

23 August 2017

Butter Me Up

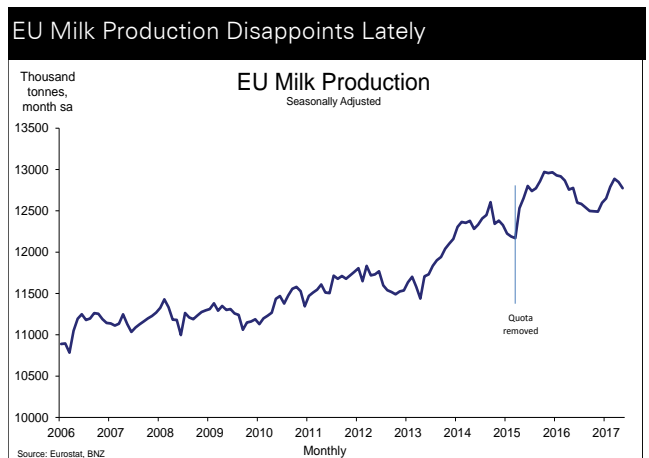
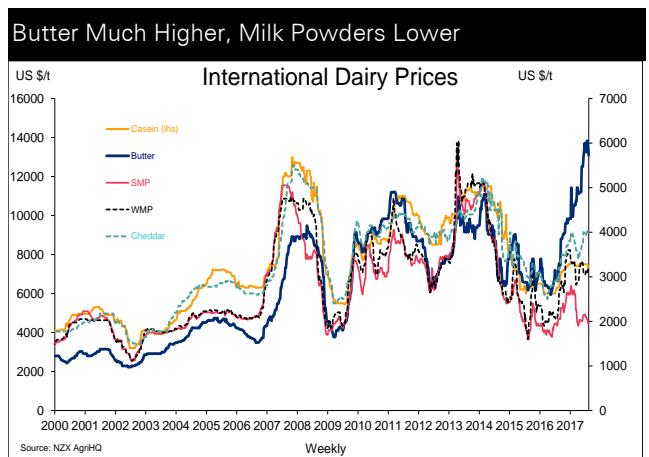
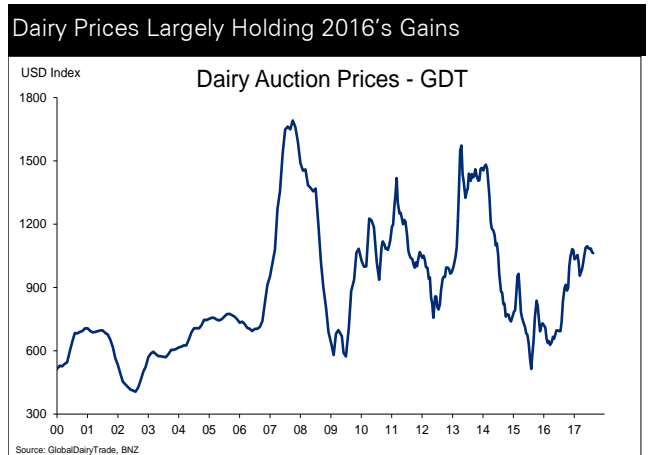
- International dairy prices holding 2016 gains
- We lift our 2017/18 milk price forecast to \$6.75
- The mid-point of a wide range of possible outcomes

International dairy prices rose strongly in 2016, from low levels. They have largely held these gains in 2017. While there has been a hint of a pullback over recent months with the Global Dairy Trade Price Index falling in four of the past five auctions, the cumulative decline over that period has only been 3%. A tiny move in the context of price swings over recent years.

The minimal moves this year suggest reasonable market balance; although the headline changes mask some material differences in individual segments. Milkfat prices have lifted strongly in 2017 and cheese prices are mildly higher. Meanwhile, milk powder prices are lower compared to the end of last year.

Overall, despite easing slightly over recent months, dairy prices have generally been holding up well. Some supporting factors this year have been:

- EU milk supply has disappointed after showing earlier signs of increasing. Poor weather (too hot and dry) has seen latest figures show a dip in production on a seasonally adjusted basis.
- US milk supply has not increased as much as the USDA expected in 2017, despite more cows. While US milk production is now expected to be up 1.6% in 2017, it is less than the 2.4% expansion expected earlier in the year.
- Very strong milkfat markets as strong demand (much of it seemingly structural) faces limited supply. International butter prices have essentially doubled over the past 12 months.
- Buoyant Chinese import demand with year to date gains across many of the major product categories.
- A stronger Euro. The Euro has lifted more than 12% against the USD this year. This makes European product less competitive on the world market.
- A softer USD. The USD is about 9% lower this year on a trade weighted basis. This tends to lift prices quoted in US dollars, like dairy products.
- A difficult winter in NZ and recent dry conditions in parts of Australia may have some questioning how much southern hemisphere supply can lift in the new season.

