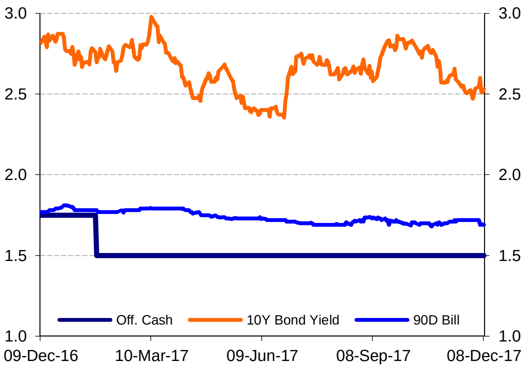
# Weekly Economic & Financial Market Roundup

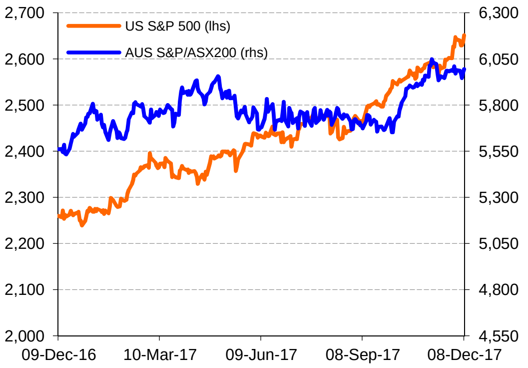
Week ended Friday 8 December 2017

Monday, 11 December 2017

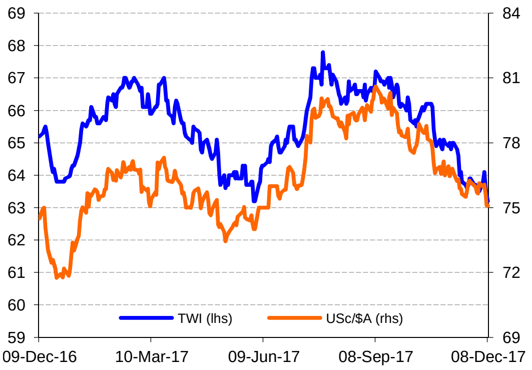
## Chart A: Domestic Interest Rates



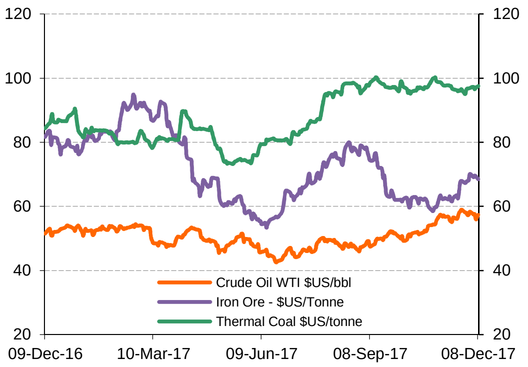

## Chart B: Share Price Index




## Chart C: Exchange rate




## Chart D: Commodity Prices




## Domestic Data Releases

**ABS National Accounts** data showed that NSW state final demand increased 1.0 per cent in the September quarter for a 2.8 per cent through the year increase. Australian gross domestic product increased 0.6 per cent in the quarter, and 2.8 per cent through the year.

**ABS Balance of Payments** data showed that NSW export volumes increased 7.0 per cent through the year to September, while imports increased 4.8 per cent through the year. Nationally, exports increased 6.4 per cent through the year, and imports increased 7.7 per cent through the year. NSW's terms of trade increased 10.9 per cent through the year, while Australia's terms of trade increased 9.7 per cent through the year.

**ABS Retail Trade** data indicated that nominal sales increased 0.3 per cent in the month of October for a 2.4 per cent increase through the year. In Australia, nominal sales increased 0.5 per cent in the month for a 1.8 per cent through the year result.

**ABS International Trade** data showed that the total value of NSW exports increased 10.3 per cent through the year to October, while imports increased 6.4 per cent through the year. Nationally, exports increased 11.8 per cent through the year, and imports increased 10.2 per cent through the year.

**APM Auction** data showed that the Sydney auction clearance rate fell to 55 per cent in November, its lowest level since 2015, and well below the 73 per cent level recorded in November last year. The median house price in Sydney was up slightly (0.4 per cent) in October to $1,185,000, and the median unit price was down 1.9 per cent to $734,000.

**ABS Housing Finance** data indicated that the number of housing finance commitments for owner-occupation (excluding refinance) in NSW increased 8.8 per cent through the year to October. In the rest of Australia, housing finance commitments rose 4.8 per cent during the same period. Over the 3 months to October, the proportion of first home buyers to total home buyers was 15.2 per cent for NSW and 24.7 per cent for the rest of Australia.

