WEEKLY ECONOMIC & FINANCIAL MARKET ROUNDUP

Wednesday, 6 April 2016

Chart A: Domestic Interest Rates

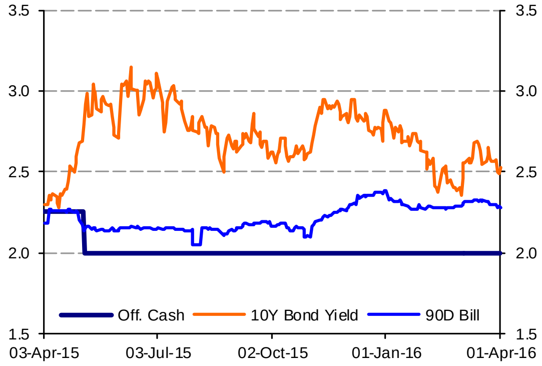


Chart B: Share Price Index

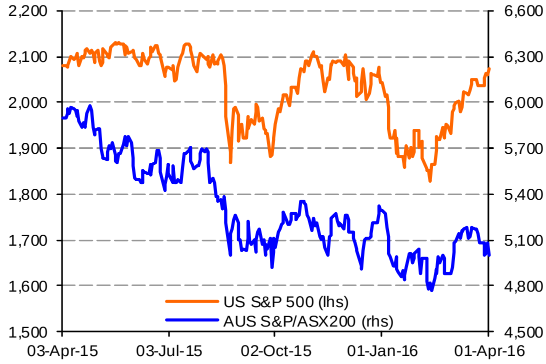


Chart C: Exchange rate

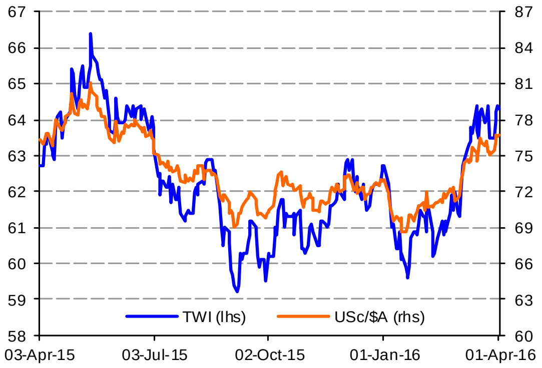
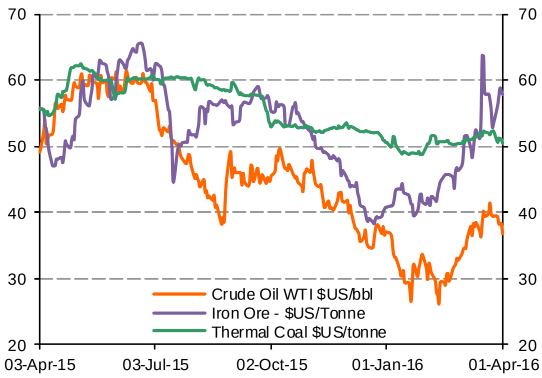


Chart D: Commodity Prices



Domestic Data Releases

ABS **Engineering Construction Activity** data showed that the value of engineering work done in NSW fell 4.2% in the December quarter 2015 but increased 11.7% through the year. Nationally, the value of engineering work done fell 8.9% in the December quarter and fell 14.4% through the year. The value of work yet to be done was up 29.5% through the year in NSW but was down 25.3% through the year nationally.

APM released **Housing Market Data** for February which showed that Sydney auction clearance rates rose to 70%, from 46% in January, but remained below the 81% of a year ago. Sydney median house prices rose 1.6% (to $976,404) in the month to be 5.7% higher than a year ago and median unit prices rose by 2.1% (to $660,757) in the month to be 6.6% higher than a year ago.

HIA released **New Home Sales** data for February which indicated that new house sales in NSW were down 7.4% compared to January, but were up 9.4% compared to a year ago. Nationally, new house sales were down 3.9% compared to January, and were down 4.3% compared to a year ago.

ABS **Job Vacancies** data for the February quarter showed the total job vacancies in NSW were up 9.4% in the quarter and up 18.7% through the year. For Australia, total job vacancies were up 3.1% in the quarter to be up 13.4% through the year.

The RBA released national financial aggregates for February indicating that **Private Sector Credit** rose 0.6% in the month to be up 6.6% through the year. Housing credit rose 0.5% in the month for a through the year increase of 7.3%.

Markets

The ASX200 fell 1.7% compared to last Friday and the US S&P500 rose 1.8%.

	Value	Change on Year	Change on Week
US S&P 500	2,072.8	-0.4 %	1.8 %
ASX200	4,999.4	-15.2 %	-1.7 %
Australian Dollar (USD)	0.7677	0.6 %	2.3 %
TWI	64.30	2.6 %	1.3 %
Oil (USD/bbl)	36.79	-25.1 %	-6.8 %
Gold (USD/oz)	1,213.60	1.3 %	-0.6 %
Thermal Coal (USD/tonne)	50.50	-9.2 %	-3.4 %
Australian 10-yr bond	2.53%	23.2 bps	-3.9 bps
US 10-yr bond	1.77%	-6.8 bps	-13.0 bps
Australian 90-day bill	2.28%	10.2 bps	-2.0 bps

Upcoming Domestic Data Releases (4/4 – 8/4)

- The **ABS** releases Retail Trade, Building Approvals, International Trade and Overseas Arrivals and Departures data for February. The **ABS** also releases Job Vacancies data for February.
- **ANZ** releases Job Advertisement data for March.
- The **Melbourne Institute** releases the Inflation Gauge for March.

