

Weekly Economic & Financial Market Wrap

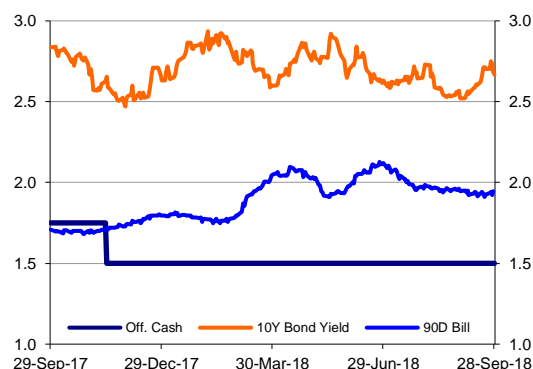
Week ended Friday 28 September 2018



Treasury

Tuesday, 2 October 2018

Chart A: Domestic Interest Rates



Domestic Data Releases

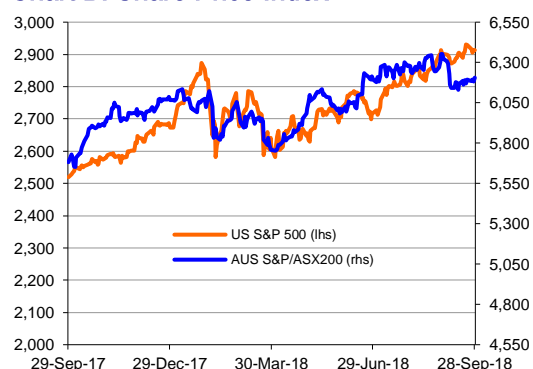
ABS Engineering Construction data showed that the value of engineering work done in the June quarter was up 21.28 per cent through the year in NSW but down 11.83 per cent through the year in the rest of Australia.

RBA Private Sector Credit data showed that total credit to the private sector increased 4.5 per cent through the year to August. Owner occupier housing credit was up 7.5 per cent through the year, while investor housing credit was up 1.5 per cent through the year.

Markets

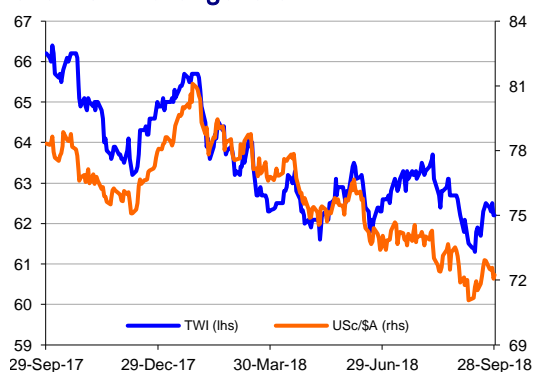
Over the week to Friday, the ASX200 rose by 0.2 per cent, the US S&P500 fell by 0.5 per cent and thermal coal prices rose by 0.4 per cent.

Chart B: Share Price Index



	Value	Change Year	on Change Week
US S&P 500	2913.98	15.7 %	-0.5 %
ASX200	6207.56	9.3 %	0.2 %
Australian Dollar (USD)	0.72	-7.8 %	-0.9 %
TWI	62.20	-6.0 %	-0.5 %
Oil (USD/bbl)	73.25	41.8 %	3.5 %
Gold (USD/oz)	1187.25	-7.5 %	-1.0 %
Thermal Coal (USD/tonnes)	113.85	17.1 %	0.4 %
Australian 10-yr bond	2.67%	-17.1 bps	-3.3 bps
US 10-yr bond	3.06%	72.8 bps	-0.2 bps
NSW 10-yr bond (bps) maturity 2028	3.09%	- bps	-2.0 bps

Chart C: Exchange rate



Upcoming Domestic Data Releases (01/09 – 05/09)

- **ABS** will release Building Approvals, International Trade in Goods and Services and Retail Trade data for August.
- **RBA** will release its interest rate decision for October and RBA Speech by Alex Heath, Head of Economic Analysis, at the Biannual Business Education Analytics, Canberra.

