Weekly Economic & Financial Market Roundup

Week ended Friday 31 March 2017

Tuesday, 4 April 2017

Chart A: Domestic Interest Rates

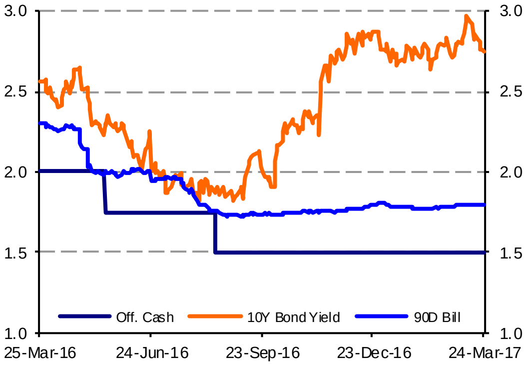


Chart B: Share Price Index

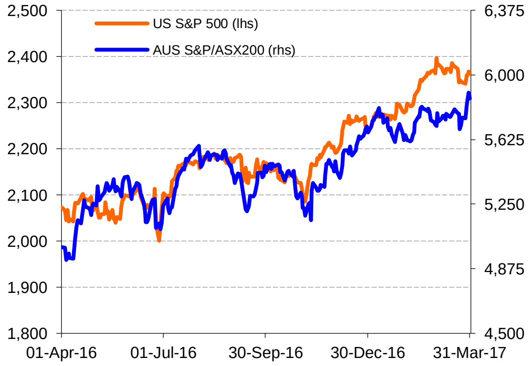


Chart C: Exchange rate

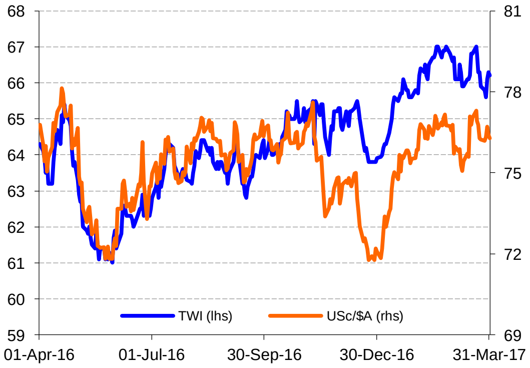
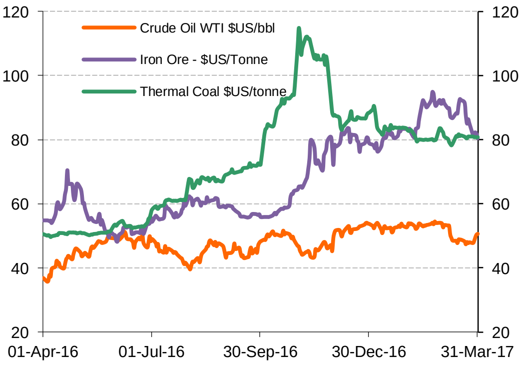


Chart D: Commodity Prices



Domestic Data Releases

ABS **Engineering Construction Activity** data showed that the value of engineering work done in NSW was up 1.9 per cent in the December quarter 2016 and up 9.8 per cent through the year. Nationally, the value of engineering work done fell by 2.1 per cent in the quarter and was down 18.1 per cent through the year. The value of work yet to be done was up 36.5 per cent through the year in NSW but was down 4.3 per cent through the year nationally.

The RBA released national financial aggregates data for February indicating that **Private Sector Credit** rose 0.3 per cent in the month to be up 5.0 per cent through the year. More specifically, housing credit rose 0.6 per cent in the month for a through the year increase of 6.4 per cent.

Markets

The ASX200 increased by 1.9 per cent and the US S&P500 increased by 0.8 per cent over the week to Friday.

	Value	Change on Year	Change on Week
US S&P 500	2,362.7	14.0 %	0.8 %
ASX200	5,864.9	17.3 %	1.9 %
Australian Dollar (USD)	0.76	-0.6 %	0.1 %
TWI	66.2	3.0 %	0.5 %
Oil (USD/bbl)	50.6	37.5 %	5.5 %
Gold (USD/oz)	1,244.9	2.6 %	-0.2 %
Thermal Coal (USD/tonnes)	80.8	59.9 %	-0.2 %
Australian 10-yr bond	2.70%	17.4 bps	-4.9 bps
US 10-yr bond	2.39%	61.7 bps	-2.5 bps
NSW 10-yr bond (bps) maturity 2026	0.00%	- bps	-294.8 bps

Upcoming Domestic Data Releases (03/04 – 07/04)

- The **ABS** will release Retail Trade, Building Approvals and International Trade of Goods and Services data for February.
- The **RBA** will announce the official Cash Rate for April. Governor Phillip Lowe will speak at the Reserve Bank Board Dinner in Melbourne. Deputy Governor Guy Debelle will speak at the AFR Banking and Wealth Summit in Sydney.
- **ANZ** will release Job Advertisement data for March.