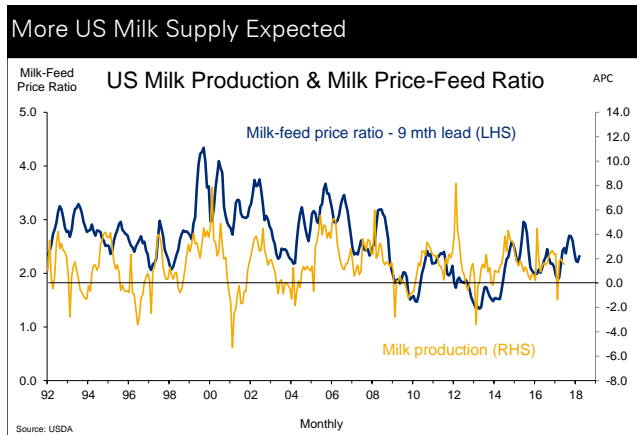


Actually, given all the above it is perhaps a little surprising that dairy prices haven't pushed a bit higher. They could yet do so. But even with prices holding up, it is enough for us to lift our 2017/18 milk price forecast. We have long discussed the upside potential to our \$6 forecast for Fonterra's milk price (that we put on the board last November). Today we formally move it higher, to \$6.75. We think this sits closer to the current mid-point of a still wide range of possible outcomes.

Our new forecast still builds in some mild drift lower in international dairy prices over the coming 12 months as we think generally firm prices over recent times will encourage more supply and discourage consumption.

As part of this, dairy prices still look elevated relative to the likes of oil prices, the Euro (despite its lift this year), and international grain prices.

Low grain prices relative to dairy prices, will encourage more milk production, especially from the Northern Hemisphere. For example, the current US milk price-to-feed-ratio points to further acceleration in US milk production ahead. In July, US milk supply was 1.9% higher than a year earlier, up from 1.5% in June. Further acceleration is expected with the USDA forecasting US milk supply to rise by 2.1% in 2018. Exports are expected to grow faster than that.



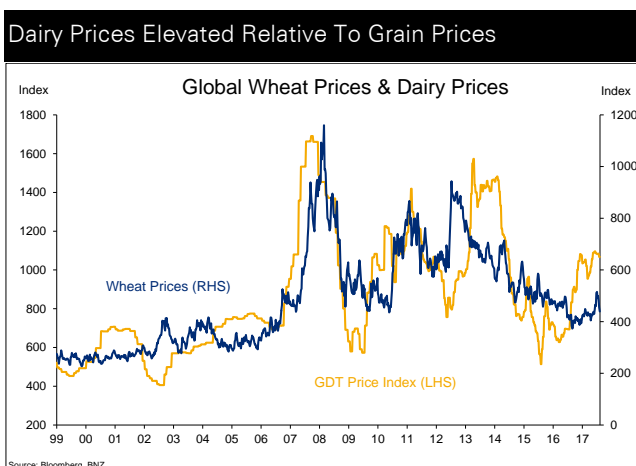
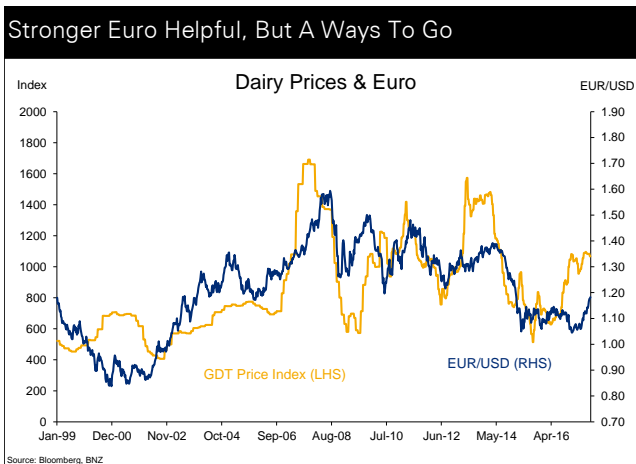
The European Commission recently forecast EU milk collections to be up 0.7% in 2017 as a whole, despite the earlier poor weather and obligation for the Netherlands to reduce its dairy herd in order to cut phosphate emissions. This forecast implies a significant lift in production in the second half of the year, given the disappointing first half. Further expansion, of 0.9%, is forecast for 2018. Importantly, in a post-quota environment, EU milk supply can now more readily respond to upward price pressure. More immediately, the nearly 400,000T mountain of SMP in European warehouse remains a weight on prices, with little sign of that changing any time soon.

