

Chart A: Domestic Interest Rates

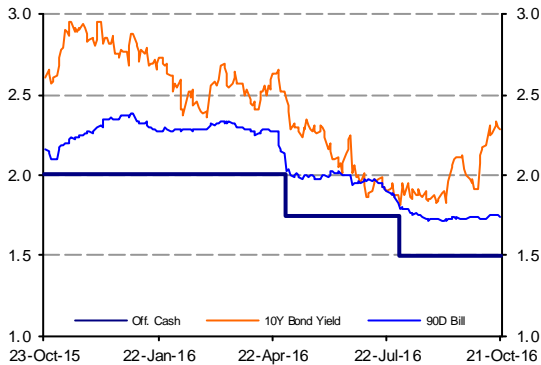


Chart B: Share Price Index

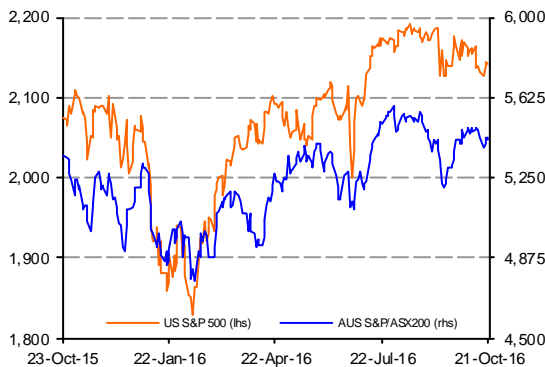


Chart C: Exchange rate

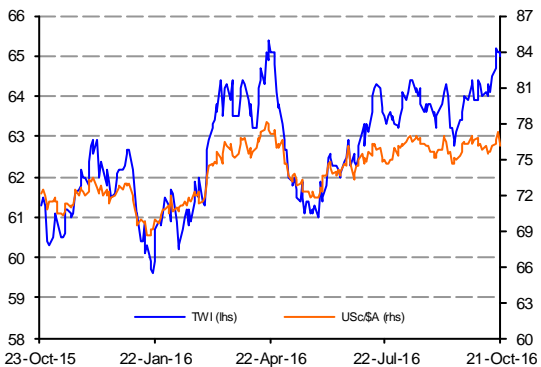
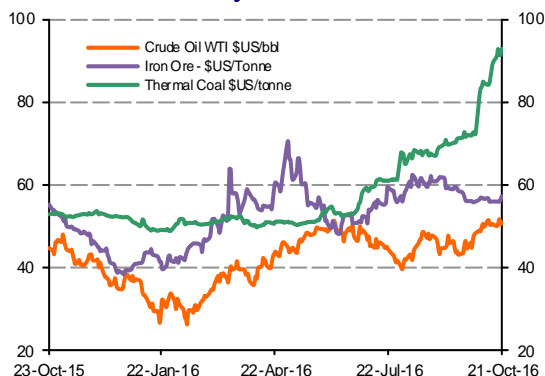


Chart D: Commodity Prices



Domestic Data Releases

ABS **Labour force** data showed that the total employment in NSW increased by 1.8% through the year to September. Nationally, total employment increased by 1.4% during the same period. In September, NSW unemployment rate decreased to 4.9% while the national unemployment rate remains at 5.6%.

According to the August **ANZ Stateometer**, economic growth in NSW is moderating and is now growing at an around trend pace. Victoria's growth has continued at a slight above-trend rate.

NAB Quarterly Business Survey data showed in the September quarter, expected business conditions in NSW has risen to +23 index points from +21, while expected employment index increased to +13 index points from +9. Nationally, expected business conditions rose from +14 to +19 index points and expected employment index rose from +5 to +10 index points.

Markets

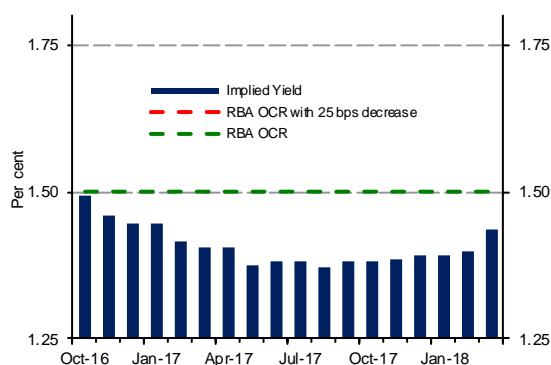
The ASX200 fell 0.1% compared to last Friday and the US S&P500 was up 0.4%.

