

Chart A: Domestic Interest Rates

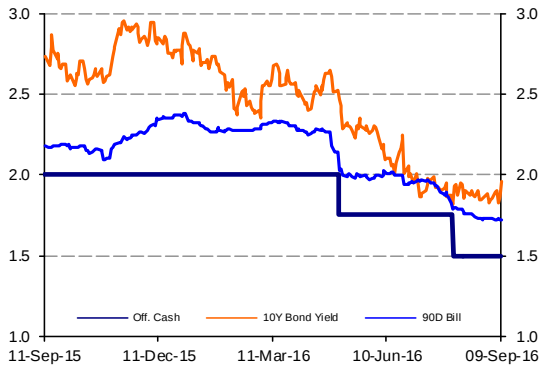


Chart B: Share Price Index

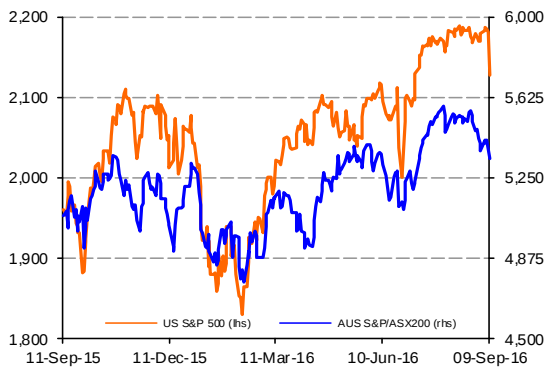


Chart C: Exchange rate

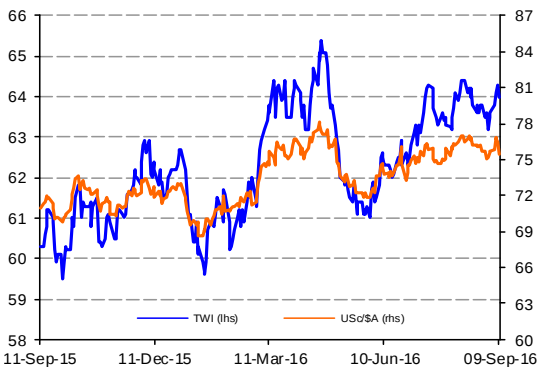
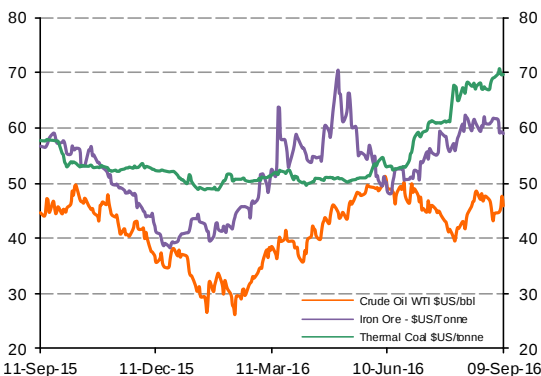


Chart D: Commodity Prices



Domestic Data Releases

Following its monthly monetary policy meeting, the **RBA Board** decided to leave the cash rate unchanged at 1.50%.

ABS National Accounts data showed that NSW **State Final Demand** rose 0.6% in the June quarter to be up 3.8% through the year. Nationally, **Gross Domestic Product** rose 0.5% in the quarter to be up 3.3% through the year.

ANZ Job Advertisements for NSW showed a 14.1% fall in the number of newspaper jobs ads in August and a 58.7% decrease through the year. Nationally, internet jobs ads increased 0.6% in the month and were up 7.1% through the year.

ABS Balance of Payments statistics showed that the current account deficit increased \$636 million to \$15.5 billion in the June quarter.

APM released housing market data for August showing that the Sydney auction clearance rate increased to 75%. This is above the 74% rate recorded a year ago and well above the long run average of 58%.

International Trade data for July showed that NSW merchandise exports were up 1.4% while merchandise imports were down 6.8% through the year. For Australia, merchandise exports were down 2.4% and merchandise imports were down 13.1% through the year.

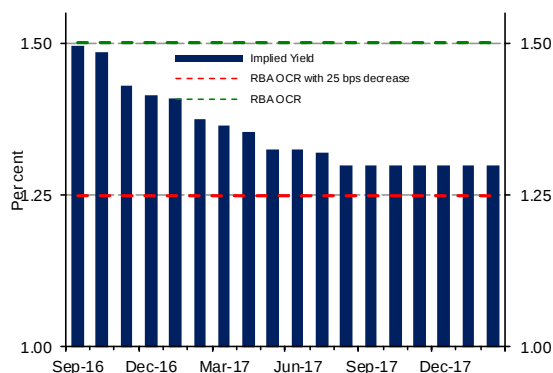
Overseas Arrivals and Departures data for June showed that visitors to NSW increased by 11.9% through the year to reach 232.0k in the month. Nationally, visitors to Australia increased by 11.8% through the year to reach 643.8k in the month.