Milk supply is also expected to lift in Australia (although watch emerging dry conditions) and NZ in the current 2017/18 season. In NZ, while a wet winter has proved challenging, more milk is anticipated through the season on improved prices and a lower cow cull last season. We continue to see NZ milk production rising between 3% and 4% this season. This actual outcome, of course, will be dependent on the weather.

Overall, we expect milk supply to lift in major exporting regions ultimately generating some downward pressure on prices. Demand could yet prove strong enough to prevent prices easing in the near term especially with stocks (outside of SMP) not appearing to be particular high relative to use at present and even reportedly low in some instances.

If current international dairy price and currency levels were to persist through the remainder of the season, our calculations indicate that this would result in a milk price close to \$7. Dairy prices could yet push higher. It wouldn't take that much to see milk price forecasts nudge up to \$7 or more. Equally, dairy prices may retreat more than expected seeing the milk price back in a mid-to-low \$6 range.

We have essentially pushed out the timing of the expected drift lower in international dairy prices. Our central forecast is underpinned by wholemilk powder (WMP) prices drifting down toward US\$3,000/T (currently around US \$3,150/T) over the coming nine months or so



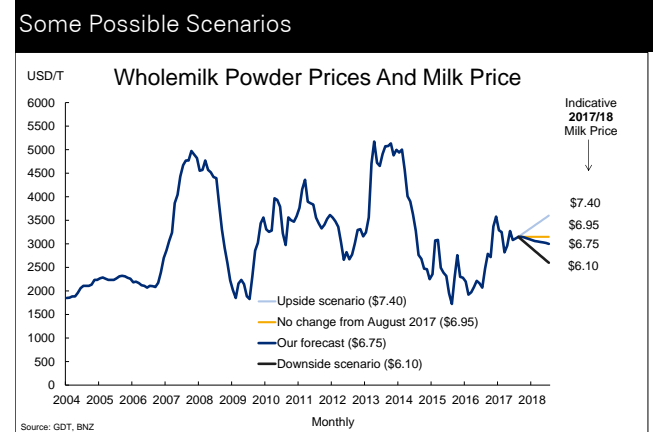
(amid a host of other assumptions regards other international product prices, product mix, operating costs, and foreign exchange rates – the latter includes our forecast of a slightly lower NZD/USD and an assumption that this translates into an average conversion rate close to 70c). NZD/USD has average around 0.705 over the past 18 months. A higher currency could see a lower milk price if not associated with higher international prices.

A downside scenario might see WMP fall back to around US\$2,600/T by season's end. This could involve a blend of a strong lift in global milk supply, a pullback in the EUR, slower than expected global economic growth perhaps stemming from policy-induced trade disruption, an economic stumble in China denting dairy demand, a retreat in oil prices and/or even weaker international grain pricing. Even with a lower NZD under these conditions, it would suggest a 2017/18 milk price in a range of \$5.90 to \$6.30.

An upside scenario might see WMP push up toward last December's peak of around US\$3,600/T by season's end. Such a situation could stem from some combination of pullback in EU milk supply, a lack of lift in NZ production, ramping up of Chinese demand, a jump in international oil and/or grain prices, or perhaps a weather event in a major milk producing area. The NZD could lift in such a scenario, but even so, and given other uncertainties, we estimate this would give a 2017/18 milk price in a range of \$7.20 to \$7.60.

Fonterra currently forecasts \$6.75, while the NZX milk price futures market has been trading around \$6.75.