	Value	Change on Year	Change on Week
US S&P 500	2,141.2	3.2 %	0.4 %
ASX200	5,430.3	1.5 %	-0.1 %
Australian Dollar (USD)	0.7608	5.4 %	-0.1 %
TWI	65.0	6.0 %	0.8 %
Oil (USD/bbl)	50.9	14.0 %	1.0 %
Gold (USD/oz)	1,266.05	9.0 %	1.1 %
Thermal Coal (USD/tonne)	92.8	75.8 %	3.7 %
Australian 10-yr bond	2.29%	-32.4 bps	2.4 bps
US 10-yr bond	1.73%	-35.2 bps	-6.3 bps
Australian 90-day bill	1.75%	-41.2 bps	-0.5 bps

Upcoming Domestic Data Releases (24/10 – 28/10)

- **ABS** releases CPI, PPI and monthly detailed labour force.
- **CommSec** releases the State of the States for the September quarter.

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

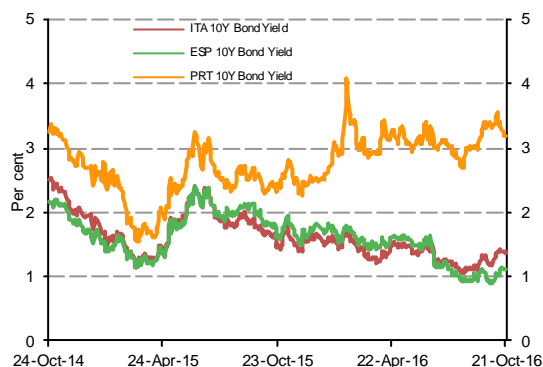
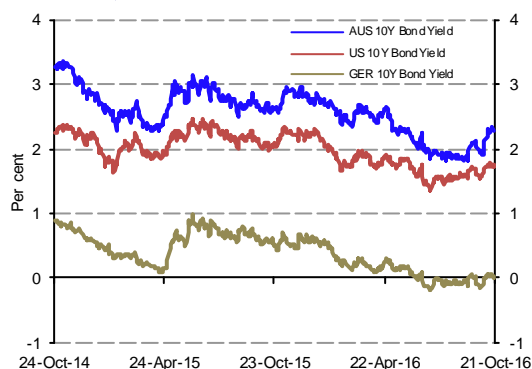
The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates that market expectations are almost evenly split on whether the RBA will lower the cash rate to 1.25% in 2017.

According to the ASX target rate tracker, as of 21 October, there was a 16% 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)	2.29%	-32.4 bps	2.4 bps	55.2 bps	52.4 bps
United States (US)	1.73%	-35.2 bps	-6.3 bps	-	-
Germany (GER)	0.01%	-50.6 bps	-5.2 bps	-172.9 bps	-157.5 bps
Italy (ITA)	1.37%	-12.5 bps	-0.6 bps	-36.2 bps	-58.9 bps
Portugal (PRT)	3.18%	81.4 bps	-11.0 bps	144.1 bps	27.5 bps
Spain (ESP)	1.12%	-52.0 bps	-1.0 bps	-62.0 bps	-45.2 bps

Chart F & G: International Bond Yields



Key International Data Releases

China: September quarter GDP grew by 6.7% through the year, in line with consensus forecast. For the monthly data, Industrial production and retail sales grew by 6.1% and 10.7% respectively in September.

US: Headline CPI increased by 0.3% in September. However, this was largely driven by energy prices. Core CPI rose 0.1% through the year to September, after rising 0.2% in August.

Europe: The European central bank decided to keep its policy settings unchanged.

Canada: Bank of Canada decided to leave the cash rate unchanged.

Upcoming Key International Data Releases (24/10 – 28/10)

- **US:** New home sales, consumer confidence and GDP
- **Japan:** Trade balance, manufacturing PMI, unemployment rate and CPI
- **UK:** GDP
- **Europe:** Manufacturing PMI
- **Germany:** Manufacturing PMI, GDK consumer confidence and retail sales