The number of **Housing Finance** commitments for owner-occupiers in NSW fell 2.2% in July to be 0.1% lower through the year. Nationally, housing commitments fell 4.2% in the month and are up 1.8% through the year. Over the three months to June 2016, the proportion of first home-buyers to total home-buyers (excluding refinancing) was 18.8% for NSW and 22.4% nationally.

Markets

The ASX200 fell 0.6% compared to last Friday and the US S&P500 fell 2.4%.

	Value	Change on Year	Change on Week
US S&P 500	2,127.8	8.5 %	-2.4 %
ASX200	5,339.2	5.3 %	-0.6 %
Australian Dollar (USD)	0.7541	6.3 %	-0.4 %
TWI	64.00	6.1 %	0.6 %
Oil (USD/bbl)	45.88	2.8 %	3.2 %
Gold (USD/oz)	1,330.85	21.0 %	0.5 %
Thermal Coal (USD/tonne)	69.70	20.8 %	0.8 %
Australian 10-yr bond	1.96%	-77.2 bps	11.1 bps
US 10-yr bond	1.67%	-51.3 bps	7.3 bps
Australian 90-day bill	1.72%	-46.0 bps	-1.0 bps

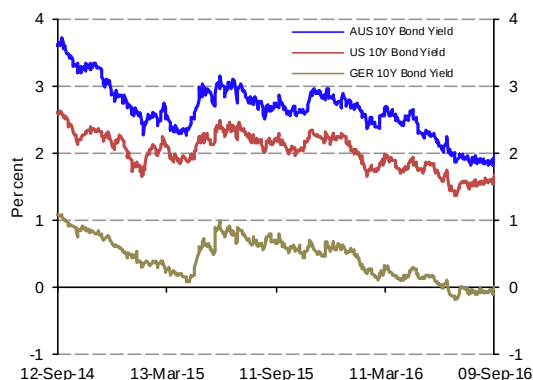
Chart E: Interest Rate Expectations**Upcoming Domestic Data Releases (12/9 – 16/9)**

- **ANZ** releases the July Stateometer
- **Westpac-Melbourne Institute** release the Consumer Sentiment survey for September
- **RBA** release the September quarter Bulletin
- **NAB** release the Monthly Business Survey for August
- **ABARES** releases the September quarter Crop Report
- **ABS** releases Labour Force and Sales of New Motor Vehicles data for August as well as Lending Finance data for July.

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 1.25% in February 2017.

According to the ASX target rate tracker, as of 8 September, there was a 7% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 4 October 2016.

Chart F & G: International Bond Yields**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)	1.96%	-77.2 bps	11.1 bps	28.9 bps	54.8 bps
United States (US)	1.67%	-51.3 bps	7.3 bps	- -	- -
Germany (GER)	0.01%	-64.2 bps	5.4 bps	-166.4 bps	-153.5 bps
Italy (ITA)	1.25%	-58.5 bps	7.8 bps	-42.8 bps	-35.6 bps
Portugal (PRT)	3.15%	54.6 bps	12.1 bps	147.3 bps	41.4 bps
Spain (ESP)	1.08%	-102.7 bps	5.3 bps	-59.3 bps	-7.9 bps

Key International Data Releases

Euro Area: The ECB left interest rates unchanged at 0% for the fifth consecutive month. The central bank released an identical statement to that released in July indicating that it expected, “interest rates to remain at present or lower levels for an extended period of time”.

China: Consumer prices rose 1.3% through the year to August 2016, slowing from 1.8% recorded in July. This is the lowest rate of inflation in 10 months. Food prices increased 1.3% through the year while non-food prices grew at 1.4%.

Upcoming Key International Data Releases (12/9 – 16/9)

- **Japan:** Machinery Orders for August
- **China:** Industrial Production and Retail Sales data for August
- **UK:** CPI and Retail Sales data for August as well as the Unemployment Rate for July. The BoE also announces its Interest Rate Decision.
- **NZ:** GDP data for the June quarter
- **US:** Industrial Production, CPI and Retail Sales data for August as well as Consumer Sentiment data for September