Chart A: Domestic Interest Rates

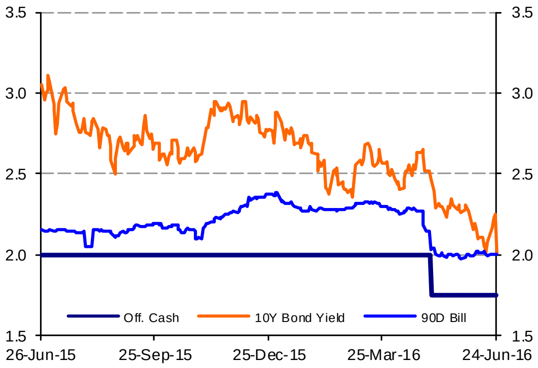


Chart B: Share Price Index

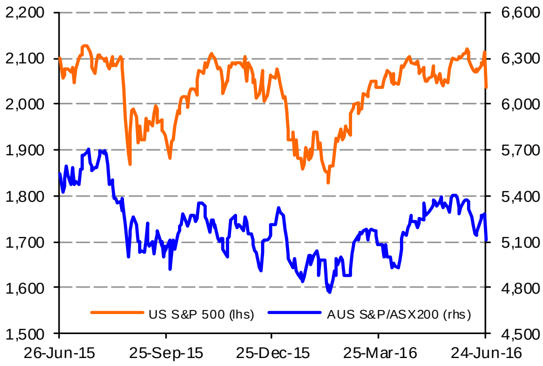


Chart C: Exchange rate

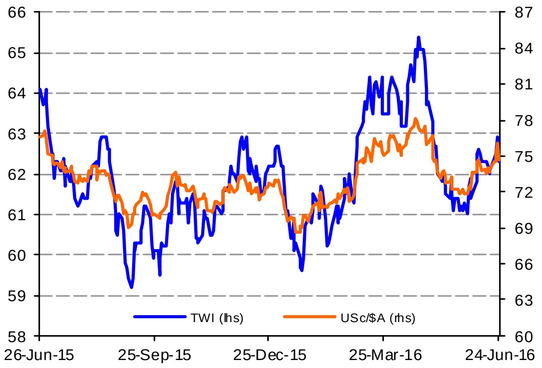
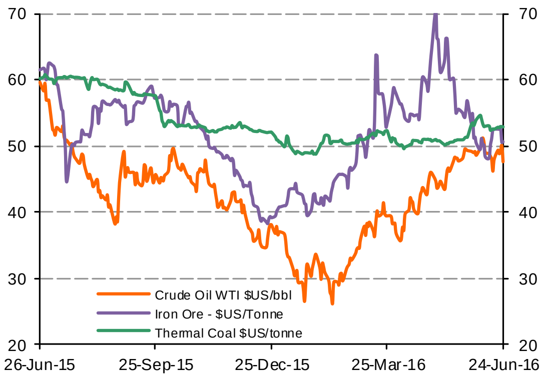


Chart D: Commodity Prices



Domestic Data Releases

The **Residential Property Price Index (RPPI)** for Sydney fell 0.7% in the March quarter. This follows a 1.6% fall in the previous quarter. The Sydney index is now up 9.7% through the year. The RPPI for the weighted average of the eight capital cities fell 0.2% in the March quarter, the first quarterly fall since September 2012. This index is now up 6.8% through the year.

Demographic Statistics indicated that Australia's population grew by 1.4% during the year ended 31 December 2015. NSW population growth over the same period was also 1.4%.

Regional Labour Force data showed that the regional unemployment rate, in 12-month moving average terms to May 2016, was 5.0% in Greater Sydney and 6.3% in the rest of NSW. Other regional unemployment rates were 5.7% in Western Sydney, 6.6% in the Greater Hunter and 6.4% in the Greater Illawarra.

Quarterly Industry Labour Force data showed that NSW employment rose by 3.7% through the year to the May quarter 2016 compared with 2.0% nationally. The industries that made the largest contributions to employment growth over this period were Health Care and Social Assistance (1.0ppt), Professional, Scientific and Technical Services (1.0ppt), Administrative and Support Services (0.5ppt) and Retail Trade (0.3ppt).

Markets

The ASX200 fell 1.0% compared to last Friday and the US S&P500 fell 1.6%.

	Value	Change on Year	Change on Week
US S&P 500	2,037.4	-3.0 %	-1.6 %
ASX200	5,113.2	-7.8 %	-1.0 %
Australian Dollar (USD)	0.7466	-2.5 %	1.1 %
TWI	62.30	-2.8 %	0.3 %
Oil (USD/bbl)	47.64	-20.1 %	-0.7 %
Gold (USD/oz)	1,315.50	12.4 %	1.9 %
Thermal Coal (USD/tonne)	52.90	-12.1 %	0.7 %
Australian 10-yr bond	2.01%	-104.9 bps	-7.1 bps
US 10-yr bond	1.56%	-91.3 bps	-4.8 bps
Australian 90-day bill	2.00%	-15.7 bps	0.5 bps

Upcoming Domestic Data Releases (27/6 – 1/7)

- **HIA** releases New Home Sales data for May
- **ABS** releases Engineering Construction Activity data for the March quarter and Job Vacancies data for the May quarter.
- **RBA** releases Private Sector Credit data for May.

