

Monday, 30 March 2015

Chart A: Domestic Interest Rates



Chart B: Share Price Index

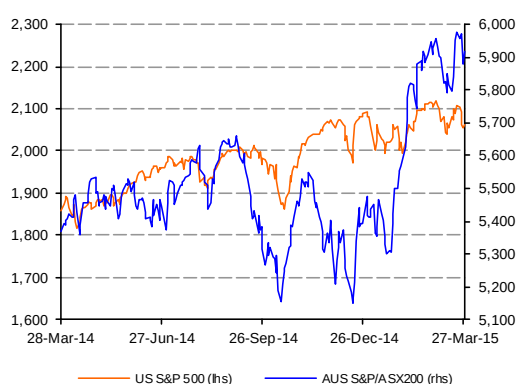


Chart C: Exchange Rate

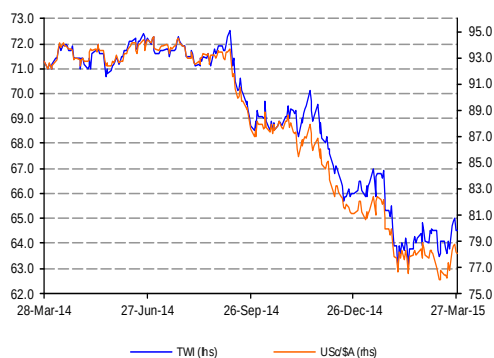
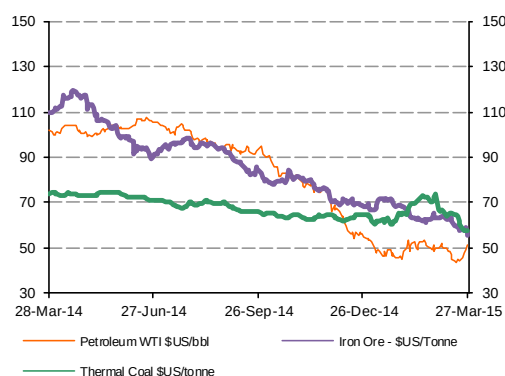


Chart D: Commodities



Key Domestic Data Releases

ABS **Demographic Statistics** showed that the NSW population grew by 106,365 through the year to the September quarter 2014. NSW annual growth continued to ease, falling to 1.4% from 1.5% compared to the previous quarter. Nevertheless, this rate was well above the long term trend growth rate of 1.1%.

The RBA **Financial Stability Review** noted that household sector risks continue to revolve largely around housing and mortgage markets, with the composition of new mortgage finance remaining skewed to investors, particularly in the largest cities. The RBA notes that, in an environment of low interest rates and strong housing demand, it is important that lending standards do not decline, and the measures announced by APRA and ASIC in December are designed with that intent.

The Department of Employment released **Skilled Vacancies**. Trend internet job vacancies for NSW were reported as 157,312 for February 2015. The release showed that NSW internet job vacancies grew by 13.0% for the year ending February 2015. This exceeds national average growth of internet job vacancies of 8.2%.

While expected, the HIA-CBA **Housing Affordability Report** was not released last week.

Markets

The **ASX200** fell 0.9% on the previous Friday and the **US S&P500** fell 2.2%.

	Value	Change on Year	Change on Week
US S&P 500	2,061.0	10.9 %	-2.2 %
ASX200	5,919.9	10.3 %	-0.9 %
Australian Dollar (USD)	0.7804	-15.8 %	1.6 %
TWI	64.50	-9.5 %	1.1 %
Oil (USD/bbl)	51.43	-49.4 %	17.0 %
Gold (USD/oz)	1,195.75	-7.6 %	1.1 %
Thermal Coal (USD/tonne)	57.81	-22.0 %	-3.7 %
Australian 10-yr bond	2.42%	-166.2 bps	2.3 bps
US 10-yr bond	1.99%	-69.0 bps	3.0 bps
Australian 90-day bill	2.23%	-47.0 bps	-6.0 bps

Upcoming Domestic Data Releases (30/3 – 3/4)

The RBA releases Private Sector Credit relating to February 2015. The HIA releases New Home Sales for February 2015. The AIG releases it's Australian Performance of Manufacturing Index for March 2015. The ABS releases data on Building Approvals, Job Vacancies and Trade in Goods and Services relating to February 2015. The ABS also releases Engineering Construction Activity relating to December 2014. TD Securities – Melbourne Institute releases its Monthly Inflation Gauge.

