WEEKLY ECONOMIC & FINANCIAL MARKET ROUNDUP

Chart A: Domestic Interest Rates

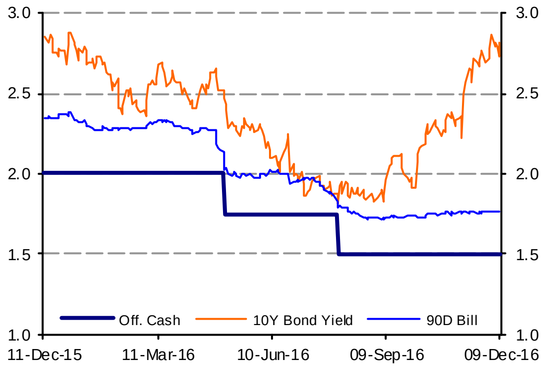


Chart B: Share Price Index

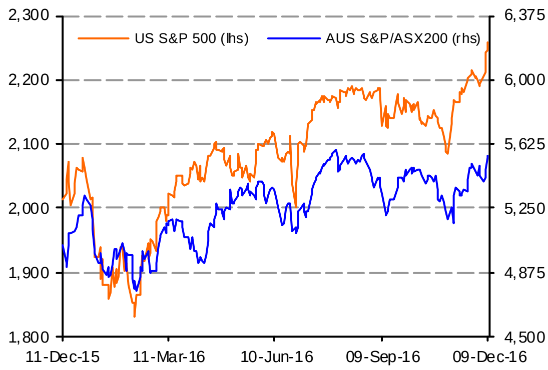


Chart C: Exchange rate

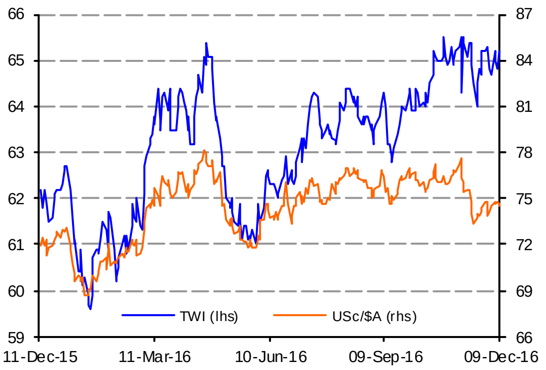
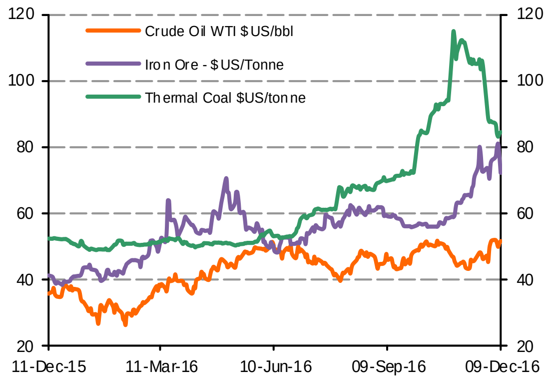


Chart D: Commodity Prices



Domestic Data Releases

ANZ Job Advertisements for Australia showed a 0.5% rise in the number of total jobs ads (i.e. newspaper and internet ads) in November and a 5.2% increase through the year.

The **RBA Board** decided to leave the Official Cash Rate unchanged at 1.50% following its monthly monetary policy meeting.

ABS **Balance of Payments** statistics showed that the current account deficit decreased $4,585 million to $11.4 billion in the September quarter.

ABS **National Accounts** data showed that NSW **State Final Demand** rose 0.1% in the September quarter to be up 5.0% through the year. Nationally, **Gross Domestic Product** fell 0.5% in the quarter to be up 1.8% through the year.

International Trade data for October showed that NSW merchandise exports were up 6.5% while merchandise imports were down 4.0% through the year. For Australia, merchandise exports were up 1.2% and merchandise imports were down 10.6% through the year.

The number of **Housing Finance** commitments for owner-occupiers in NSW fell 2.3% in October but were 10.4% lower through the year. Nationally, housing commitments fell 0.8% in the month but fell 4.3% through the year. Over the three months to October 2016, the proportion of first home-buyers to total home-buyers (excluding refinancing) was 13.3% for NSW and 20.8% nationally.

ABARES released their December quarter **crop report,** which forecast NSW winter crop production to increase by 32% in 2016-17 to a record high of 15.0 million tonnes.

Tourism Research Australia released the September quarter **International Visitor Survey**. In the year ending September 2016 there were 3.8 million visitors to NSW, an increase of 12.6% compared to the year ending September 2015.

APM released housing market data for November showing that the Sydney auction clearance rate increased to 73%. This is above the 54% rate recorded a year ago and well above the long run average of 58%.

Markets

The ASX200 rose 2.1% compared to last Friday while the US S&P500 rose 3.1%.

