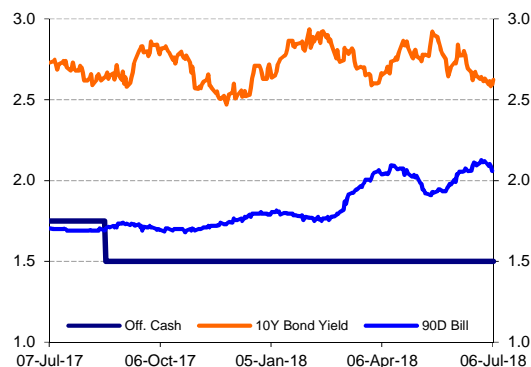
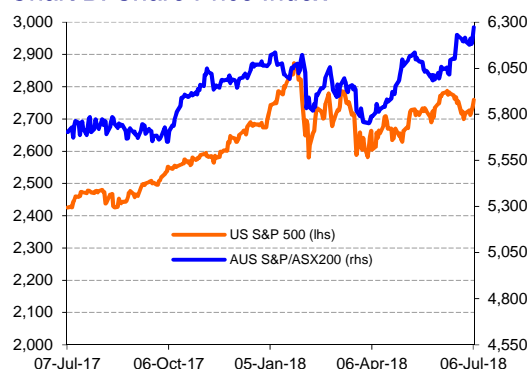


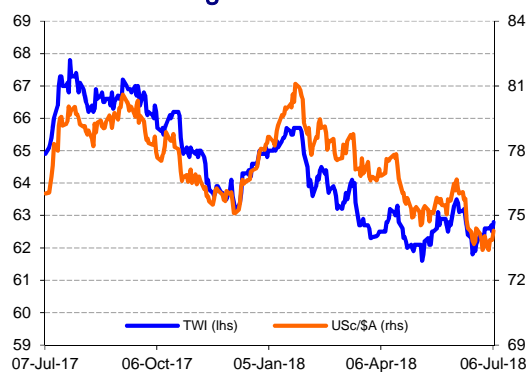
**Chart A: Domestic Interest Rates**



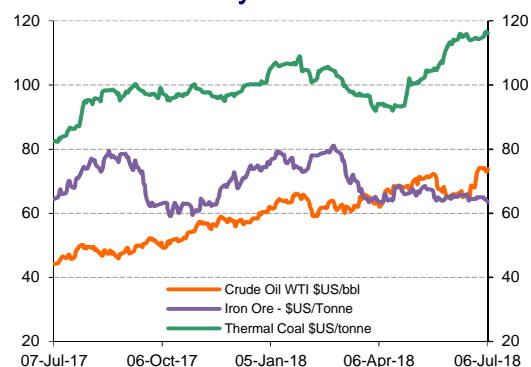
**Chart B: Share Price Index**



**Chart C: Exchange rate**



**Chart D: Commodity Prices**



## Domestic Data Releases

**ABS Building Approvals** data showed that the annual sum of residential dwelling approvals was 71,500 in May, down 0.7 per cent through the year. Nationally, the annual sum of approvals was 228,800, up 3.4 per cent through the year. This is driven by approvals in Victoria at an annual sum of 75,500, up 14.6 per cent through the year.

**ABS International Trade in G&S** data showed that NSW goods exports were up 2.0 per cent through the year to May, while goods imports were up 9.0 per cent through the year. Nationally, goods exports were up 8.1 per cent through the year, while goods imports were up 5.8 per cent through the year.

**ABS Nominal Retail Trade** data for May, showed that nominal retail sales in NSW were up 0.5 per cent in the month to be up 2.9 per cent through the year. This was driven by a rebound in clothing & accessories and department stores after a weak result in these industries last month. In Australia, nominal retail sales were up 0.4 per cent in the month to be up 2.5 per cent through the year.

**APM Auction Data** showed that the Sydney auction clearance rate was 48.4 per cent in June, down on the result in the previous month of 53.0 per cent. This is the lowest auction clearance rate since early 2009. The median price of houses in Sydney in May 2018, was \$1.14m, down 4.8 per cent through the year. The median price of units was \$0.72m, down 6.6 per cent through the year.

**RBA Interest Rate Decision** for July, was to leave the cash rate unchanged at 1.50 per cent.

## Markets

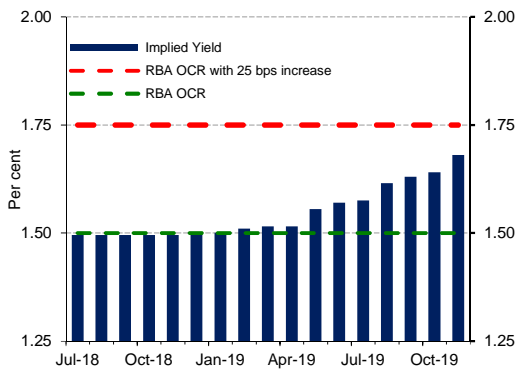
Over the week to Friday, the ASX200 rose by 1.3 per cent, the US S&P500 rose by 1.5 per cent and thermal coal prices rose by 1.5 per cent.

