

Weekly Market and Economics Roundup

For the week ended 7 March 2014

Chart A: Domestic Interest Rates

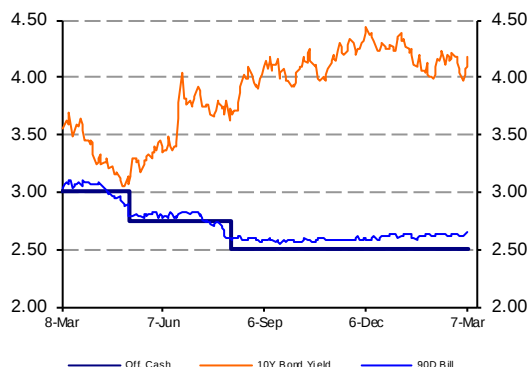


Chart B: Share Price Index

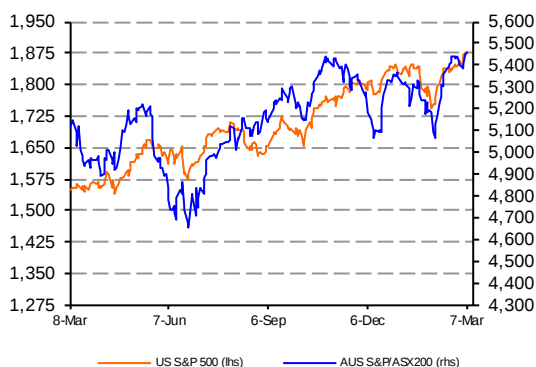


Chart C: Exchange Rate

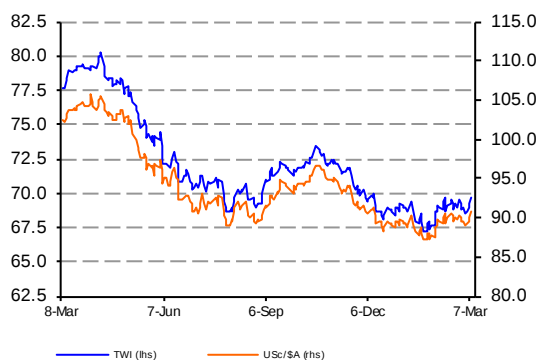
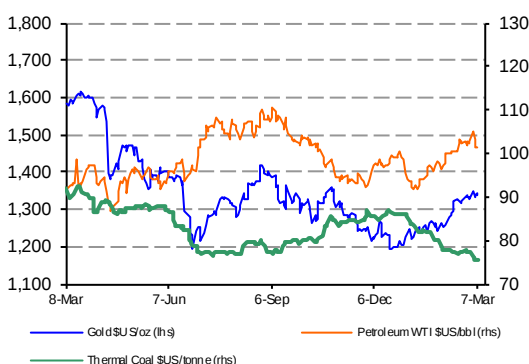


Chart D: Commodities



Domestic Data Releases

At its monthly monetary policy meeting, the RBA board decided to leave the **Overnight Cash Rate** unchanged at 2.5%.

NSW **State Final Demand** (volume, sa, y%ch) rose 2.5% in the December quarter 2013. Nationally **Domestic Final Demand** rose 1.2% while **Gross Domestic Product** rose 2.8%.

Retail Sales (value, sa, y%ch) for January were 8.3% higher through the year for NSW and 6.2% higher for Australia.

The number of **newspaper job ads** (number, sa, y%ch) in February, as measured by ANZ, fell 14.8% in NSW and was down 19.4% nationally.

Building Approvals data (number, sa, y%ch) for January showed that the number of **residential approvals** in NSW increased 34.1% while approvals nationally were up 34.6%. **Non-Residential approvals** (value, sa, y%ch) were down 25.2% in NSW and 6.4% higher nationally.

Merchandise Imports (value, nsa, y%ch) rose 11.6% for NSW and increased 14.2% for Australia in January. **Merchandise Exports** (value, nsa, y%ch) were up 7.2% for NSW and rose 23.8% for Australia.

TD-MI's Inflation Gauge for February (index, nsa, y%ch) showed **Headline Inflation** rose 2.7% and **Underlying Inflation** (as measured by the trimmed mean) rose 3.0% across Australia.

AiG's **Performance of Manufacturing Index** (index, sa) rose 1.9 points to 48.6 in February. The AiG-Combank **Performance of Services Index** (index, sa) rose 5.8 points to 55.2 in February. The AiG-HIA **Performance of Construction Index** (index, sa) fell 4.0 points to 44.2 in February. A reading above 50.0 shows expansion in the industry and below 50.0 a contraction.

