

Chart A: Domestic Interest Rates

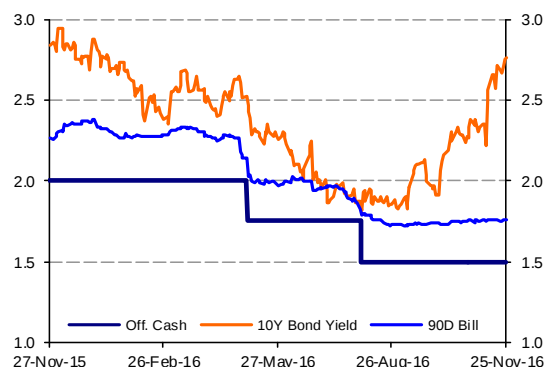


Chart B: Share Price Index

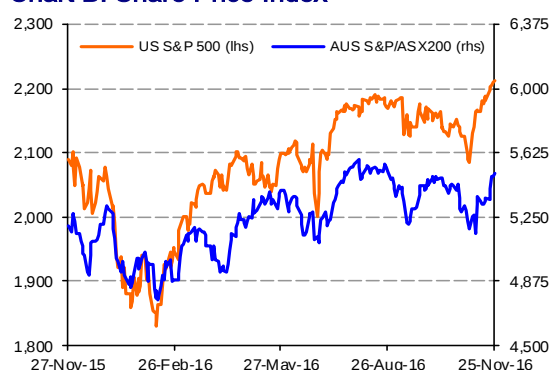


Chart C: Exchange rate

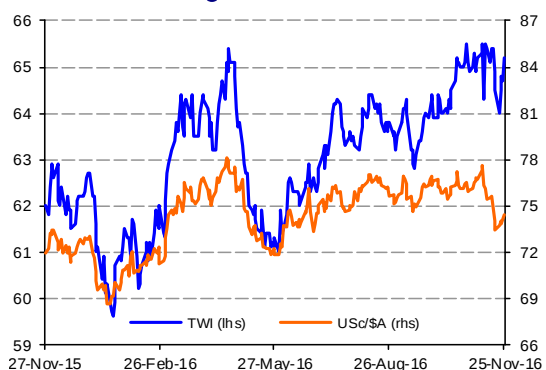
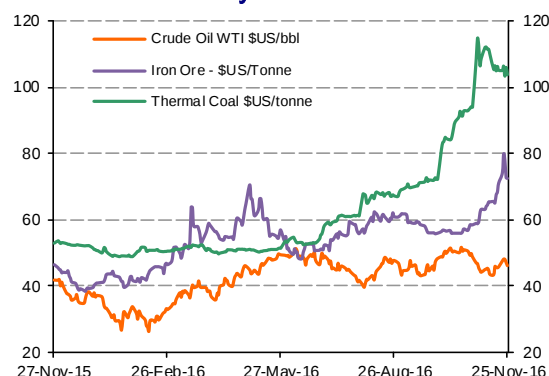


Chart D: Commodity Prices



Domestic Data Releases

Regional Labour Force data showed that the regional unemployment rate, in 12-month moving average terms to October 2016, was 4.8% in Greater Sydney and 5.7% in the Rest of NSW. Other regional unemployment rates were 5.5% in Western Sydney, 5.8% in the Greater Hunter and 6.7% in the Greater Illawarra.

Construction Work Done data for the September quarter showed Building Work Done in NSW was up 13.3% through the year while nationally this was up 1.4% through the year. Total Construction Work Done (Building and Engineering) in NSW was up 11.8% through the year while nationally this fell 11.1% over the same period.

Markets

The ASX200 rose 2.8% compared to last Friday while the US S&P500 rose 1.4%.

	Value	Change on Year	Change on Week
US S&P 500	2,213.4	5.9 %	1.4 %
ASX200	5,507.8	5.9 %	2.8 %
Australian Dollar (USD)	0.7443	3.5 %	1.4 %
TWI	65.2	5.2 %	1.1 %
Oil (USD/bbl)	46.1	10.4 %	0.8 %
Gold (USD/oz)	1,187.70	12.3 %	-1.9 %
Thermal Coal (USD/tonne)	103.8	96.3 %	-1.3 %
Australian 10-yr bond	2.76%	-8.2 bps	4.2 bps
US 10-yr bond	2.36%	13.7 bps	0.2 bps
NSW TCorp 10-yr bond	3.15%	17.1 bps	5.2 bps

Upcoming Domestic Data Releases (28/11 – 2/12)

- **RBA** releases Private Sector Credit data for October.
- **ABS** publishes Building Approvals and Retail Trade data for October as well as Private New Capital Expenditure and Industrial Disputes data for the September quarter.
- **HIA** releases New Home Sales data for October

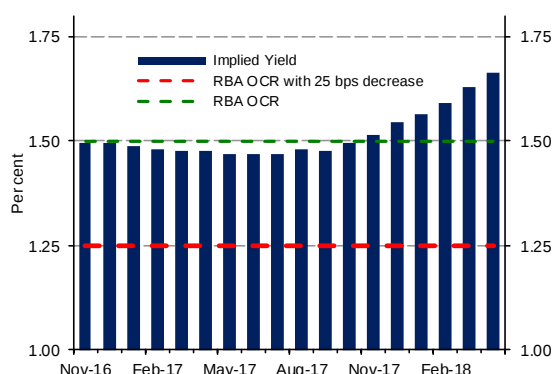
Market Interest Rate Expectations

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. 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 25 November, 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 equities rallied to all-time highs as US bond yields continued to rise following the presidential election and the expectation of expansionary fiscal policies. It also reflects the increasing expectation that the Federal Reserve will lift interest rates in December. The global bond market sell off continued (mirroring US bonds) on the back of growing inflationary expectations and the consensus that central banks are pulling back from extraordinary monetary

Chart E: Interest Rate Expectations

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)	2.76	-8.2	4.2	40.4	62.3
United States (US)	2.36	13.7	0.2	-	-
Germany (GER)	0.24	-22.0	-3.2	-211.7	-176.0
United Kingdom (UK)	1.42	-39.9	-3.8	-94.0	-40.4
Japan (JPN)	0.04	-26.6	0.2	-231.5	-191.2
China (CH)	2.87	-19.3	-2.9	50.9	83.9

Key International Data Releases

Japan: Consumer prices rose 0.1% though the year to October, the first rise in 8 months, driven by higher fresh food prices. However, core consumer prices (which excludes fresh food), fell 0.4% compared to a year earlier. The continued fall in core consumer prices has been reinforced by weak wages, poor consumer sentiment and competitive discounting among retailers.

The US election result has weakened the yen creating some inflationary pressure through higher imports prices. However, despite this, the Bank of Japan's 2% inflation target is unlikely to be achieved in the short-to-medium term.

US: The Federal Reserve published minutes from their last meeting in which policymakers generally, "expressed a view that it could well become appropriate to raise the target range for the federal funds rate relatively soon." Some even advocated an increase in the rate on the basis that, "labor market conditions were at or close to those consistent with maximum employment."

Upcoming Key International Data Releases (28/11 – 2/12)

- **OECD:** Full release of the Economic Outlook
- **Japan:** Unemployment Rate, Retail Sales and Industrial Production data for October
- **China:** NBS Manufacturing and Non-manufacturing PMI data for November
- **Euro Area:** Business Confidence and CPI data for November and the Unemployment Rate for October
- **US:** GDP Growth (2nd Est) for the September quarter as well as ISM Manufacturing PMI, Private Non-farm Payrolls and the Unemployment Rate for November
- **Germany:** CPI data for November

Chart F & G: International Bond Yields