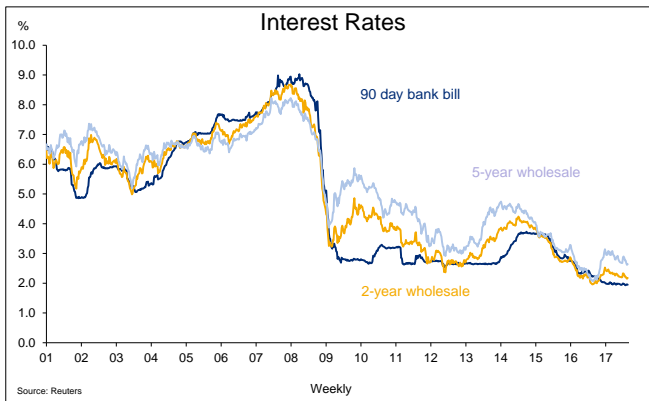
Of course, at this stage of the season there remains a wide error bound around any point forecast. The above scenarios are useful to consider milk price sensitivities to changes in international pricing. All eyes remain on the regular GDT auctions and on early Southern Hemisphere milk production.



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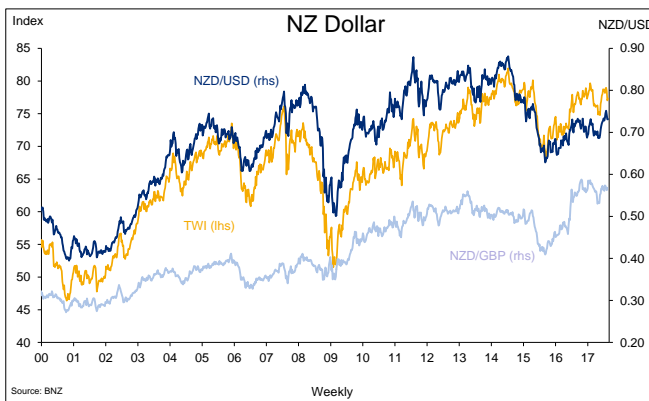
Key Macro Drivers for Commodity Producers

Interest Rates



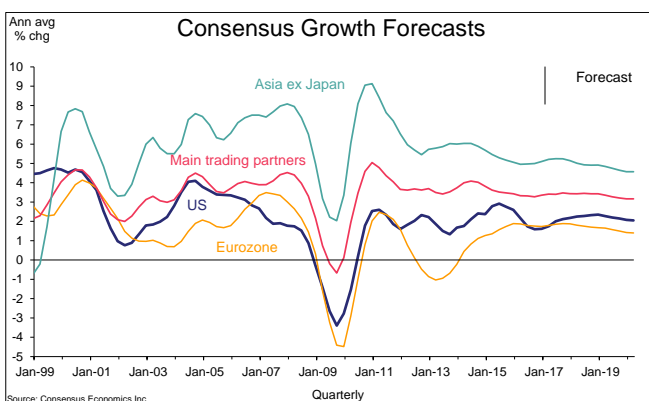
New Zealand’s cash rate is stuck at 1.75% where it’s been since November 2016. We are forecasting the first rate hike in the cycle to be in August 2018 but the balance of risk is later rather than sooner. The Reserve Bank is displaying no hurry whatsoever to move. It’s still forecasting rates on hold until December 2019. With the RBNZ stuck in neutral, floating interest rates and short term fixed rates are likely to stay in relatively narrow ranges near current levels. Longer term fixed rates are more heavily influenced by the price of money offshore, which we see as more likely to rise than fall over the coming year. This is a function of the US Federal Reserve sticking to its intentions of gradually lifting its short term rate and starting to reduce the size of its balance sheet over time, while the European Central Bank starts to discuss slowing its asset purchasing programme.

Foreign Exchange



The New Zealand Dollar has surprised with its strength over recent months especially against the USD. Rather than reflecting anything to do with New Zealand this has largely been the result of a string of weaker than expected data out of the US, reduced expectations for fiscal stimulus as the Trump Government fails to deliver, and reduced expectations for Fed tightening. Buoyant prices on world markets for New Zealand’s major primary export products have offered support. We still believe the NZD will weaken through to the end of the year as the Fed delivers on its tightening cycle. Weakness against the EUR is also expected as the ECB discusses slowing its policy stimulus. NZD/GBP is expected to remain historically high as Brexit negotiations continue for a long time yet.