Markets

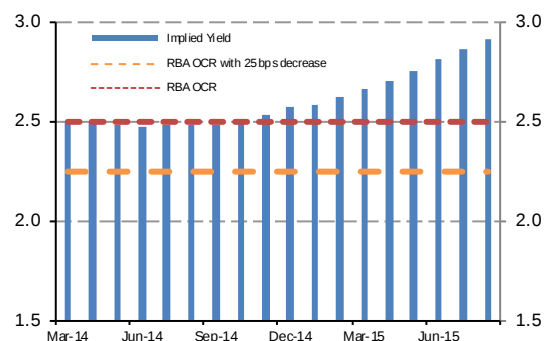
The **Australian stock market** rose by 1.1% on the previous Friday, while the **New York stock exchange** rose by 1.0%.

	Value	Change on Year	Change on Week
S&P 500	1,878.0	21.1 %	1.0 %
ASX200	5,462.3	6.6 %	1.1 %
Australian Dollar (USD)	0.9088	-11.3 %	1.6 %
TWI	69.70	-10.3 %	1.2 %
Oil (USD/bbl)	101.56	10.5 %	-1.0 %
Gold (USD/oz)	1,335.25	-15.6 %	0.7 %
Thermal Coal (USD/tonne)	75.40	-18.0 %	-2.3 %
Australian 10-yr bond	4.17%	61.4 bps	14.0 bps
US 10-yr bond	2.74%	69.0 bps	10.0 bps
Australian 90-day bill	2.50%	-50.0 bps	0.0 bps

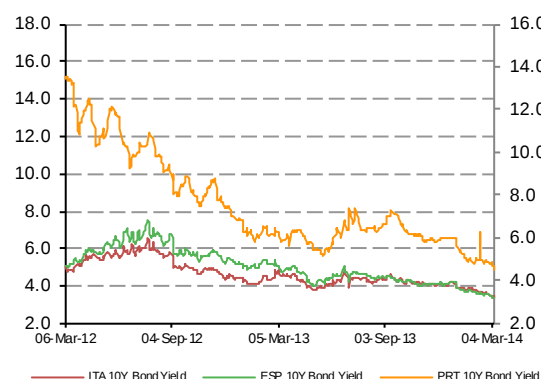
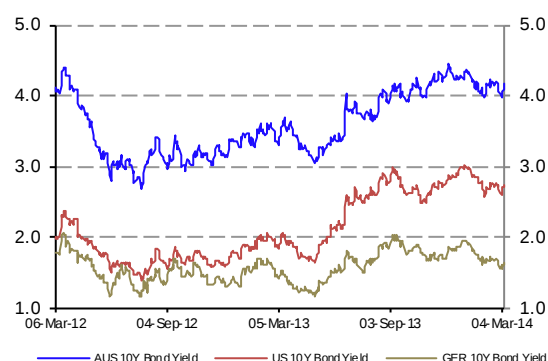
Upcoming Domestic Data Releases (10/3 – 14/3)

- The **ABS** will release data on overseas arrivals & departures, housing finance, the labour force and lending finance.
- **NAB** will release their monthly business survey.
- **Westpac-Melbourne Institute** will release their consumer sentiment survey.
- **Consensus Economics** will release their Asia-Pacific forecasts.

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

According to the **ASX target rate tracker**, as of 7 March, there is a 96% expectation that the RBA will keep the cash rate at 2.50% at its 1 April 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)	4.17%	61.4 bps	14.0 bps	143.3 bps	150.9 bps
United States (US)	2.74%	69.0 bps	10.0 bps	- -	- -
Germany (GER)	1.65%	12.4 bps	8.4 bps	-109.2 bps	-52.6 bps
Italy (ITA)	3.42%	-110.8 bps	-5.7 bps	68.0 bps	247.8 bps
Portugal (PRT)	4.54%	-130.1 bps	-28.0 bps	180.3 bps	379.4 bps
Spain (ESP)	3.35%	-139.0 bps	-15.8 bps	60.8 bps	268.8 bps

International Data Releases

The **European Central Bank** at its **monetary policy meeting** decided to leave their main refinancing operations interest rate, margin lending facility interest rate and deposit facility rate unchanged at 0.25%, 0.75% and 0% respectively.

The **bank of England** in its **monetary policy meeting** decided to leave their official bank rate unchanged at 0.5%.

Upcoming International Data Releases (10/2 – 14/2)

- **US:** retail sales.
- **China:** trade balance, inflation, retail sales.
- **Japan:** GDP.
- **New Zealand:** Reserve Bank of New Zealand interest rate decision.