Chart D: Commodity Prices

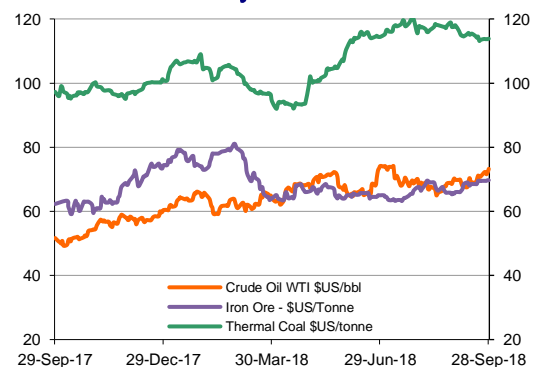
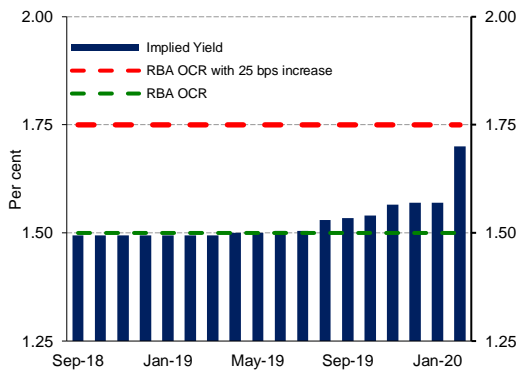
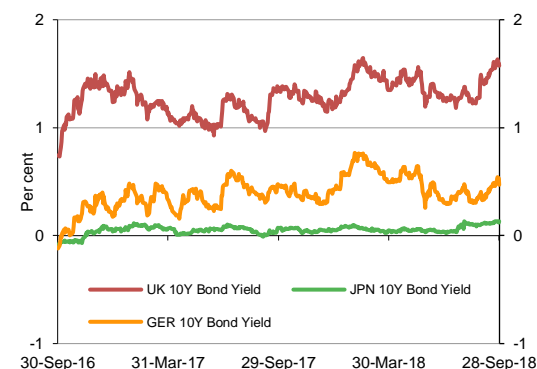
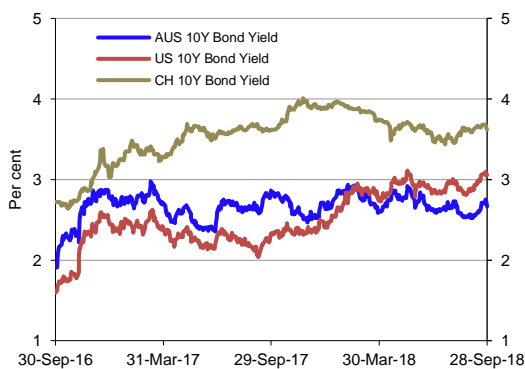


Chart E: Interest Rate Expectations**Chart F & G: International Bond Yields****Market Interest Rate Expectations**

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 February 2020.

According to the ASX Target Rate Tracker, as at 28 September, 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 2 October 2018.

International Bond Yield Spreads

US bond yields fell 0.2 basis points over the week to Friday after the Federal Reserve's preferred inflation metric was stagnant during the month of August. Trade tensions between the US and China continue to rattle investors. Bond yields fell in all other countries tracked over the week except for Germany and the UK.

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)	2.67	-17.1	-3.3	-39.3	50.5
United States (US)	3.06	72.8	-0.2	-	-
Germany (GER)	0.47	0.6	0.8	-259.1	-187.0
United Kingdom (UK)	1.57	20.8	2.0	-148.8	-96.9
Japan (JPN)	0.13	6.2	-0.3	-293.1	-226.6
China (CH)	3.62	0.2	-6.4	55.7	128.2

Key International Data Releases

US: The Federal Open Market Committee decided to raise the target range for the federal funds rate to 2 to 2½ per cent.

Japan: The unemployment rate came in at 2.4 per cent in August, which is below expectations for 2.5 per cent. Industrial production increased by 0.7 per cent in August to be up 0.6 per cent through the year. This is compared to through the year growth rate of 2.2 per cent in the previous month. Retail sales grew by 0.9 per cent in August to be up 2.7 per cent through the year. This is compared to through the year growth rate of 1.5 per cent in the previous month.

Euro Area: The Consumer Price Index (CPI) grew by 2.1 per cent through the year to September compared with 2.0 per cent in the previous month, mainly due to energy prices.

Germany: Consumer confidence increased by 0.1 index points to 10.6 points in October. Consumer Price Index grew by 2.3 per cent through the year to September compared with 2.0 per cent in the previous month. The unemployment rate fell to a record low of 5.1 per cent in September from 5.2 per cent in the previous month.

Upcoming Key International Data Releases (01/09 – 05/09)

- **US:** Manufacturing PMI, Non-manufacturing PMI, Change in Non-farm Payrolls and Unemployment Rate data for September and Trade Balance data for August.
- **Euro Area:** Unemployment rate, PPI and Retail Sales data for August.
- **Japan:** Consumer Confidence data for September.
- **Germany:** Retail Sales and PPI data for August.

Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
1-Oct	2-Oct	3-Oct	4-Oct	5-Oct
	RBA Interest Rate Decision, Oct-18	ABS Building Approvals, Aug-18	ABS International Trade in Goods and Services, Aug-18	ABS Retail Trade, Aug-18 Speech by Alex Heath, Head of Economic Analysis, at the Biannual Business Education Analytics, Canberra
8-Oct	9-Oct	10-Oct	11-Oct	12-Oct
APM Auction data, Sep-18	NAB Monthly Business Survey, Sept-18	W-MI Consumer Sentiment, Oct-18 ABS Regional Building Approvals, Aug-18 ABS Building Activity, Jun-18 Speech by Merylin Coombs, Deputy Head of Economic Analysis Department, at the 2018 Kimberley Economic Forum, Broome WA	Speech by Luci Ellis, Assistant Governor (Economic), at the Melbourne Institute 2018 Economic and Social Outlook Conference, Melbourne	ABS Housing Finance, Aug-18 RBA Financial Stability Review, Oct-18
15-Oct	16-Oct	17-Oct	18-Oct	19-Oct
	RBA Monetary Policy Minutes, Oct-18 ABS Lending Finance, Aug-18	ABS Overseas Arrivals and Departures, Aug-18	NAB Quarterly Business Survey, SepQ-18 ABS Labour Force, Sep-18	
22-Oct	23-Oct	24-Oct	25-Oct	26-Oct
		DoE Skilled Vacancies, Sep-18	ABS Detailed Monthly Labour Force, Sep-18	ABS National Accounts, 2017-18
29-Oct	30-Oct	31-Oct	1-Nov	2-Nov
	ABS Building Approvals, Sep-18	RBA Private Sector Credit, Sep-18 ABS Consumer Price Index, Sep-18	ABS International Trade in Goods and Services, Sep-18	ABS Producer Price Indexes, Sep-18 ABS Retail Trade, Sep-18
5-Nov	6-Nov	7-Nov	8-Nov	9-Nov
	RBA Interest Rate Decision, Nov-18 APM Auction data, Oct-18	ABS Regional Building Approvals, Sep-18		RBA Statement on Monetary Policy, Nov-18 ABS Housing Finance, Sep-18

ECONOMIC FACTS

ECONOMIC GROWTH				
ECONOMIC INDICATOR	NSW	Australia	Measure	Latest Period
Gross State/ Domestic Product	2.9%	2.0%	% annual average	2016-17 Next: 16 November 18
State/Domestic Final Demand	3.5%	3.4%	% through the year	June quarter 18 Next: 5 December 18
	0.3%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+2	+4	NAB Index	September 18 (mthly) Next: 9 October 18
NAB Business Conditions	+17	+15		
HOUSING				
Dwelling Approvals	70.2k	230.0k	Number of app 12mms	July 18 (mthly) Next: 3 October 2018
	-4.6%	-2.3%	% annual average	
Residential Prices (capitals)	-3.9%	-0.6%	% through the year	June quarter 18 Next: 11 December 18
LABOUR FORCE				
Employment	3.9%	2.5%	% through the year	August 18 (mthly) Next: 18 October 18
Unemployment Rate	4.7%	5.3%	Current rate	
Youth unemployment rate	10.3%	12.1%	12 monthly moving average rate	
CONSUMER				
Retail Sales	3.4%	2.9%	% through the year	July 18 (mthly) Next: 5 October 18
Westpac MI Consumer Confidence	101.6	100.5	Westpac MI Index	September 18 (mthly) Next: 18 October 18
CPI (Capital cities)	2.1%	2.1%	% through the year	June quarter 18 Next: 31 October 2018
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 2 October 18

ECONOMIC FORECASTS^(a)	NSW Forecasts (as per 2018-19 Budget)			Australian Gov't Forecasts (as per 2018-19 Budget)		
	2016-17 Actual	2017-18 Actual (Forecast)	2018-19 Forecast	2016-17 Actual	2017-18 Actual (Forecast)	2018-19 Forecast
State/Domestic Final Demand (%)	3.8	3.3(3¾)	3	2.3	n.a.	n.a.
Gross State /Domestic Product (%)	2.9	(3)	2¾	2.1	2.9(2¾)	3
Employment (%)^(b)	1.1	3.1(3)	1¾	2.2	2.9(2¾)	1½
Unemployment rate (%)^(c)	5.0	4.8(4¾)	4¾	5.6	5.4(5½)	5¼
CPI (%)^(d)	2.0	2.0(2)	2¼	1.9	2.1(2)	2¼
Wage Price Index (%)^(e)	2.1	2.1(2)	2½	1.9	2.1(2¼)	2¾

(a) Australia and NSW: Annual average growth unless otherwise stated (b) Australia: per cent change through the year to June (c) Australia: per cent in June (d) Australia: per cent change through the year to June quarter. 2017-18 to 2018-19 include a ¼ percentage point contribution from tobacco excise increases. (e) Australia: per cent change through the year to June quarter.