

Weekly Market and Economics Roundup

For the week ended 30 August, 2013

This Roundup covers critical economic data and publications used by NSW Treasury for monitoring and analysis.

Chart A: Domestic Interest Rates

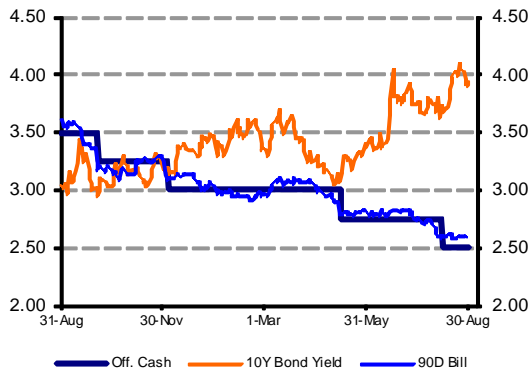


Chart B: Share Price Index

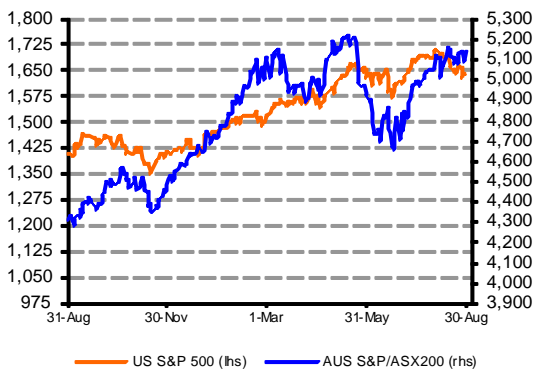


Chart C: Exchange Rate

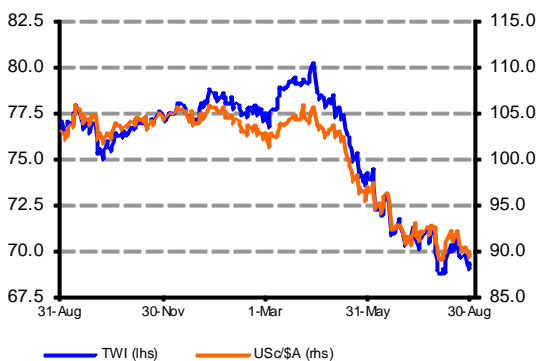
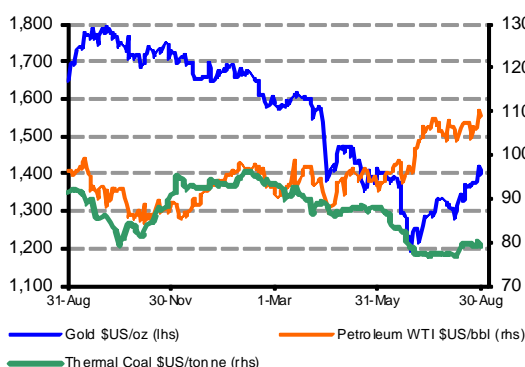


Chart D: Commodities



Domestic Data Releases

Data on **Private New Capital Expenditure** for the June quarter (cvm, sa, y%ch) showed that capital expenditure on:

- **Buildings and structures** fell 24.8% in NSW and fell 0.9% nationally.
- **Equipment, plant and machinery** fell 5.6% in NSW and fell 4.7% nationally.
- **Total new capital expenditure** fell 13.8% for NSW and fell 2.3% nationally.

Total construction work done in the June quarter (cvm, sa, y%ch) rose 1.8% in NSW, and fell 0.9% across Australia. Components of construction work showed:

- Total residential building work rose 15.9% in NSW and rose 4.3% nationally.
- Total non-residential work was up 7.8% in NSW and down 3.4% nationally.
- Engineering work was down 6.5% in NSW and down 2.1% across Australia.

The RBA released **total private sector credit** data (value, sa, y%ch) for July. Credit for housing rose 4.7%, business credit increased 1.3% and other personal credit rose by 0.5%. There was an overall increase of 3.2%.

New home sales (number, sa, y%ch) in July increased 48.7% for NSW and rose 12.8% for Australia.

Housing affordability, according to HIA's affordability index (index, y%ch), improved in Sydney by 15.2% and improved for the rest of the state by 17.0% in the June quarter. Nationally housing affordability improved by 16.7%.