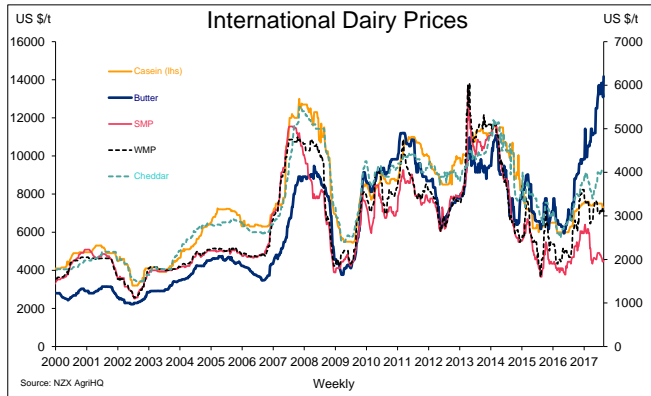
Global Growth



There remain multiple uncertainties about the global growth outlook but, in aggregate, New Zealand trading partner growth looks likely to remain only modestly below average through the remainder of this year and 2018. Recent indicators show some acceleration in China, the US and the EU. It is a reasonable backdrop for primary product demand and prices. Some moderation is expected further out as Chinese growth continues to trend lower. More generally, trading partner growth will continue to be supported by New Zealand’s ongoing increased dependency on the emerging markets of Asia. The softening in growth in China is not seen as being sufficient to undermine this impact albeit that there are clear risks in the event that any Chinese slowdown becomes disorderly.

Key Commodities

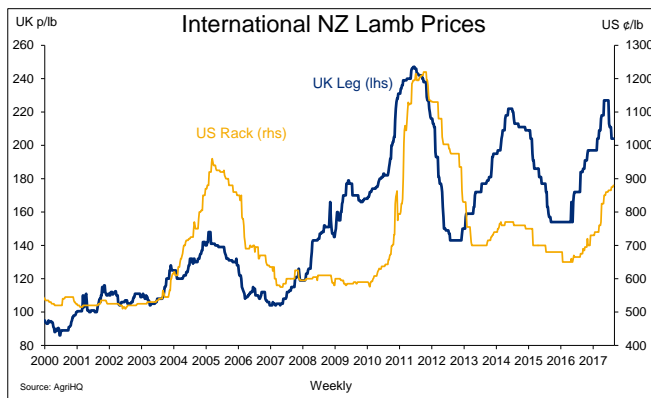
Dairy



Generally disappointing global milk supply and strong demand for milkfat has supported international dairy prices in 2017. In addition, a strong push higher in the Euro has made European product less competitive on world markets. Prices overall have generally held their 2016 gains. After previously noting upside risks to milk prices, we lift our 2017/18 forecast up to \$6.75 / kgMS. Risks around this view are evenly balanced. It incorporates some drift lower in international product prices as milk supply is expected to rise, including in NZ this season. A milk price closer to \$7 is likely if international prices do not ease.

| | Current | Month ago | Year ago | Next 12 months |
|-----------------------------|---------|-----------|----------|----------------|
| Whole milk powder (US \$/t) | 3100 | 3100 | 2700 | ↓ |

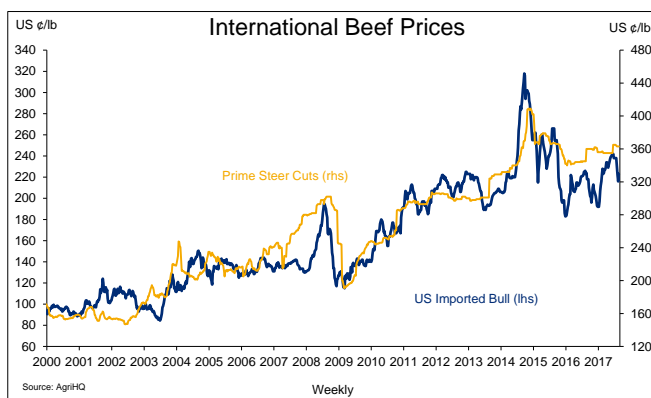
Lamb



International lamb prices have shown some signs of pulling back from recent highs over the past couple of months, but not uniformly so. Supply remains generally tight and prices well above recent season's averages. NZ supply is expected to increase marginally in the season ahead, as positive scanning results suggests a higher lambing percentage will more than offset a near 2% drop in breeding ewes. Of course, final tallies will depend on the weather. Offshore, Brexit negotiations remain in focus. For NZ pricing, current positive signals suggest 2017/18 will be higher than 2016/17 on average even as prices drift lower during the season.

| | Current | Month ago | Year ago | Next 12 months |
|--------------------|---------|-----------|----------|----------------|
| Lamb leg (UK p/lb) | 204 | 211 | 184 | → |

