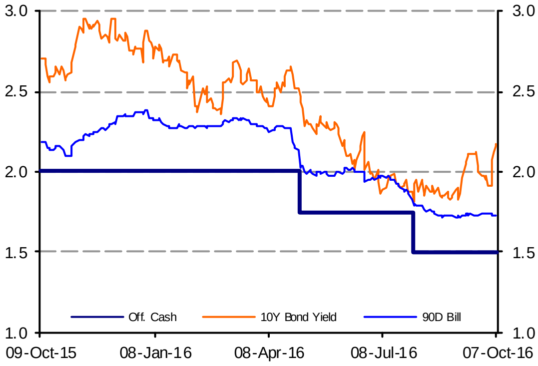
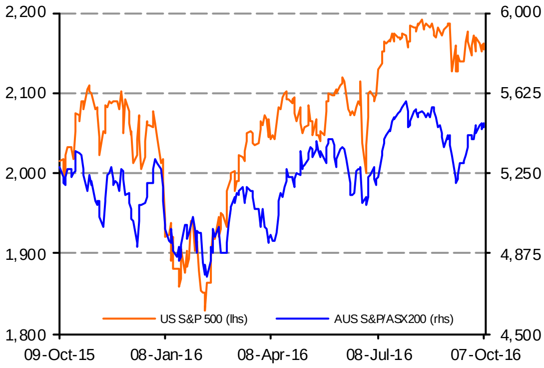
# WEEKLY ECONOMIC & FINANCIAL MARKET ROUNDUP

NSW GOVERNMENT The Treasury

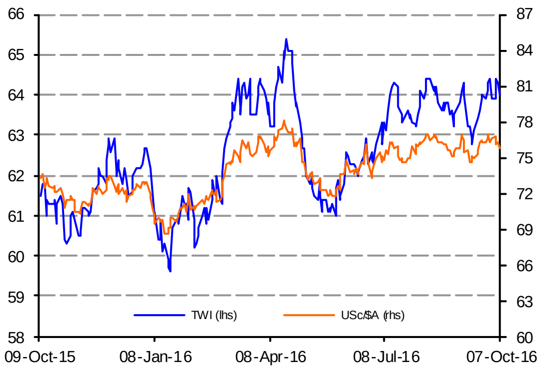
## Chart A: Domestic Interest Rates



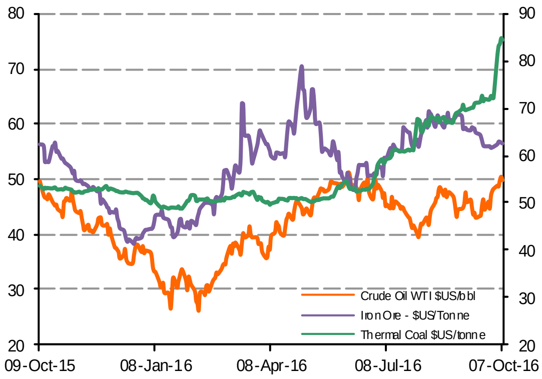

## Chart B: Share Price Index




## Chart C: Exchange rate




## Chart D: Commodity Prices




## Domestic Data Releases

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

ABS **Building approvals** data showed that the number of dwelling units approved in NSW fell 2.3% in August; but up 37% through the year. Nationally, the number dwelling units approved fell 1.8% while up 10.1% through the year. The value of NSW non-residential building approvals was down 34.8% through the year. Nationally, value of non-residential building approvals was down 12.9% through the year.

ABS **Retail trade** data showed that value of retail sales in NSW grew 0.5% in the month of August, to be 3.3% higher through the year. Nationally, value of retail sales was up 0.4% to be 2.8% higher through the year.

ABS **International merchandise trade** data showed that merchandise exports in NSW were down 7.0% over the year to August, while merchandise imports were up 3.7% during the same period. Nationally, merchandise exports were down 1.1% and merchandise imports were up 2.1% through the year to August.

## Markets

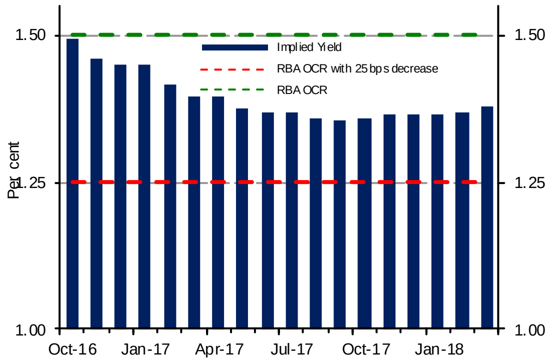
The ASX200 rose 0.6% compared to last Friday and the US S&P500 was down 0.7%.