	Value	Change on Year	Change on Week
<b>US S&amp;P 500</b>	2759.82	13.8 %	1.5 %
<b>ASX200</b>	6272.29	10.0 %	1.3 %
<b>Australian Dollar (USD)</b>	0.74	-2.2 %	0.3 %
<b>TWI</b>	62.80	-3.2 %	0.3 %
<b>Oil (USD/bbl)</b>	73.80	66.9 %	-0.5 %
<b>Gold (USD/oz)</b>	1255.35	3.3 %	0.4 %
<b>Thermal Coal (USD/tonnes)</b>	116.10	40.6 %	1.5 %
<b>Australian 10-yr bond</b>	2.62%	-10.6 bps	-0.7 bps
<b>US 10-yr bond</b>	2.82%	43.6 bps	-3.8 bps
<b>NSW 10-yr bond (bps) maturity 2026</b>	2.78%	- bps	-0.9 bps

## Upcoming Domestic Data Releases (9/07 – 13/07)

- **ABS** will release Building Activity data for the March quarter and Regional Building Approvals, Housing Finance and Lending Finance data for May.
- **NAB** will release its Monthly Business Survey data for June.
- **Westpac-Melbourne Institute** will release its Consumer Sentiment data for July.

**Chart E: Interest Rate Expectations**



**Market Interest Rate Expectations**

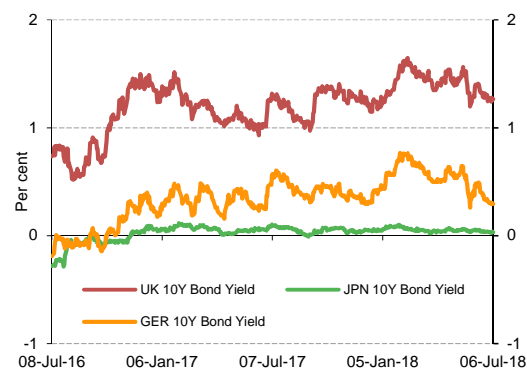
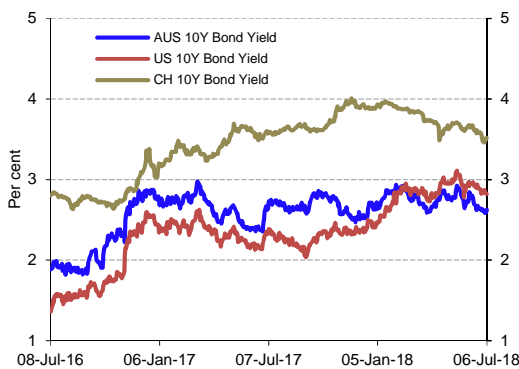
The current implied yield curve on ASX 30 day Interbank Cash Rate Futures (Chart E) indicates that the majority of the market expects the RBA to increase the cash rate in September 2019.

According to the ASX Target Rate Tracker, as at 6 July, 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 7 August 2018.

**International Bond Yield Spreads**

US bond yields fell by 3.8 basis points over the week to Friday, on the back of employment data which showed that the unemployment rate rose to 4.0 per cent. The rest of the employment data, while solid, provided no indication of rapid wage increases reducing the pressure for a potential fourth rate hike at the end of the year. Bond yields fell in all countries tracked except for China.

**Chart F & G: International Bond Yields**



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)
<b>Australian (AUS)</b>	2.62	-10.6	-0.7	-19.8	34.4
<b>United States (US)</b>	2.82	43.6	-3.8	-	-
<b>Germany (GER)</b>	0.29	-28.1	-1.0	-253.0	-181.3
<b>United Kingdom (UK)</b>	1.27	-3.8	-1.1	-155.5	-108.1
<b>Japan (JPN)</b>	0.03	-5.4	-0.3	-278.9	-229.9
<b>China (CH)</b>	3.52	-6.8	4.6	69.9	120.3

**Key International Data Releases**

**Euro Area:** The unemployment rate was stable at 8.4 per cent in May. Retail sales were up 1.4 per cent through the year to May, compared to 1.6 per cent in April. However, sales were flat in month on month terms. The Producer Price Index (PPI), was up 3.0 per cent through the year to May, compared to 1.9 per cent in April. This was a 12-month high and beat expectations of 2.7 per cent.

**US:** Factory orders rose 0.4 per cent in May, compared to a fall of 0.4 per cent in April. This was driven by strong domestic and global demand for manufacturing, particularly machinery. The ISM Manufacturing Index rose to 60.2 in June, from 58.7 in May. This was driven by the supplier deliveries sub-index which rose 6.2 points to 68.2 in June. A lengthening in supplier's delivery time is normally associated with increased activity, however, it is likely the result of tariffs causing disruptions to supply chains. The trade deficit fell to -\$43.1b in May, from \$46.2b in April. The deficit is now at its lowest level since October 2016, a month before the election. Non-farm payrolls advanced by 213,000 jobs in June, after an increase of 235,000 jobs in May. The unemployment rate rose to 4.0 per cent in April, from 3.8 per cent in May.

