

Chart A: Domestic Interest Rates

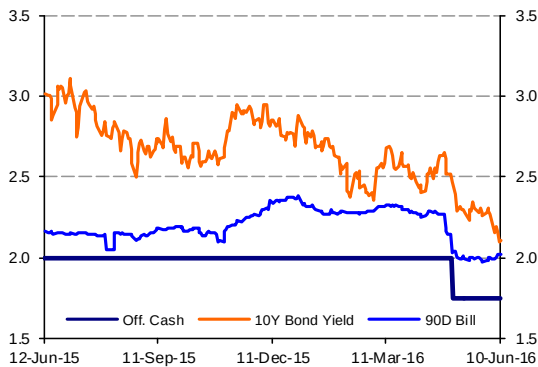


Chart B: Share Price Index

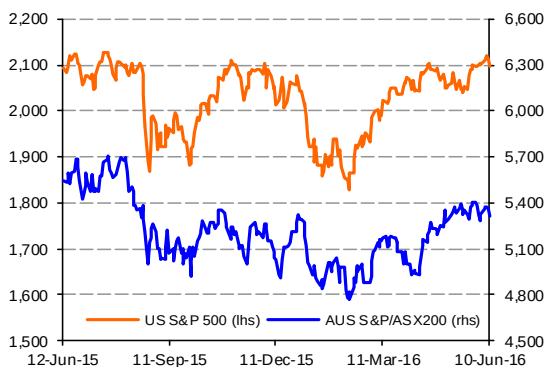


Chart C: Exchange rate

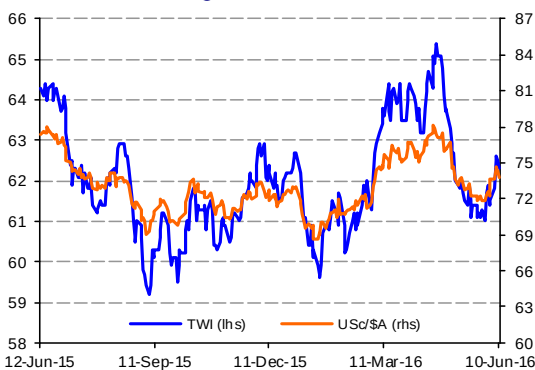
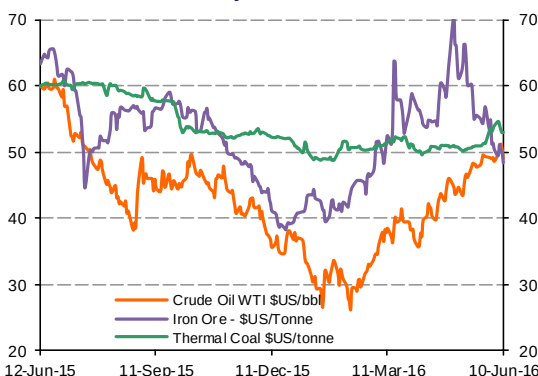


Chart D: Commodity Prices



Domestic Data Releases

Following its monthly monetary policy meeting the **RBA Board** decided to leave the cash rate unchanged at 1.75%.

The **Melbourne Institute Inflation Gauge** increased by 0.2% in May, after increasing 0.1% in April. In the twelve months to May the Inflation Gauge rose by 1.0%.

ANZ Job Advertisements for NSW showed an 8.4% fall in the number of newspaper jobs in May and an 18.8% decrease through the year. Nationally, internet jobs ads fell 0.2% in the month and were up 8.3% through the year.

The number of **housing finance** commitments for owner-occupation in NSW rose 0.7% in April to be 8.3% higher through the year. Nationally, housing commitments rose 1.7% in April and are up 4.6% through the year. Over the three months to April 2016, the proportion of first home buyers to total home buyers (excluding refinancing) was 18.5% for NSW and 22.5% nationally.

April **lending finance** data indicated that NSW investor housing finance approvals were down 22.6% compared to a year ago. Nationally, were down 18.3% compared to a year ago. More broadly, total NSW commercial finance was down 8.1% through the year while total national commercial finance was down 7.4%.

APM released housing market data for May showing that the Sydney auction clearance rate rose to 70%, from 67% in April, but it still below the 83% recorded a year ago.

Markets

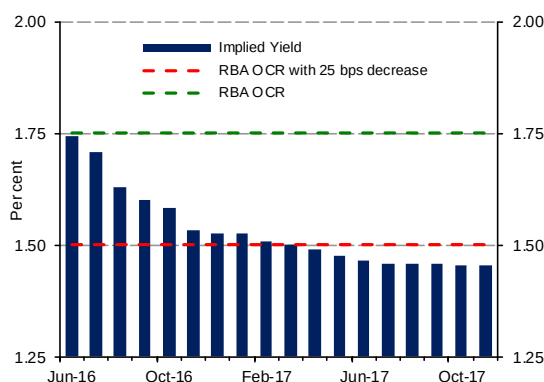
The ASX200 fell 0.1% compared to last Friday and the US S&P500 fell 0.1%.