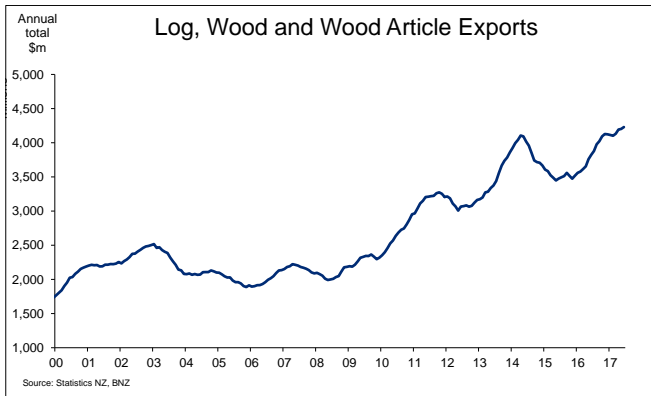
Beef



The gloss is coming off beef prices. US supply has increased following herd rebuilding propelled by cheap feed via low grain prices. In addition, Australian supply has lifted on dry conditions. This has pressured US beef prices lower. US bull beef prices have fallen around 8% over the past two months, although remain close to levels of a year ago. NZ export beef prices also face a headwind from Japan lifting its tariff to 50% (from 38%) on frozen NZ beef. NZ supply is expected to remain contained. But developments offshore have us anticipating NZ pricing in 2017/18 slipping a touch behind 2016/17's strong levels, on average, for the season.

| | Current | Month ago | Year ago | Next 12 months |
|--------------------------|---------|-----------|----------|----------------|
| Imported bull (US \$/lb) | 223 | 238 | 224 | ↓ |

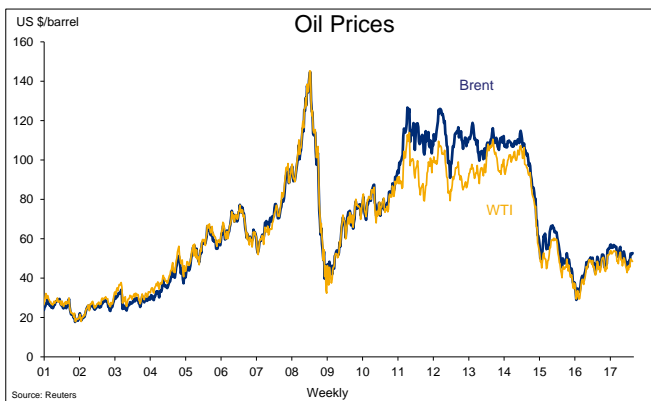
Forestry



Positive conditions continue to pervade forestry. Domestic pricing remains strong supported by demand associated with an elevated level on building activity and strongly positive cash flows across much of the primary sector. Meanwhile, export markets remain buoyant. Export values rose to record highs in the year to June 2017, up more than 10%, or \$400m, on a year earlier. While a stronger NZD has pruned potential returns somewhat, the AgriHQ Log Price Index in August was 6.5% higher than a year ago and 14% above its 5-year average.

| | Current | Month ago | Year ago | Next 12 months |
|---------------------------|---------|-----------|----------|----------------|
| S1/S2 log price (NZ \$/t) | 124 | 124 | 115 | ➔ |

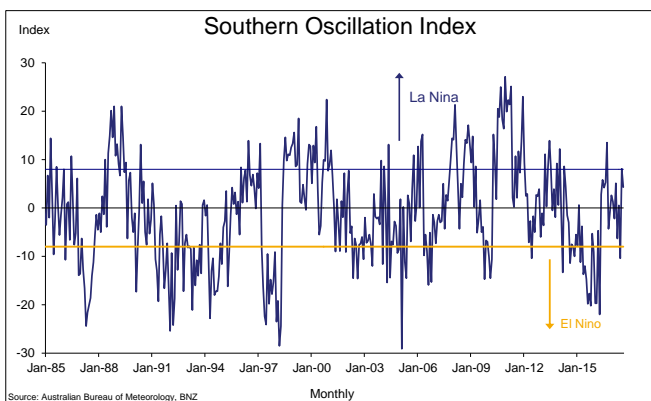
Oil



Domestic fuel prices tested lower levels over recent months on a combination of a dip in crude oil and a stronger NZD. It was relatively short lived with crude prices bouncing back to the now familiar level of around \$50/bbl. Fuel prices are higher than a year ago, helped by improving global demand and commitments by OPEC and some non-OPEC countries to curb supply. Absent further production cuts or a sustained uptick in demand, prices are expected to remain within recent ranges through the rest of 2017 with some mild drift higher expected in 2018.