Chart E: Interest Rate Expectations

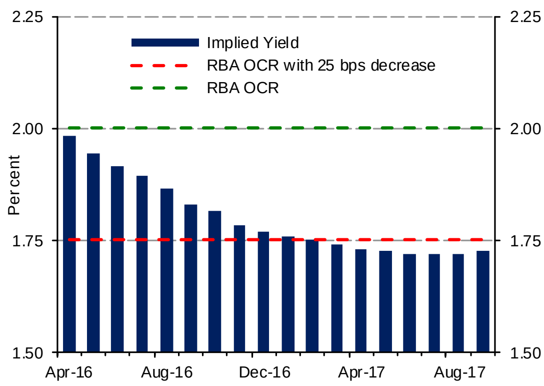
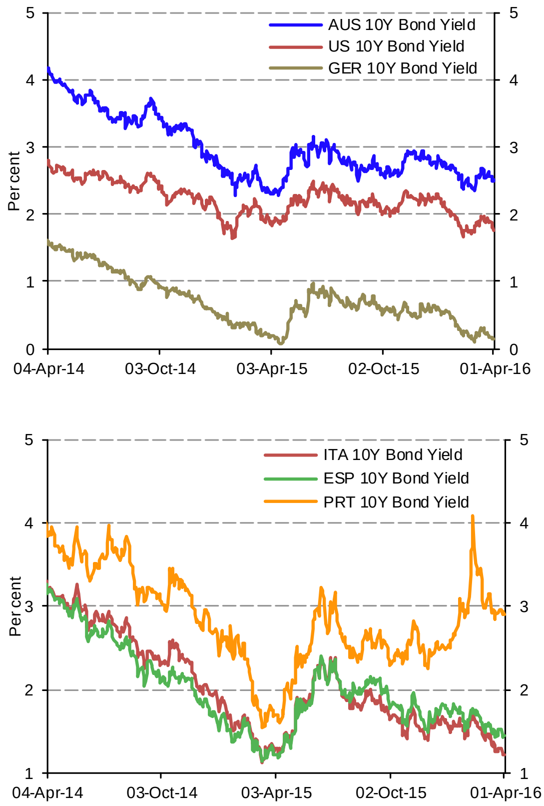


Chart F & G: International Bond Yields



Market Interest Rate Expectations

Current market expectations, as shown by the implied yield curve on ASX 30 day interbank cash rate futures (Chart E), indicate an expectation that the RBA will lower rates to 1.75% in August 2016.

According to the ASX target rate tracker, as of 1 April, there is a 7% expectation that the RBA will lower the cash rate to 1.75% at its policy meeting on 5 April 2016.

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)	2.53%	23.2 bps	-3.9 bps	75.7 bps	45.6 bps
United States (US)	1.77%	-6.8 bps	-13.0 bps	- -	- -
Germany (GER)	0.13%	-6.0 bps	-4.6 bps	-163.7 bps	-164.5 bps
Italy (ITA)	1.22%	-8.1 bps	-8.2 bps	-55.3 bps	-54.0 bps
Portugal (PRT)	2.91%	121.1 bps	-4.5 bps	113.7 bps	-14.3 bps
Spain (ESP)	1.44%	21.8 bps	-8.5 bps	-33.2 bps	-61.8 bps

Key International Data Releases

US: Total Non-Farm Payroll Employment increased by 215k in March compared to 245k in February. Retail trade added 48k jobs, construction employment rose by 37k and employment in health care increased by 37k.

The Manufacturing PMI was 51.8 in March, up from 49.5 in February. A PMI reading above 50 indicates that manufacturing is expanding. March is the first time in six months that manufacturing activity has grown.

Euro Area: Year on year inflation to March 2016 came in at -0.1%, following a -0.2% drop in February. This fall in consumer prices is largely due to falling energy prices.

China: The Caixin Manufacturing PMI was 49.7 in March, up from 48.0 in February. A PMI reading below 50 represents a contraction of the manufacturing sector. The March reading was highest in 12 months.

Japan: The unemployment rate was 3.3% in February, compared to 3.2% in January. The labour force participation rate increased by 0.2 percentage points to 59.3% in February.

Year on year inflation to February increased to 0.3% from 0% in January. Upward pressure on consumer prices came from increases in the cost of food (+2.7%), clothes and footwear (+2.5%) and culture and recreation (+2.2%).

Upcoming Key International Data Releases (4/4 – 8/4)

- **India:** Interest Rate Decision for April.
- **US:** Trade Balance and Non-Manufacturing PMI data for March.
- **Euro Area:** Retail Sales for February.
- **China:** Caixin Services PMI release for March.
- **Canada:** Unemployment Rate for March.