

Chart A: Domestic Interest Rates

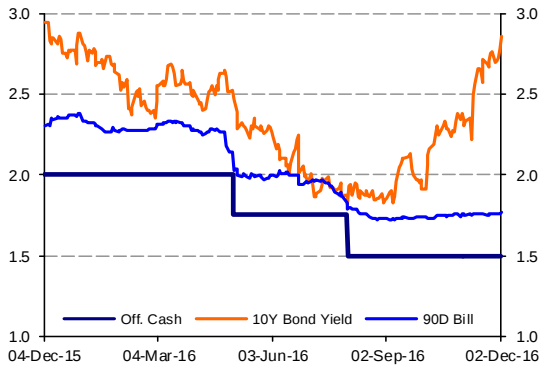


Chart B: Share Price Index

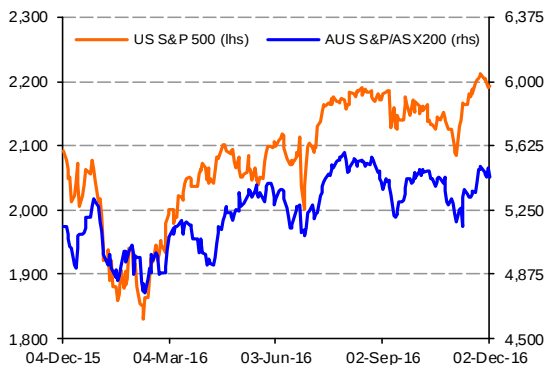


Chart C: Exchange rate

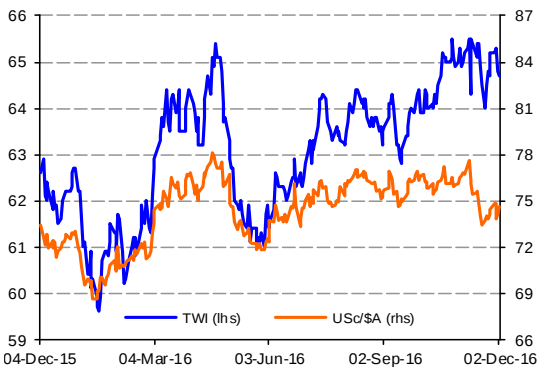
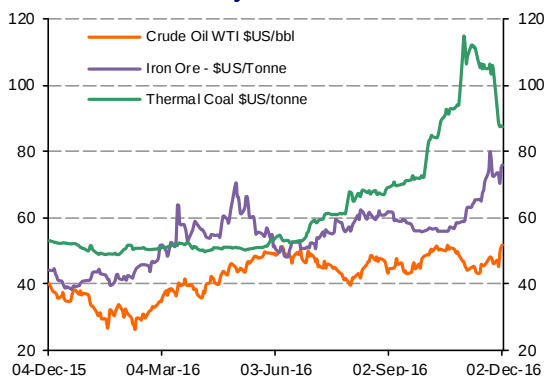


Chart D: Commodity Prices



Domestic Data Releases

The RBA released national financial aggregates data for October indicating that **Private Sector Credit** rose 0.5% in the month to be up 5.3% through the year. More specifically, housing credit rose 0.6% in the month for a through the year increase of 6.4%.

NSW **Residential Building Approvals** fell 15.7% in October and were down 15.3% through the year. National residential building approvals fell 12.6% in the month to be 24.9% lower through the year. In the 12 months to October 2016 building approvals reached 74,600, just shy of the record high reached in September of 75,500.

New Private Capital Expenditure (capex) for the September quarter 2016 showed that NSW total capex fell 3.5% in the quarter and was up 19.1% through the year. Nationally, total capex fell 4.0% in the quarter and was down 13.7% through the year. Expectations for national capex investment in 2016-17 were 15.6% lower compared to actual 2015-16 capex.

In the September quarter NSW lost 1.3 working days per thousand employees to **industrial disputes** up from the 0.9 days in the June quarter. This is below both the decade average of 3.3 days and September quarter national result of 3.3 days.

ABS nominal **Retail Sales** data showed that NSW retail sales were up 0.3% in October and up 3.8% through the year. National retail sales were up 0.5% in the month and up 3.5% through the year.

Markets

The ASX200 fell 1.2% compared to last Friday while the US S&P500 fell 1.0%.