| | Current | Month ago | Year ago | Next 12 months |
|-----------------------------------|---------|-----------|----------|----------------|
| West Texas Intermediate (US \$/b) | 49 | 46 | 49 | ⬆ |

Weather



This winter has been wet. Very wet. July, in particular, was extreme with rainfall above normal for large parts of the country. NIWA report that Otago and mid to south Canterbury saw well above normal rainfall. The greater than 150% of normal rainfall in the month for those regions caused severe flooding. Meanwhile, despite some cold snaps, temperatures were near average for much of the country. Looking ahead, neutral (neither El Nino nor La Nina) conditions are favoured over the three months to October 2017, although there are some La Nina-like atmospheric signals circulating. Temperatures are forecast to be above average for all regions through to October, while rainfall totals are most likely to be near normal for the east of the South Island and about equally likely to be near normal or above normal elsewhere.

Quarterly Forecasts

Forecasts as at 23 August 2017

Key Economic Forecasts

Quarterly % change unless otherwise specified

| | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| GDP (production s.a.) | 0.7 | 0.8 | 0.8 | 0.4 | 0.5 | 0.9 | 0.6 | 0.6 | 0.6 | 1.0 |
| Retail trade (real s.a.) | 0.8 | 2.0 | 0.8 | 0.9 | 1.6 | 2.0 | -0.4 | 0.8 | 0.7 | 1.6 |
| Current account (ytd, % GDP) | -3.1 | -2.9 | -3.0 | -2.8 | -3.1 | -2.9 | -2.7 | -2.3 | -1.9 | -2.0 |
| CPI (q/q) | 0.2 | 0.4 | 0.3 | 0.4 | 1.0 | 0.0 | 0.2 | 0.2 | 0.7 | 0.4 |
| Employment | 1.2 | 2.4 | 1.4 | 0.7 | 1.1 | -0.1 | 0.8 | 0.7 | 0.7 | 0.6 |
| Unemployment rate % | 5.2 | 5.1 | 4.9 | 5.2 | 4.9 | 4.8 | 4.7 | 4.7 | 4.7 | 4.7 |
| Avg hourly earnings (ann %) | 2.5 | 2.1 | 1.6 | 1.1 | 1.1 | 1.2 | 2.0 | 2.7 | 2.8 | 2.6 |
| Trading partner GDP (ann %) | 3.2 | 3.4 | 3.2 | 3.5 | 3.4 | 3.4 | 3.5 | 3.4 | 3.4 | 3.5 |
| CPI (y/y) | 0.4 | 0.4 | 0.4 | 1.3 | 2.2 | 1.7 | 1.7 | 1.5 | 1.2 | 1.6 |
| GDP (production s.a., y/y) | 2.9 | 3.6 | 3.4 | 2.7 | 2.5 | 2.6 | 2.4 | 2.6 | 2.6 | 2.8 |

Interest Rates

Historical data - qtr average

Forecast data - end quarter

| | Cash | Government Stock | | | Swaps | | | US Rates | | Spread | |
|------------------|------|------------------|--------|---------|--------|--------|---------|------------------|----------|-------------------|--|
| | | 90 Day | 5 Year | 10 Year | 2 Year | 5 Year | 10 Year | Libor 3 month | US 10 yr | NZ-US Ten year | |
| 2016 Jun | 2.25 | 2.35 | 2.20 | 2.60 | 2.25 | 2.45 | 2.90 | 0.65 | 1.75 | 0.85 | |
| Sep | 2.10 | 2.30 | 1.95 | 2.25 | 2.05 | 2.15 | 2.50 | 0.80 | 1.55 | 0.70 | |
| Dec | 1.85 | 2.10 | 2.45 | 2.95 | 2.25 | 2.65 | 3.10 | 0.90 | 2.10 | 0.80 | |
| 2017 Mar | 1.75 | 2.00 | 2.70 | 3.25 | 2.35 | 3.00 | 3.50 | 1.15 | 2.50 | 0.80 | |
| Jun | 1.75 | 1.95 | 2.45 | 2.95 | 2.25 | 2.80 | 3.25 | 1.25 | 2.20 | 0.60 | |
| Forecasts | | | | | | | | | | | |
| Sep | 1.75 | 1.95 | 2.55 | 3.00 | 2.20 | 2.80 | 3.30 | 1.30 | 2.50 | 0.50 | |
| Dec | 1.75 | 1.95 | 2.65 | 3.10 | 2.20 | 2.90 | 3.40 | 1.45 | 2.75 | 0.35 | |
| 2018 Mar | 1.75 | 1.95 | 2.90 | 3.35 | 2.30 | 3.15 | 3.65 | 1.55 | 3.00 | 0.35 | |
| Jun | 1.75 | 2.05 | 2.95 | 3.40 | 2.40 | 3.20 | 3.70 | 1.70 | 3.00 | 0.40 | |
| Sep | 2.00 | 2.30 | 3.05 | 3.50 | 2.60 | 3.30 | 3.80 | 1.95 | 3.00 | 0.50 | |
| Dec | 2.25 | 2.55 | 3.15 | 3.60 | 2.85 | 3.40 | 3.90 | 2.20 | 3.00 | 0.60 | |
| 2019 Mar | 2.50 | 2.80 | 3.25 | 3.70 | 3.10 | 3.50 | 4.00 | 2.30 | 3.00 | 0.70 | |
| Jun | 2.75 | 3.05 | 3.30 | 3.75 | 3.20 | 3.50 | 4.00 | 2.30 | 3.00 | 0.75 | |
| Sep | 3.00 | 3.20 | 3.35 | 3.80 | 3.30 | 3.50 | 4.00 | 2.30 | 3.00 | 0.80 | |