## Markets

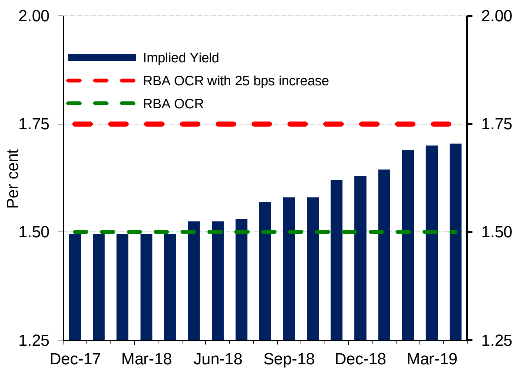
The ASX200 rose by 0.1 per cent and the US S&P500 rose by 0.4 per cent over the week to Friday.

| | Value | Change on Year | Change on Week |
|---|---|---|---|
| **US S&P 500** | 2651.50 | 17.3 % | 0.4 % |
| **ASX200** | 5994.37 | 7.8 % | 0.1 % |
| **Australian Dollar (USD)** | 0.75 | 0.8 % | -1.4 % |
| **TWI** | 63.20 | -3.1 % | -0.5 % |
| **Oil (USD/bbl)** | 57.36 | 11.4 % | -1.7 % |
| **Gold (USD/oz)** | 1250.65 | 7.5 % | -1.9 % |
| **Thermal Coal (USD/tonnes)** | 97.55 | 15.6 % | 0.6 % |
| **Australian 10-yr bond** | 2.53% | -28.6 bps | -0.5 bps |
| **US 10-yr bond** | 2.38% | -9.2 bps | 1.5 bps |
| **NSW 10-yr bond (bps) maturity 2026** | 2.72% - | bps | -0.5 bps |

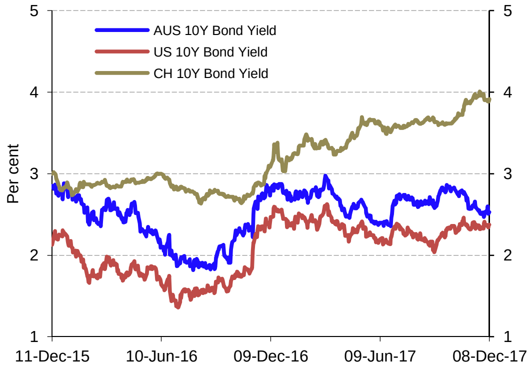
## Upcoming Domestic Data Releases (11/12 – 15/12)

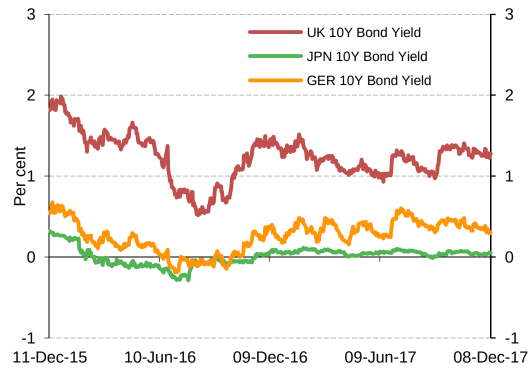
- The **ABS** will release Lending Finance and Overseas Arrivals and Departures data for October, Labour force data for November, Demographic statistics data for the June quarter and Residential Property Price Index data for the September quarter.
- **NAB** will release its Monthly Business Survey data for November.
- **W-MI** will release Consumer Sentiment data for December.

## Chart E: Interest Rate Expectations




## Chart F & G: International Bond Yields




## Market Interest Rate Expectations

The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in December 2018.

According to the ASX Target Rate Tracker, as of 8 December, there is a 0 per cent expectation that the RBA will increase the cash rate to 1.75 per cent at its policy meeting on 6 February 2018.

## International Bond Yield Spreads

US bond yields rose by 1.4 basis points over the week to Friday. This was the result of risks of a US government shutdown related to the passing of new spending legislation. The spread between US and Australian bond yields was 15.3 basis points last week.

| 10-yr bond yield | Yield (%) | Change on Year (bps) | Change on Week (bps) | Spread on 10 yr US bond week end (bps) | Spread on 10-yr US bond year ago (bps) |
|---|---|---|---|---|---|
| Australian (AUS) | 2.53 | -28.6 | -0.5 | 15.3 | 34.8 |
| United States (US) | 2.38 | -9.2 | 1.4 | - | - |
| Germany (GER) | 0.31 | -5.8 | 0.2 | -206.9 | -210.3 |
| United Kingdom (UK) | 1.28 | -17.4 | 4.6 | -109.7 | -101.5 |
| Japan (JPN) | 0.05 | -0.8 | 1.8 | -232.3 | -240.7 |
| China (CH) | 3.91 | 81.1 | 1.3 | 153.8 | 63.6 |

## Key International Data Releases

**US:** US nonfarm payroll growth beat expectations, with 228,000 jobs added in November, which kept the unemployment rate steady at 4.1 per cent. The strong employment numbers bolstered the case for the Fed raising rates at this week's policy meeting. Despite the strong jobs numbers, consumer sentiment came in below expectations of 98.9 index points, falling from 98.5 in November to 96.8 in December.

**China:** CPI and PPI came in below expectations, at 1.7 per cent and 5.8 per cent through the year respectively. The CPI drop was mostly driven by a decline in food prices.

**Japan:** Consumer confidence hit a four-year high to reach 44.9, driven by strong employment numbers and surging stock prices. The data is encouraging given ongoing weakness in wage growth.

**Germany:** Industrial Production unexpectedly fell in October, though the dip may have been due to one-off factors like public holidays and long weekends. German trade data also came in below expectations, with exports falling 0.4 per cent in the month. However despite the disappointing monthly numbers, there has been a clear upward trend in German exports.

## Upcoming Key International Data Releases (11/12 – 15/12)

- **US:** CPI, PPI, and Retail Sales data for November, Fed Interest rate Decision for December.
- **China:** Industrial Production and Retail Sales data for November.
- **Euro:** Industrial Production and Trade Balance data for October, Manufacturing PMI data for December.
- **Germany:** Manufacturing PMI data for December.
- **Japan:** PPI data for November.
- **UK:** CPI and Retail Sales data for November, Unemployment data for October.