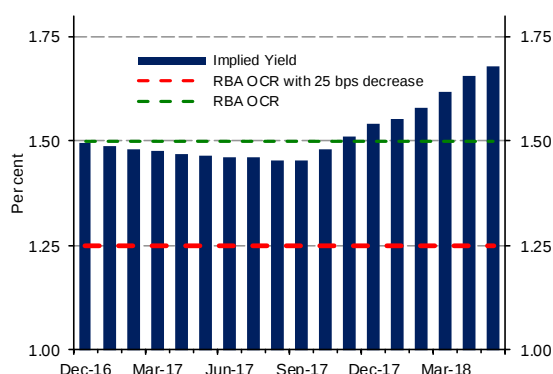
	Value	Change on Year	Change on Week
US S&P 500	2,192.0	4.8 %	-1.0 %
ASX200	5,444.0	5.7 %	-1.2 %
Australian Dollar (USD)	0.7457	1.6 %	0.2 %
TWI	64.7	3.4 %	-0.8 %
Oil (USD/bbl)	51.7	29.3 %	12.2 %
Gold (USD/oz)	1,173.50	8.7 %	-1.2 %
Thermal Coal (USD/tonne)	87.4	64.9 %	-15.8 %
Australian 10-yr bond	2.86%	-8.7 bps	10.2 bps
US 10-yr bond	2.38%	11.4 bps	2.6 bps
NSW TCorp bond (2028 maturity)	3.24%	14.3 bps	9.3 bps

Upcoming Domestic Data Releases (5/12 – 9/12)

- **ANZ** releases Job Advertisement data for November
- **RBA** announces its interest rate decision
- **ABS** publishes Business Indicators, Balance of Payments and National Accounts data for the September quarter; it also releases International Trade and Housing Finance data for October
- **APM** releases Sydney Auction Clearance Rates for November
- **ABARES** releases the December quarter Crop Report
- **Austrade** releases the September quarter International Visitor Survey

Market Interest Rate Expectations

The current implied yield curve on ASX 30 day interbank cash rate futures

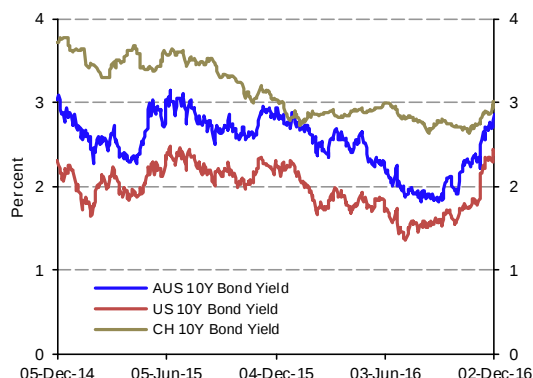
Chart E: Interest Rate Expectations

(Chart E) indicates that the majority of the market expects the RBA to leave the cash rate unchanged through 2017. Furthermore, in a recent speech, RBA Governor Lowe signalled that further rate cuts were not likely in the short term.

According to the ASX target rate tracker, as of 2 December, there was a 2% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 6 December 2016.

International Bond Yield Spreads

US bond yields continued to rise following solid manufacturing data and higher oil prices. 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 with a record \$US1.7 trillion being shed in November amid growing inflationary expectations and the consensus that central banks are pulling back from extraordinary monetary policy.

Chart F & G: International Bond Yields

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)	2.86	-8.7	10.2	48.0	68.1
United States (US)	2.38	11.4	2.6	-	-
Germany (GER)	0.28	-39.7	4.1	-210.2	-159.1
United Kingdom (UK)	1.38	-54.1	-3.7	-100.3	-34.8
Japan (JPN)	0.04	-30.1	-0.2	-234.3	-192.8
China (CH)	3.01	-1.7	14.7	63.0	76.1

Key International Data Releases

Italy: Italians have voted against a package of constitutional reforms to reduce the size and powers of their Senate. Matteo Renzi, a proponent of these reforms, announced his resignation following the result. Financial markets have fallen in response with the Euro falling to its lowest level against the US dollar since March 2015.

US: Non farm payrolls increased by 178k in November – this was above market expectations of 175k. Employment gains occurred in professional and business services and in health care. The unemployment rate fell to a 9-year low of 4.6%.

OECD: Australia's economic growth is projected to pick up to 3% by 2018. The decline in resource-sector investment will tail off and the non-resource sector will be supported by a steady increase in household consumption and investment as wages and employment rise. Monetary policy tightening is expected to commence towards the end of 2017.

UK: Consumer confidence declined sharply in November falling five points to -8. A reading below zero indicates that pessimists outnumber optimists. This weak result is indicative of continuing uncertainty about the state of the economy among consumers following Brexit. Consumer confidence has direct implications on household consumption which makes up over 60% of GDP.

Upcoming Key International Data Releases (5/12 – 9/12)

- **Japan:** Consumer Confidence data for November
- **Euro Area:** Retail Sales data for October and Interest Rate Decision
- **China:** Trade Balance, CPI and PPI data for November
- **US:** ISM Non-Manufacturing PMI data for November as well as Trade Balance and Factory Orders data for October; and Preliminary Michigan Consumer Sentiment data for December