Chart E: Interest Rate Expectations

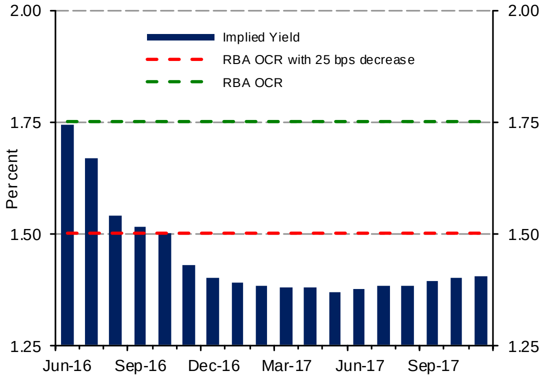
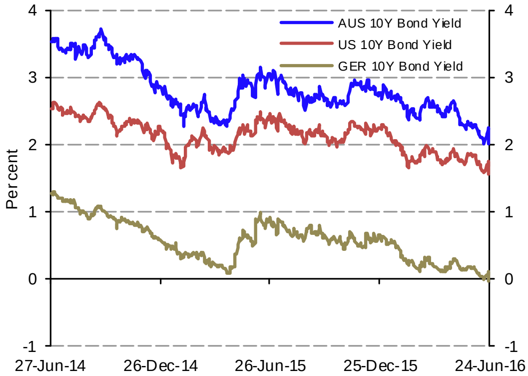
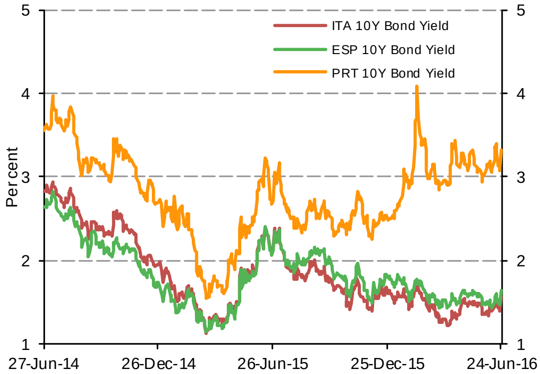


Chart F & G: International Bond Yields





Market Interest Rate Expectations

Current market expectations, as shown by the implied yield curve on ASX 30 day interbank cash rate futures (Chart E), indicate an expectation that the RBA will lower rates to 1.5% in August 2016.

According to the ASX target rate tracker, as of 24 June, there is a 38% expectation that the RBA will lower the cash rate to 1.50% at its policy meeting on 5 July 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)	2.01%	-104.9 bps	-7.1 bps	44.8 bps	58.4 bps
United States (US)	1.56%	-91.3 bps	-4.8 bps	- -	- -
Germany (GER)	-0.05%	-96.9 bps	-6.6 bps	-160.7 bps	-155.1 bps
Italy (ITA)	1.55%	-59.5 bps	4.2 bps	-0.8 bps	-32.6 bps
Portugal (PRT)	3.33%	62.9 bps	3.0 bps	177.1 bps	22.9 bps
Spain (ESP)	1.63%	-47.8 bps	7.6 bps	7.2 bps	-36.3 bps

Key International Data Releases

UK: The UK has voted to leave the EU after 43 years in a historic referendum. This has created some short-term uncertainty and volatility in financial markets. Longer-term impacts are unclear and will be dependent on exit negotiations between the UK and the EU as well as the ability of the UK to renegotiate trade deals.

Japan: Trade data for May showed a deficit of ¥41 billion compared to a ¥823 billion surplus in April. Exports fell by 11.3% from a year earlier as sales to the country's main export partners fell. This was the eighth consecutive month of falling exports, led by weakening global demand for steel, semiconductors and other electronic parts.

Manufacturing PMI came in at 47.8 in June compared to 47.7 in May. An index reading below 50 represents a contraction of manufacturing activity. The May result is the fourth consecutive month of contracting activity.

Upcoming Key International Data Releases (27/6 – 1/7)

- **NZ: T**rade Balance data for May
- **Euro Area:** Economic Sentiment and CPI data for June. Also, the Unemployment Rate for May
- **Japan:** Retail Sales, CPI, Industrial Production and Unemployment Rate data for May. Also, the Tankan Large Manufacturers Index for the June quarter
- **China:** NBS Manufacturing PMI and NBS Non-manufacturing PMI data for June
- **US:** ISM Manufacturing PMI for June