	Value	Change on Year	Change on Week
US S&P 500	2,259.5	12.3 %	3.1 %
ASX200	5,560.6	10.6 %	2.1 %
Australian Dollar (USD)	0.7449	3.6 %	-0.1 %
TWI	65.2	4.8 %	0.8 %
Oil (USD/bbl)	51.5	44.6 %	-0.3 %
Gold (USD/oz)	1,163.60	8.5 %	-0.8 %
Thermal Coal (USD/tonne)	84.4	61.4 %	-3.5 %
Australian 10-yr bond	2.82%	-3.6 bps	-4.8 bps
US 10-yr bond	2.47%	34.1 bps	8.4 bps
NSW TCorp bond (2028 maturity)	3.20%	17.8 bps	-4.3 bps

Upcoming Domestic Data Releases (12/12 – 16/12)

– **ABS** releases Lending Finance data and Overseas Arrivals and Departures data for October as well as Labour Force data and Sales of

Chart E: Interest Rate Expectations

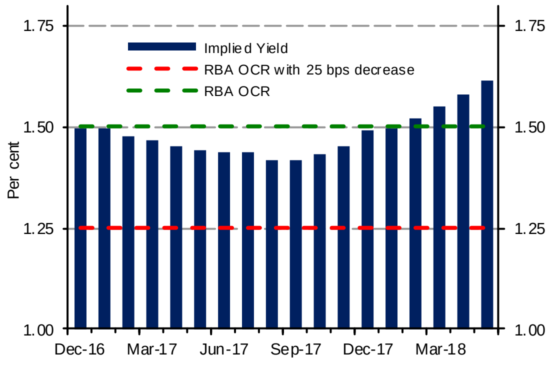
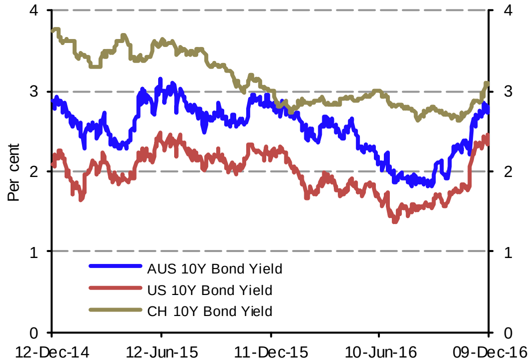
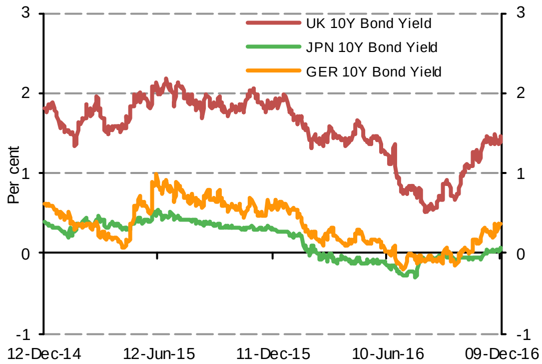


Chart F & G: International Bond Yields





New Motor Vehicle data for November; it also releases Residential Property Price data for September quarter and demographic statistics data for June quarter

- **W-MI** publishes Consumer Sentiment data for December
- **NAB** publishes its Monthly Business Survey for November
- **ABARES** releases the December quarter Agricultural Commodities Report
- **ANZ** releases the October Stateometer
- **RBA** release the December quarter Bulletin

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 through 2017.

According to the ASX target rate tracker, as of 9 December, there was a 13% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 7 February 2016.

International Bond Yield Spreads

US bond yields continued to rise following higher oil prices and strong Producer Price Index from China. It also reflects the increasing expectation that the Federal Reserve will lift interest rates in December and that the new government will implement expansionary fiscal policies in the new year. The global bond market sell off continued amid growing inflationary expectations and the consensus that central banks are pulling back from extraordinary monetary policy.

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)	2.82	-3.6	-4.8	34.8	72.4
United States (US)	2.47	34.1	8.4	-	-
Germany (GER)	0.37	-17.5	8.4	-210.3	-158.7
United Kingdom (UK)	1.45	-36.0	7.3	-101.5	-31.4
Japan (JPN)	0.06	-26.1	2.1	-240.7	-180.5
China (CH)	3.10	10.5	9.0	63.6	87.1

Key International Data Releases

China: PPI has risen to its highest level since late 2011, at 3.3% through the year to November.

EU: European Central Bank (ECB) decided to leave rates unchanged and extend its quantitative easing program by another nine months into 2017. However starting from April 2017, the bank will reduce the value of securities it purchases from €80 billion a month to €60 billion.

US: University of Michigan measure of consumer confidence rose to its highest level in almost two years in December, at 98 index points. It was well above market expectations.

