Exchange Rate

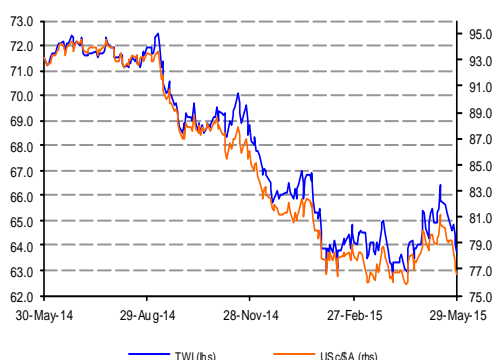
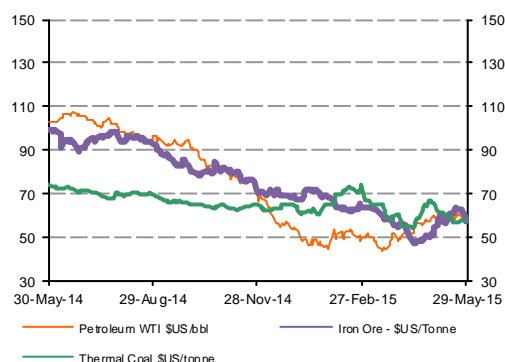


Chart D: Commodities



Key Domestic Data Releases

The **ABS** released data on construction work done for the March quarter. The release showed that construction work done in NSW (including building work done and engineering construction done) was down 3.4% on the previous quarter, and was down 4.1% through the year. Nationally, construction work done was down 2.4% compared to the December quarter 2014, and was down 8.8% through the year.

The ABS also released private capital expenditure (CAPEX) data for the March quarter, which includes spending on building and structures, equipment, and plant and machinery. In seasonally adjusted terms, NSW CAPEX was 6.1% lower than for the December quarter 2014, representing the first quarterly decline since late 2013. However NSW CAPEX was still 4.1% higher compared to the same quarter last year. Nationally, CAPEX was 4.4% lower than the previous quarter and 5.3% lower through the year.

The ABS also released preliminary nominal estimates of the balance of payments for the March quarter. In seasonally adjusted terms, goods and services showed a deficit of \$3,701m, a rise of \$994m (37%) on the revised December quarter 2014 deficit of \$2,707m. Contributing to the higher deficit were imports of goods that grew by 4%, outpacing growth in goods exports of 2%. Services exports and imports both grew at around 1% compared to December 2014.

The **RBA** released national private sector credit data for April showing overall credit to the private sector rose 0.3% on the month and was up 6.1% annually. Of this total, business credit and personal credit were largely unchanged compared to March, but total housing credit grew by 0.5% and is up 7.2% through the year. Owner occupier housing credit is up 5.7% compared to April 2014 while investor housing credit has grown by 10.4% through the year.

The **HIA** released new home sales data for April. The release showed that, in NSW, new house sales were up 7.1% compared to March, but were down 8.4% compared to a year ago. In Australia, new house sales were up 0.4% compared to March, but were down 4% compared to April 2014. New home sales are being driven by 'multi-units', with national sales increasing by 0.9% in the month, and 56.2% compared to April 2014.

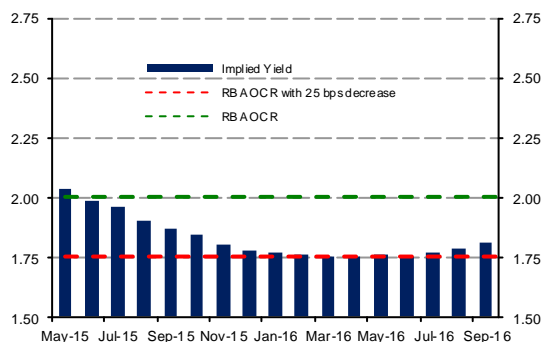
Markets

The **ASX200** rose 2.0% compared to last Friday and the **US S&P500** fell 0.9%.

	Value	Change on Year	Change on Week
US S&P 500	2,107.4	9.6 %	-0.9 %
ASX200	5,777.2	5.2 %	2.0 %
Australian Dollar (USD)	0.7663	-17.8 %	-3.3 %
TWI	63.70	-10.9 %	-2.2 %
Oil (USD/bbl)	57.68	-43.8 %	-3.4 %
Gold (USD/oz)	1,191.40	-4.7 %	-1.1 %
Thermal Coal (USD/tonne)	57.37	-22.4 %	0.8 %
Australian 10-yr bond	2.74%	-92.7 bps	-18.0 bps
US 10-yr bond	2.13%	-34.0 bps	-5.0 bps
Australian 90-day bill	2.14%	-55.8 bps	1.2 bps

Upcoming Domestic Data Releases (1/6 – 5/6)

The **ABS** releases data on building approvals for April, and overseas arrivals for January. In advance of the March quarter national accounts release on Wednesday, the ABS releases business indicators, the balance of payments, and government finance statistics for the March quarter. The ABS also releases April figures for international trade in goods and services, and retail trade. The **RBA** to meets for its monthly Board meeting. The **Australian Industry Group (AiG)** releases its construction, manufacturing and services performance indices for May. **TD-Securities – Melbourne Institute (TD-MI)** releases its monthly inflation gauge for May.