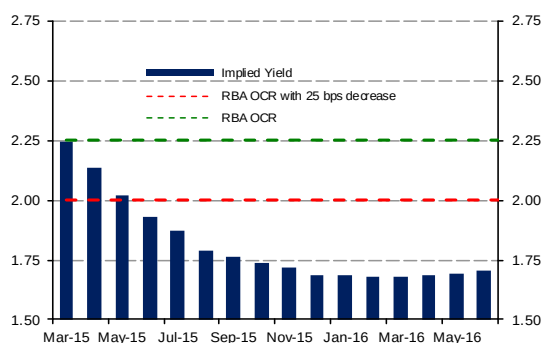
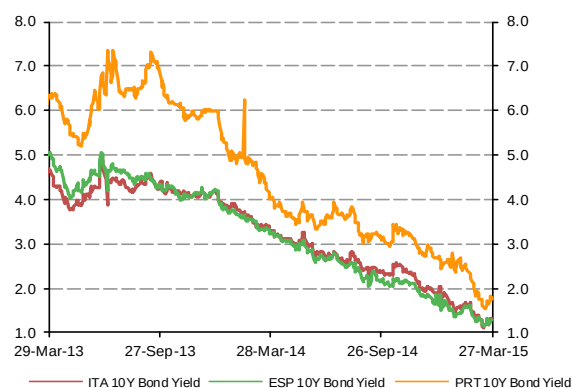
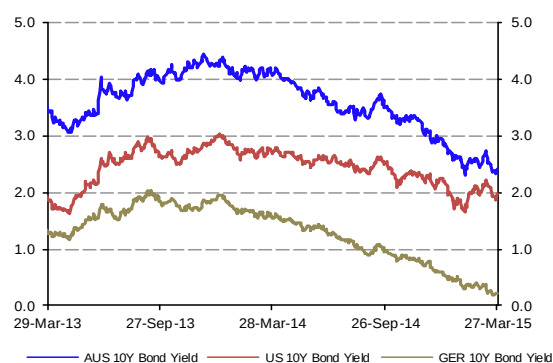
Market Interest Rate Expectations

Current **market expectations**, as shown by the **implied yield curve** on ASX 30 day interbank cash rate futures (refer Chart E below), **favour a reduction in interest rates** by the RBA by the middle of this year.

According to the **ASX target rate tracker**, as of 27 March, there is a 60% expectation that the RBA will lower the cash rate to 2.0% at its policy meeting on 7 April 2015.

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)	2.42%	-166.2 bps	2.3 bps	42.5 bps	139.7 bps
United States (US)	1.99%	-69.0 bps	3.0 bps	-	-
Germany (GER)	0.21%	-132.4 bps	2.8 bps	-177.6 bps	-114.2 bps
Italy (ITA)	1.32%	-199.0 bps	13.7 bps	-67.5 bps	62.5 bps
Portugal (PRT)	1.76%	-224.9 bps	13.0 bps	-23.0 bps	132.9 bps
Spain (ESP)	1.28%	-195.5 bps	10.4 bps	-71.5 bps	55.0 bps

Chart E: Interest Rate Expectations**Charts F & G: International Bond Yields****Key International Data Releases**

US: The CPI for February 2015 increased 0.2% on a seasonally adjusted basis. Over the past 12 months to February the CPI was unchanged, after showing a 0.1% decline for the 12 months ending January 2015.

Europe: Indicating increasing consumer confidence, the DG ECFIN Consumer confidence Index for March 2015 showed a sharp increase in both the EU (by 2.6 points to -1.8) and the euro area (by 3.0 points to -3.7) compared to February.

UK: The CPI was unchanged in the year to February 2015, down from the 0.3% increase in the CPI recorded in January 2015. This represents the lowest rate of inflation faced by consumers on record.

China: The Flash China Manufacturing PMI survey showed a slight decline in manufacturing sentiment for March 2015 compared to the previous month. Input costs and employment levels were also surveyed as having fallen.

Japan: The CPI for February 2015 was down 0.2% from January. For the year ending February 2015, the CPI has grown by 2.2%. Excluding fresh food, the CPI showed a monthly decline of 0.1%.

Upcoming Key International Data Releases (30/3 – 3/4)

- **US:** Employment for March 2015
- **Europe:** Unemployment Rate for February 2015
- **UK:** GDP for Q4 2014
- **China:** PMI Manufacturing for March 2015
- **Japan:** Industrial Production for February 2015