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 leave the cash rate unchanged until May 2018.

According to the ASX Target Rate Tracker, as of 31 March, there is a 2% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 4 April 2017.

Chart E: Interest Rate Expectations

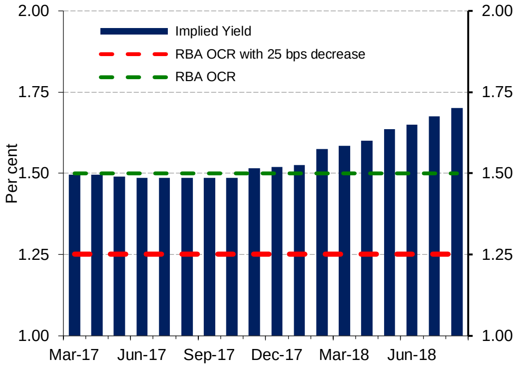
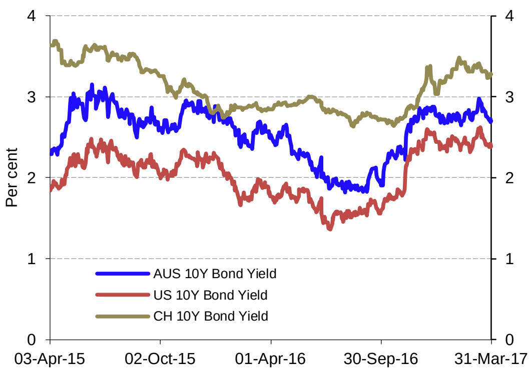
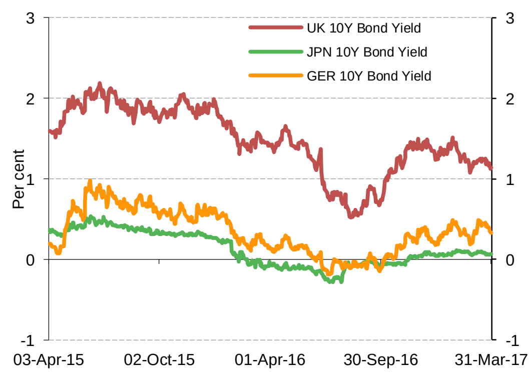


Chart F & G: International Bond Yields





International Bond Yield Spreads

US bond yields declined over the week to Friday after New York Federal Reserve Bank President William Dudley said the central bank was not in a rush to tighten Monetary Policy since the economy wasn't overheating. The spread between US and Germany bond yields remains above two percentage points. Bond yields fell in all countries expect Japan and China over the past 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)	2.70	17.4	-4.9	31.4	75.7
United States (US)	2.39	61.7	-2.5	-	-
Germany (GER)	0.33	19.4	-7.5	-205.9	-163.7
United Kingdom (UK)	1.14	-27.0	-5.7	-124.8	-36.2
Japan (JPN)	0.07	12.9	0.5	-231.7	-183.0
China (CH)	3.28	43.6	4.6	89.2	107.3

Key International Data Releases

EU: The Euro CPI declined to 1.5 per cent through the year in March from 2.0 per cent in February, this was significantly below the market expectation of 1.8 per cent and the lowest reading in three months.

China: Manufacturing PMI rose to 51.8 index points in March from 51.6 index points in February, indicating a slightly faster expansion of activity – a value greater than 50 signifies an expansion in activity.

UK: Gfk Consumer Confidence remained at -6 index points in March beating market expectations of -7. Gfk commented in part, "Consumers remain cagey about the state of their personal finances and the general economic picture for the UK, especially as wage growth fails to keep pace with the rising cost of living."

Japan: Retail Sales disappointed in February, increasing by 0.1 per cent through the year, well below the market expectation of 0.7 per cent. Japan CPI data was in line with market expectations to be 0.2 per cent through the year, down from 0.4 per cent last month. Japan's unemployment rate fell to a 22-year low of 2.8 per cent in February offering a positive sign for the country's economy.

Germany: The unemployment rate fell to an all-time low of 5.8 per cent in March. In contrast Germany's CPI advanced by a less than expected 1.6 per cent through the year in March, down from 2.2 per cent in the previous month and lower than the 1.8 per cent expected.

Canada: GDP surged unexpectedly in January, up 0.6 per cent in the month to be 1.9 per cent through the year, down slightly from 2.0 per cent through the year in the previous month.

Upcoming Key International Data Releases (27/03 – 31/03)

- **US:** Trade balance for February and Labour force and Manufacturing PMI data for March.
- **UK:** Trade balance, Manufacturing production and Industrial Production data for February
- **Germany:** Trade balance and Industrial Production data for February
- **Euro Area:** Labour force, PPI and Retail sales data for February
- **Canada:** International Merchandise Trade data for February and Labour force data for March