| | Value | Change on Year | Change on Week |
|---|---|---|---|
| **US S&P 500** | 2,153.7 | 6.9 % | -0.7 % |
| **ASX200** | 5,467.4 | 3.6 % | 0.6 % |
| **Australian Dollar (USD)** | 0.7582 | 3.4 % | -1.1 % |
| **TWI** | 64.00 | 4.1 % | 0.2 % |
| **Oil (USD/bbl)** | 49.81 | 0.4 % | 3.3 % |
| **Gold (USD/oz)** | 1,258.75 | 9.3 % | -4.8 % |
| **Thermal Coal (USD/tonne)** | 84.45 | 57.6 % | 17.0 % |
| **Australian 10-yr bond** | 2.17% | -53.6 bps | 26.4 bps |
| **US 10-yr bond** | 1.72% | -37.0 bps | 12.4 bps |
| **Australian 90-day bill** | 1.73% | -45.0 bps | -1.0 bps |

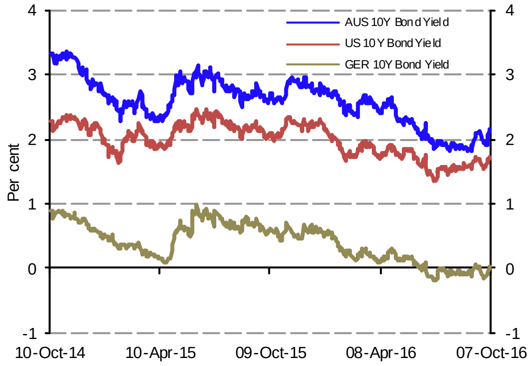
## Upcoming Domestic Data Releases (10/10 – 14/10)

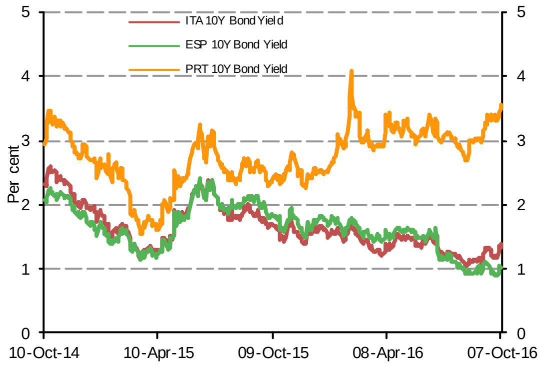
- **Westpac/Melbourne Institute** releases the Westpac-MI Consumer Sentiment Survey for October.
- **NAB** releases the NAB Monthly Business Survey for September
- **ABS** releases Overseas arrivals and departures, Housing finance, Building activity and Lending finance.
- **RBA** releases its biannual Financial Stability Review

### Chart E: Interest Rate Expectations




### Chart F & G: International Bond Yields




## Market Interest Rate Expectations

The current implied yield curve on ASX 30 day interbank cash rate futures (Chart E) indicates market expectations are evenly split on whether the RBA will lower rates to 1.25% in 2017.

According to the ASX target rate tracker, as of 7 October, there was a 16% expectation that the RBA will lower the cash rate to 1.25% at its policy meeting on 1 November 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)** | 2.17% | -53.6 bps | 26.4 bps | 45.4 bps | 62.0 bps |
| **United States (US)** | 1.72% | -37.0 bps | 12.4 bps | - - | - - |
| **Germany (GER)** | 0.02% | -59.5 bps | 13.9 bps | -169.8 bps | -147.3 bps |
| **Italy (ITA)** | 1.38% | -31.0 bps | 19.6 bps | -33.6 bps | -39.6 bps |
| **Portugal (PRT)** | 3.56% | 116.8 bps | 25.1 bps | 184.6 bps | 30.8 bps |
| **Spain (ESP)** | 1.02% | -81.8 bps | 13.5 bps | -70.3 bps | -25.5 bps |

## Key International Data Releases

**IMF:** The IMF has released their October 2016 update of the World Economic Outlook (WEO). The IMF global growth forecasts for 2016 and 2017 remain unchanged compared to the July update, however, forecasts for world trade volumes of goods and services were revised lower.

**US**: Non-farm pay roll gain (156,000) was below the market expectations, while unemployment rate tickled higher (from 4.9% to 5.0%). ISM manufacturing index rebounded in September to be above expectations (51.5 index points). ISM non-manufacturing surged to an 11-month high of 57.1 index points.

## Upcoming Key International Data Releases (10/10 – 14/10)

– **Japan:** Machine orders

– **US:** FOMC minutes, Retail sales and University of Michigan Consumer Sentiment Index

– **China:** Consumer and Producer Price Index, trader balance