

Weekly Economic & Financial Market Roundup

Week ended Friday 16 March 2018



Treasury

Monday, 19 March 2018

Chart A: Domestic Interest Rates

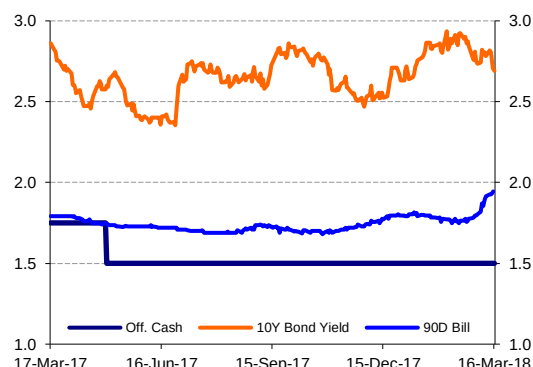


Chart B: Share Price Index

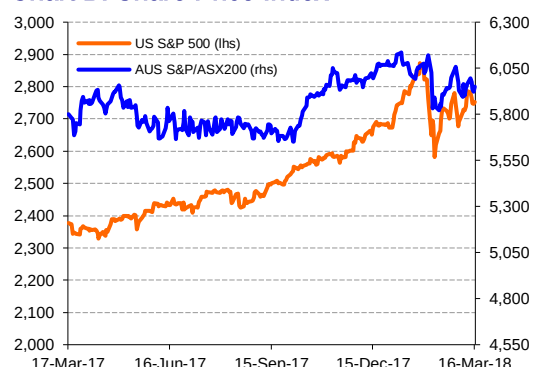


Chart C: Exchange rate

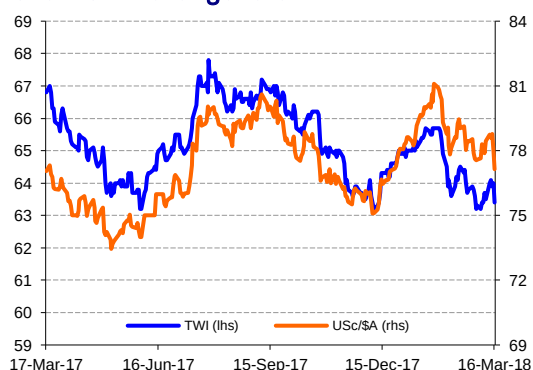
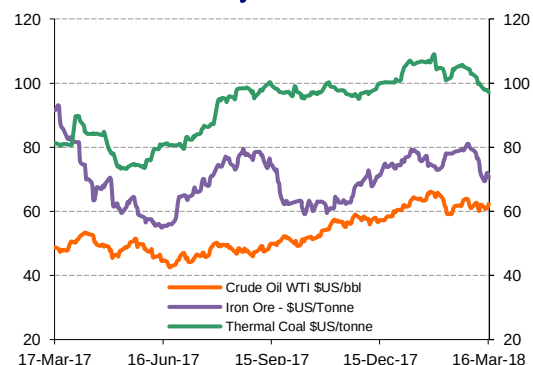


Chart D: Commodity Prices



Domestic Data Releases

ABS Lending Finance data showed that investor housing finance commitments in NSW fell by 8.1 per cent through the year to January. In the rest of Australia, commitments fell by 7.5 per cent through the year.

ABS Housing Finance data showed that the number of housing finance commitments for owner-occupation (excluding refinancing) in NSW increased 9.4 per cent through the year to January, compared to 5.0 per cent in the rest of Australia. The proportion of first home buyers to total home buyers increased to 21.5 per cent in NSW from 21.3 per cent in the previous month.

NAB released its **Monthly Business Survey**, which showed that NSW business conditions rose from +21 in January to +22 in February; NSW business confidence fell from +15 to +10. Nationally, business conditions rose from +18 to +21, and business confidence fell from +11 to +9.

W-MI released its monthly **Consumer Sentiment Index**, showing that NSW consumer sentiment rose by 6.3 per cent in March to 105.8 index points. Nationally, the index was up 0.3 per cent in the month to 103.0 index points.