	Value	Change on Year	Change on Week
US S&P 500	2,096.1	0.1 %	-0.1 %
ASX200	5,312.6	-4.2 %	-0.1 %
Australian Dollar (USD)	0.7373	-4.6 %	0.1 %
TWI	62.30	-3.1 %	1.3 %
Oil (USD/bbl)	49.07	-18.2 %	0.9 %
Gold (USD/oz)	1,275.50	7.8 %	2.8 %
Thermal Coal (USD/tonne)	53.00	-11.7 %	-1.9 %
Australian 10-yr bond	2.10%	-91.4 bps	-13.0 bps
US 10-yr bond	1.64%	-75.1 bps	-6.0 bps
Australian 90-day bill	2.02%	-14.0 bps	2.5 bps

Upcoming Domestic Data Releases (13/6 – 17/6)

- **ABS** releases Labour Force and New Motor Vehicle Sales data for May
- **NAB** releases the Monthly Business Survey for May
- **Queensland** releases their State Budget for 2016-17
- **ANZ** releases the Stateometer for April
- **ABARES** releases the June quarter Australian crop report
- **W-MI** releases Consumer Sentiment Index for June

Chart E: Interest Rate Expectations



Market Interest Rate Expectations

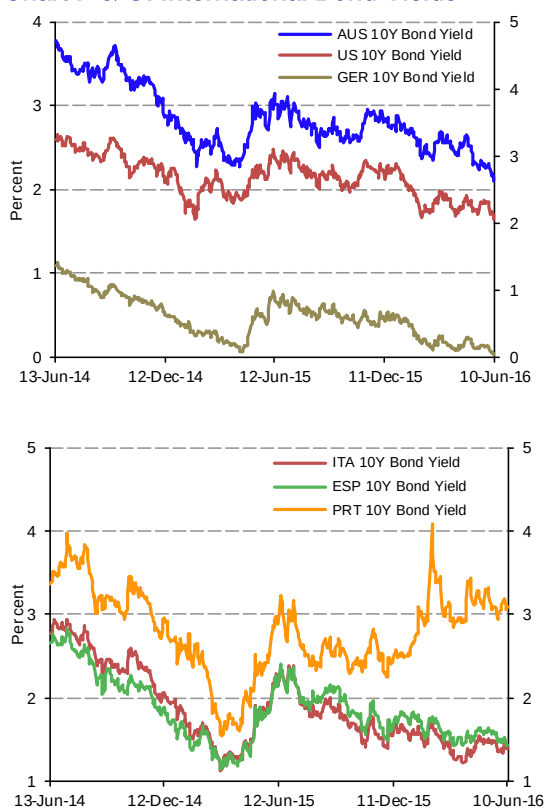
Current market expectations, as shown by the implied yield curve on ASX 30 day interbank cash rate futures (Chart E), indicate an expectation that the RBA will lower rates to 1.5% in September 2016.

According to the ASX target rate tracker, as of 10 June, there is a 19% 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)	2.10%	-91.4 bps	-13.0 bps	46.2 bps	62.4 bps
United States (US)	1.64%	-75.1 bps	-6.0 bps	-	-
Germany (GER)	0.02%	-81.4 bps	-4.8 bps	-162.0 bps	-155.8 bps
Italy (ITA)	1.38%	-82.9 bps	5.0 bps	-25.9 bps	-18.2 bps
Portugal (PRT)	3.09%	6.5 bps	-6.6 bps	144.6 bps	62.9 bps
Spain (ESP)	1.43%	-82.2 bps	-4.1 bps	-21.2 bps	-14.2 bps

Chart F & G: International Bond Yields



Key International Data Releases

US: In a speech Federal Reserve Chair, Janet Yellen, indicated that she expected the economy to continue to improve with the federal funds rate gradually increasing.

The University of Michigan's consumer sentiment index was 94.3 in June, down from 94.7 in the previous month. The survey showed that consumers were less optimistic due to increased concerns about future economic prospects.

NZ: The RBNZ kept interest rates unchanged at 2.25%. In the statement the bank indicated that, "House price inflation in Auckland and other regions is adding to financial stability concerns."

China: Consumer prices rose 2.0% through the year to May. Food prices rose 5.9% while non-food prices increased by a slower 1.1%.

The trade surplus reached US\$50.0 billion in May down from US\$58.9 recorded a year earlier. Year-on-year exports fell 4.1% while imports fell 10.3%.

Canada: The unemployment rate fell to 6.9% in May, down from 7.1% in April. This is the lowest rate since July 2015 driven by a fall in the participation rate and growth in full-time employment.

Upcoming Key International Data Releases (13/6 – 17/6)

- **China:** Industrial Production and Retail Sales data for May
- **India:** CPI data for May
- **UK:** CPI data for May, Unemployment Rate for April and the BoE Interest Rate Decision
- **Euro Area:** Industrial Production and Trade Balance data for April
- **US:** Retail Sales and CPI data for May as well as the Federal Reserve's Interest Rate Decision
- **Japan:** BoJ Interest Rate Decision
- **NZ:** GDP Growth for the March quarter
- **Canada:** CPI data for May