Upcoming Key International Data Releases (12/12 – 16/12)

- **Japan:** Machinery Orders data for October and Tankan Large Manufacturers Index data for December quarter
- **China:** Industrial Production and retail sales data for November
- **UK:** CPI and Retail Sales data for November as well as ILO Unemployment Rate data for October and Interest Rate Decision

- **Euro Area:** Industrial Production data and Trade Balance data for October as well as Preliminary Markit Manufacturing PMI data and Preliminary Markit Services PMI data for December; and Employment Change data for September quarter
- **US:** Retail Sales Advance, Industrial Production and CPI data for November as well as Current Account data for September quarter and Interest Rate Decision

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
12-Dec	13-Dec	14-Dec	15-Dec	16-Dec
Lending Finance, Oct-16 Overseas Arrivals/Departures, Oct-16	NAB Monthly Business Survey, Nov-16 ABARES Agricultural Commodities, Dec-16 Residential Property Price Index, SepQ-16	W-MI Consumer Sentiment, Dec-16 Sales of New Motor Vehicles, Nov-16 ANZ Stateometer, Oct-16	RBA Bulletin, Dec-16 Demographic Statistics, JunQ-16 Labour Force, Nov-16	
19-Dec	20-Dec	21-Dec	22-Dec	23-Dec
	RBA Board Meeting Minutes, Dec-16		Labour Force (Regional), Nov-16 Labour Force (Industry), NovQ-16	
26-Dec	27-Dec	28-Dec	29-Dec	30-Dec
				RBA Private Sector Credit, Nov-16
2-Jan	3-Jan	4-Jan	5-Jan	6-Jan
				International Trade in Goods & Services, Nov-16
9-Jan	10-Jan	11-Jan	12-Jan	13-Jan
Building Approvals, Nov-16 APM Auction data, Dec-16	Retail Trade, Nov-16 NAB Monthly Business Survey, Dec-16	Job Vacancies, Nov-16		
16-Jan	17-Jan	18-Jan	19-Jan	20-Jan
Overseas Arrivals/Departures, Nov-16	Housing Finance, Nov-16 Sales of New Motor Vehicles, Dec-16	Building Activity, SepQ-16 Engineering Construction Activity, SepQ-16 Construction Activity, SepQ-16 W-MI Consumer Sentiment, Jan-17	Labour Force, Dec-16	

***Bolded items indicate an Economic Data Note will be associated with release.**

ECONOMIC FACTS

ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
ECONOMIC GROWTH				
Gross State/ Domestic Product	3.5%	2.8%	% annual average	2015-16 Next: Nov 17
State/Domestic Final Demand	3.8%	1.2%	% through the year	Jun qtr 16 Next: 7 Dec 16
	0.6%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+6	+4	NAB Index	Oct 16 (mthly) Next: 13 Dec 16
NAB Business Conditions	+10	+6		
HOUSING				
Dwelling Approvals	74.6k	232.8k	Number of app 12mms	Oct 16 (mthly) Next: 9 Jan 17
	26.2%	-6.4%	% through the year	
Residential Prices (capitals)	3.6%	4.1%	% through the year	Jun qtr 16 Next: 13 Dec 16
LABOUR FORCE				
Employment	1.2%	0.9%	% through the year	Oct 16 (mthly)
Unemployment Rate	4.9%	5.6%	Current rate	Next:15 Dec 16
Youth unemployment rate	11.5%	12.5%	12 monthly moving average rate	Oct 16 (mthly) Next: 22 Dec 16
CONSUMER				
Retail Sales	3.8%	3.5%	% through the year	Oct 16 (mthly) Next: 10 Jan 17
Westpac MI Consumer Confidence	103.6	101.3	Westpac MI Index	Nov 16 (mthly) Next: 14 Dec 16
CPI (Capital cities)	1.7%	1.3%	% through the year	Sep qtr 16 Next: 25 Jan 17
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 6 Dec 16

ECONOMIC FORECASTS	NSW Forecasts (as per 2016-17 Budget)			Australian Gov't Forecasts (as per 2016-17 Budget)		
	2015-16 Actual	2016-17 Forecast	2017-18 Forecast	2015-16 Actual	2016-17 Forecast	2017-18 Forecast
State/Domestic Final Demand (%)	3.9	3½	3	1.2	n.a.	n.a.
Gross State /Domestic Product (%)	3.5	3	2¾	2.8	2½	3
Employment (%) (a)	3.8	1¾	1½	2.0	1¾	1¾
Unemployment rate (%)(b)	5.4	5¼	5	5.7	5½	5½
CPI (%)(c)	0.9	2	2¼	1.0	2	2¼
Wage Price Index (%)	2.1	2½	2¾	2.1	2½	2¾

(a) Australia: per cent change through the year to June quarter, NSW: year average per cent growth (b) Australia: per cent in the June quarter, NSW: year average per cent (c) Australia and NSW: per cent change through the year to June quarter