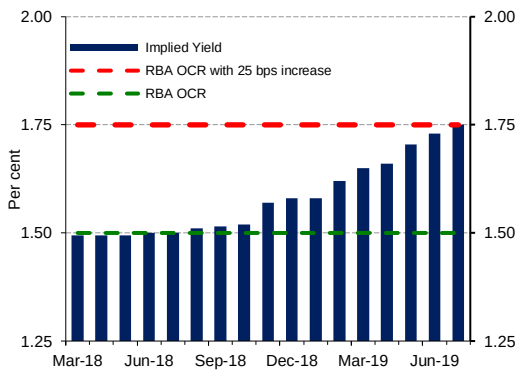
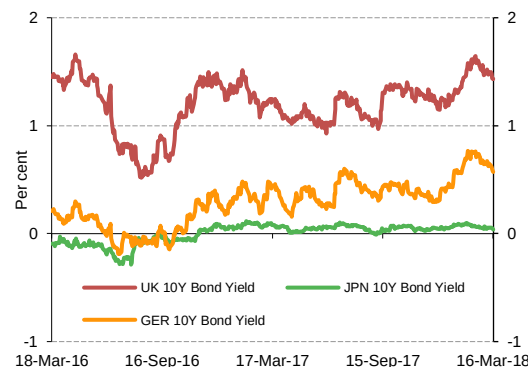
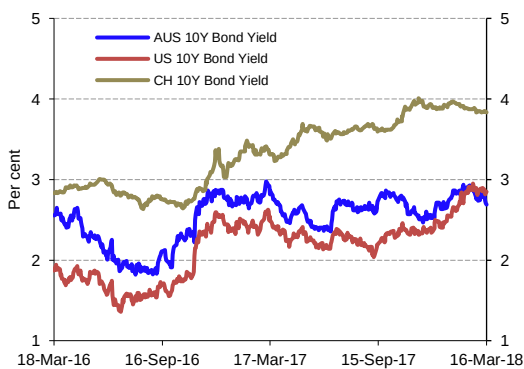
Markets

Over the week to Friday, the ASX200 fell by 0.2 per cent, the US S&P500 rose by 1.2 per cent and thermal coal prices fell by 2.3 per cent.

	Value	Change on Year	Change on Week
US S&P 500	2752.01	15.7 %	-1.2 %
ASX200	5949.42	2.6 %	-0.2 %
Australian Dollar (USD)	0.77	0.1 %	-1.7 %
TWI	63.40	-5.1 %	-0.2 %
Oil (USD/bbl)	62.34	27.8 %	0.5 %
Gold (USD/oz)	1310.10	6.5 %	-0.8 %
Thermal Coal (USD/tonnes)	97.15	19.5 %	-2.3 %
Australian 10-yr bond	2.69%	-16.8 bps	-9.1 bps
US 10-yr bond	2.84%	34.5 bps	-4.9 bps
NSW 10-yr bond (bps) maturity 2026	2.88% -	bps	-6.0 bps

Upcoming Domestic Data Releases (19/03 – 23/03)

- **ABS** will release Residential Property Price Index data for the December quarter and Labour Force data for February.
- **RBA** will release its Monetary Policy Minutes for March.
- The Commonwealth **Department of Employment** will release Skilled Vacancies data for February.

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 that the majority of the market expects the RBA to increase the cash rate in March 2019.

According to the ASX Target Rate Tracker, as at 16 March, there is a 0 per cent expectation that the RBA will increase the cash rate to 1.75 per cent at its next policy meeting on 3 April 2018.

International Bond Yield Spreads

US bond yields fell by 4.9 basis points over the week to Friday. Following a week of soft economic data, bond yields remained below highs reported in previous weeks. The 10-year bond yield ended the week at around 2.84 per cent. The latest reading on CPI might spark fears of increasing prices and a more aggressive Federal Reserve. Political uncertainty and geopolitical risks could also impact market sentiment. Bond yields fell in all countries tracked over the week.

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)	2.69	-16.8	-9.1	-15.3	36.0
United States (US)	2.84	34.5	-4.9	-	-
Germany (GER)	0.57	13.1	-7.7	-227.4	-206.0
United Kingdom (UK)	1.43	18.9	-6.3	-141.6	-126.0
Japan (JPN)	0.04	-4.2	-1.5	-280.7	-242.0
China (CH)	3.84	52.6	-0.3	99.2	81.1

Key International Data Releases

Euro area: Industrial production fell by 1.0 per cent in January to be up 2.7 per cent through the year. This is due to the fall in production of energy, durable consumer goods and intermediate goods. Employment increased by 0.3 per cent in the December quarter to be up 1.6 per cent through the year.

US: The Consumer Price Index (CPI) grew in line with Markets' expectations at 0.2 per cent in February. CPI grew by 2.2 per cent through the year in February compared with 2.1 per cent increase in the previous month. Industrial production increased by 1.1 per cent in February. This is the biggest rise in four months.

Upcoming Key International Data Releases (19/03 – 23/03)

- **US:** Current Account data for the December quarter and Interest Rate Decision for March.
- **Japan:** Trade Balance and CPI data for February and Manufacturing PMI data for March.
- **Euro Area:** Trade Balance data for January as well as Consumer Confidence and Manufacturing PMI data for March.
- **UK:** CPI and Retail Sales data for February as well as Interest Rate Decision for March; and Unemployment Rate data for January.