Markets

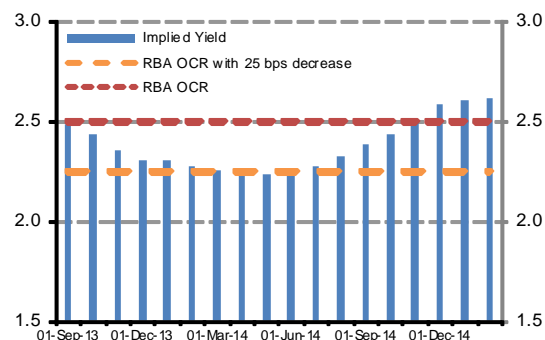
The **Australian stock market** was up 0.2% on the previous Friday, while the **New York stock exchange** fell 1.8%.

	Value	Change on Year	Change on Week
S&P 500	1,633.0	16.1 %	-1.8 %
ASX200	5,135.0	19.0 %	0.2 %
Australian Dollar (USD)	0.8947	-13.1 %	-0.7 %
TWI	69.20	-10.1 %	-0.6 %
Oil (USD/bbl)	108.80	12.8 %	2.2 %
Gold (USD/oz)	1,394.75	-15.4 %	1.3 %
Thermal Coal (USD/tonne)	78.77	-13.5 %	-0.6 %
Australian 10-yr bond	3.90%	85.7 bps	-16.0 bps
US 10-yr bond	2.77%	114.0 bps	-12.0 bps
Australian 90-day bill	2.59%	-101.8 bps	-0.9 bps

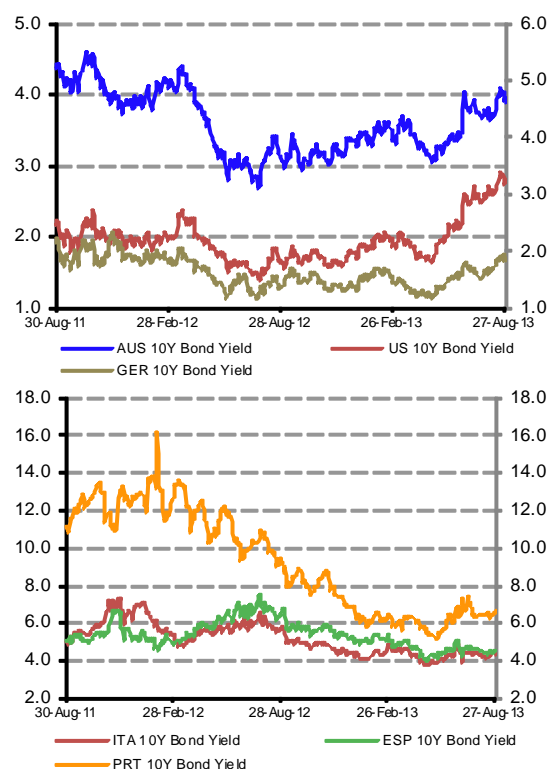
Upcoming Domestic Data Releases (2/9 – 6/9)

- The ABS will release data on business indicators, building approvals, retail sales, the balance of payments, government finance statistics, national accounts, overseas visitors and international trade.
- The RBA will announce their monthly monetary policy decision and release their commodity price index.
- TD-MI will release their inflation gauge.
- AiG will release their performance of manufacturing, performance of services and performance of construction surveys.
- REIA will release their housing affordability report.

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

According to the **ASX target rate tracker**, as of the 30th of August, there is a 93% expectation that the RBA will keep the cash rate at 2.50% at its September 3rd 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)	3.90%	85.7 bps	-16.0 bps	112.7 bps	141.0 bps
United States (US)	2.77%	114.0 bps	-12.0 bps	- -	- -
Germany (GER)	1.84%	50.2 bps	-8.8 bps	-93.4 bps	-29.6 bps
Italy (ITA)	4.39%	-139.6 bps	6.1 bps	161.7 bps	415.3 bps
Portugal (PRT)	6.69%	-247.7 bps	20.2 bps	391.6 bps	753.3 bps
Spain (ESP)	4.52%	-230.8 bps	7.6 bps	174.9 bps	519.7 bps

International Data Releases

New orders for manufactured durable goods in the **US** decreased 7.3% in July, following a 3.9% rise in June.

The **consumer price index** for **Japan** rose 0.2% in July to be 0.7% higher than the year before.

German consumer price index in August was 1.5% higher than a year ago.

Employment in Germany rose 0.5% through the year to July while the **unemployment rate** was 5.4%, compared to 5.7% a year ago.

Upcoming International Data Releases (2/9 – 6/9)

- US: unemployment.
- Japan: Bank of Japan monetary policy decision.
- UK: Bank of England monetary policy decision.
- Europe: European Central Bank monetary policy decision, retail sales.