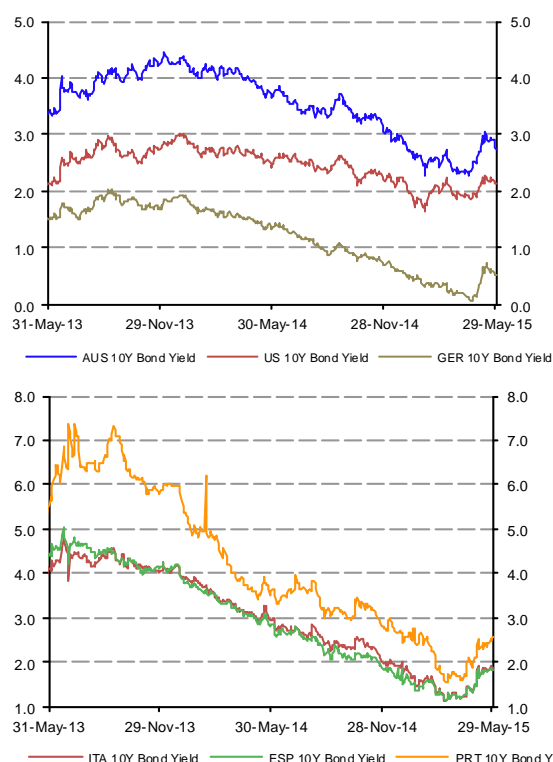
Chart E: Interest Rate Expectations**Market Interest Rate Expectations**

Current **market expectations**, as shown by the **implied yield** curve on ASX 30 day interbank cash rate futures (refer Chart E below), indicate **no change in interest rates** by the RBA at its next policy meeting on 2 June.

According to the **ASX target rate tracker**, as of 29 May, there is a 6% expectation that the RBA will lower the cash rate to 1.75% at its policy meeting on 2 June 2015.

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)	2.74%	-92.7 bps	-18.0 bps	60.6 bps	119.3 bps
United States (US)	2.13%	-34.0 bps	-5.0 bps	-	-
Germany (GER)	0.51%	-85.9 bps	-9.6 bps	-161.6 bps	-109.7 bps
Italy (ITA)	1.86%	-111.2 bps	0.6 bps	-27.3 bps	49.9 bps
Portugal (PRT)	2.57%	-103.1 bps	14.0 bps	44.0 bps	113.1 bps
Spain (ESP)	1.84%	-101.4 bps	6.2 bps	-29.4 bps	38.0 bps

Charts F & G: International Bond Yields**Key International Data Releases**

US: The University of Michigan Index of Consumer Sentiment, a measure of US consumer confidence, fell to 90.7 in May, down from 95.9 in April, but up 10.7% compared to April 2014. The index is averaging 94.6 for the year to date – the highest yearly average since 2004. New home sales rose 6.8% in April compared to the previous month. So far this year new home sales have averaged 515,000 a month – the highest rate of average sales since the first half of 2008. Compared to April 2014, new home sales are up 26.1%.

Japan: The balance of trade for April showed a deficit of 53.4b yen, following the 227.4b yen trade surplus recorded in March. Through the year to April, exports have risen 8%, while imports have fallen 4.2%. Retail sales grew for the first time in four months in April (up 0.4%), and have grown 5% since April 2014. However this growth partly reflects reduced sales in April 2014 as a result of an increase in sales tax. Industrial production in Japan grew by 1% in April, the first increase in 3 months. However, compared to April 2014, industrial production is down 0.1%. The unemployment rate fell to 3.3% in April, down from 3.4% recorded in March and the lowest rate recorded since May 1997. The participation rate rose 0.3pp to 59.4% in April, and the number of jobs for every applicant rose from 1.15 in March to 1.17 in April.

Upcoming Key International Data Releases (1/6 – 5/6)

- US:** CPI for April, Unemployment rate and payrolls for May
- Europe:** CPI for April, ECB policy meeting, Unemployment Rate for April, GDP for March quarter.
- UK:** Bank of England policy meeting
- China:** Manufacturing PMI