**Canada:** The trade deficit rose to CAD -\$2.8b in May, from -\$1.9b in April. The unemployment rate rose to 6.0 per cent in June, from 5.8 per cent in May.

**Upcoming Key International Data Releases (9/07 – 13/07)**

- **Euro Area:** Industrial Production data for May.
- **US:** PPI and CPI data for June.
- **Canada:** BoC Interest Rate Decision for July.
- **China:** PPI, CPI and Trade Balance data for June.
- **UK:** Industrial Production, Manufacturing Production and Trade Balance data for May.
- **Japan:** PPI data for June.

### Six Weeks At A Glance

Monday	Tuesday	Wednesday	Thursday	Friday
9-Jul	10-Jul	11-Jul	12-Jul	13-Jul
	NAB Monthly Business Survey, Jun-18 ABS Regional Building Approvals, May-18	W-MI Consumer Sentiment, Jul-18 ABS Housing Finance, May-18 ABS Building Activity, MarQ-18		ABS Lending Finance, May-18
16-Jul	17-Jul	18-Jul	19-Jul	20-Jul
ABS Overseas Arrivals and Departures, May-18	RBA Monetary Policy Minutes, Jul-18		NAB Quarterly Business Survey, JunQ-18 ABS Labour Force, Jun-18	
23-Jul	24-Jul	25-Jul	26-Jul	27-Jul
CommSec State of the States - JunQ-18		DoE Skilled Vacancies, Jun-18 ABS Consumer Price Index, JunQ-18	ABS Detailed Labour Force, Jun-18 ABS International Trade Price Indexes, JunQ-18	ABS Producer Price Indexes, JunQ-18
30-Jul	31-Jul	1-Aug	2-Aug	3-Aug
	RBA Private Sector Credit, Jun-18 ABS Building Approvals, Jun-18	ABS Selected Living Cost Indexes, JunQ-18	ABS International Trade in Goods & Services, JunQ-18	ABS Retail Trade, Jun-18
6-Aug	7-Aug	8-Aug	9-Aug	10-Aug
APM Auction data, Jul-18	RBA Interest Rate Decision, Aug-18 ABS Regional Building Approvals, Jun-18	ABS Housing Finance, Jun-18		ABS Lending Finance, Jun-18 RBA Statement on Monetary Policy, Aug-18
13-Aug	14-Aug	15-Aug	16-Aug	17-Aug
	NAB Monthly Business Survey, Jul-18	W-MI Consumer Sentiment, Aug-18 ABS Wage Price Index, Jun-18	ABS Labour Force, Jul-18 ABS Average Weekly Earnings, May-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: November 18
State/Domestic Final Demand	3.7%	3.2%	% through the year	March quarter 18 Next: 5 September 18
	0.7%	0.6%	% change on last qtr	
BUSINESS INVESTMENT				
NAB Business Confidence	+2	+6	NAB Index	May 18 (mthly) Next: 10 July 18
NAB Business Conditions	+15	+15		
HOUSING				
Dwelling Approvals	71.5k	228.8k	Number of app 12mms	May 18 (mthly) Next: 31 July 2018
	-4.8%	-4.5%	% annual average	
Residential Prices (capitals)	-0.5%	2.0%	% through the year	March quarter 18 Next: 18 September 18
LABOUR FORCE				
Employment	3.2%	2.5%	% through the year	May 18 (mthly) Next: 19 July 18
Unemployment Rate	4.9%	5.4%	Current rate	
Youth unemployment rate	10.6%	12.5%	12 monthly moving average rate	
CONSUMER				
Retail Sales	2.9%	2.5%	% through the year	May 18 (mthly) Next: 3 August 18
Westpac MI Consumer Confidence	101.2	102.1	Westpac MI Index	June 18 (mthly) Next: 11 July 18
CPI (Capital cities)	2.1%	1.9%	% through the year	March quarter 18 Next: 25 July 2018
Official cash rate	1.50%		Lowered 25 basis points Aug 16	Next: 3 July 18

ECONOMIC FORECASTS <sup>(a)</sup>	NSW Forecasts (as per 2018-19 Budget)			Australian Gov't Forecasts (as per 2018-19 Budget)		
	2016-17 Actual	2017-18 Forecast	2018-19 Forecast	2016-17 Actual	2017-18 Forecast	2018-19 Forecast
State/Domestic Final Demand (%)	3.9	3¾	3	2.3	n.a.	n.a.
Gross State /Domestic Product (%)	2.9	3	2¾	2.1	2¾	3
Employment (%)	1.0	3	1¾	1.9	2¾	1½
Unemployment rate (%) <sup>(b)</sup>	5.0	4¾	4¾	5.6	5½	5¼
CPI (%) <sup>(c)</sup>	2.0	2	2¼	1.9	2	2¼
Wage Price Index (%)	2.0	2	2½	1.9	2¼	2¾

(a) Australia: Year average growth unless otherwise stated, NSW: Per cent change, annual average unless otherwise indicated (b) Australia: June quarter, NSW: Annual average, per cent (c) Australia: through-the-year growth to the June quarter NSW: 2017-18 to 2020-21 include a ¼ percentage points contribution from tobacco excise increases