Exchange Rates (End Period)

USD Forecasts

| | NZD/USD | AUD/USD | EUR/USD | GBP/USD | USD/JPY |
|----------------|---------|---------|---------|---------|---------|
| Current | 0.73 | 0.79 | 1.18 | 1.28 | 110 |
| Sep-17 | 0.72 | 0.78 | 1.19 | 1.28 | 112 |
| Dec-17 | 0.70 | 0.75 | 1.17 | 1.27 | 116 |
| Mar-18 | 0.69 | 0.74 | 1.18 | 1.29 | 118 |
| Jun-18 | 0.69 | 0.73 | 1.20 | 1.29 | 118 |
| Sep-18 | 0.70 | 0.73 | 1.22 | 1.28 | 120 |
| Dec-18 | 0.70 | 0.73 | 1.20 | 1.26 | 120 |
| Mar-19 | 0.71 | 0.74 | 1.20 | 1.25 | 120 |
| Jun-19 | 0.72 | 0.75 | 1.18 | 1.24 | 118 |
| Sep-19 | 0.73 | 0.76 | 1.18 | 1.25 | 116 |
| Dec-19 | 0.73 | 0.76 | 1.17 | 1.24 | 117 |

NZD Forecasts

| | NZD/USD | NZD/AUD | NZD/EUR | NZD/GBP | NZD/JPY | TWI-17 |
|----------------|---------|---------|---------|---------|---------|--------|
| Current | 0.73 | 0.92 | 0.62 | 0.57 | 79.7 | 76.9 |
| Sep-17 | 0.72 | 0.92 | 0.61 | 0.56 | 80.6 | 76.7 |
| Dec-17 | 0.70 | 0.93 | 0.60 | 0.55 | 81.2 | 75.8 |
| Mar-18 | 0.69 | 0.93 | 0.59 | 0.54 | 81.4 | 74.9 |
| Jun-18 | 0.69 | 0.95 | 0.58 | 0.54 | 81.4 | 74.9 |
| Sep-18 | 0.70 | 0.95 | 0.57 | 0.54 | 83.4 | 75.4 |
| Dec-18 | 0.70 | 0.96 | 0.58 | 0.56 | 84.0 | 76.0 |
| Mar-19 | 0.71 | 0.96 | 0.59 | 0.57 | 85.2 | 76.7 |
| Jun-19 | 0.72 | 0.96 | 0.61 | 0.58 | 85.0 | 77.6 |
| Sep-19 | 0.73 | 0.95 | 0.61 | 0.58 | 84.1 | 77.6 |
| Dec-19 | 0.73 | 0.95 | 0.62 | 0.59 | 84.8 | 77.6 |

TWI Weights

14.0% 20.7% 11.3% 4.6% 6.4%

Source for all tables: Statistics NZ, Bloomberg, Reuters, RBNZ, BNZ

Forecasts

| Forecasts as at 23 August 2017 | March Years | | | | | December Years | | | | |
|--|-------------|------------|------------|------------|------------|----------------|------------|------------|------------|------------|
| | Actuals | | Forecasts | | | Actuals | | Forecasts | | |
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2015 | 2016 | 2017 | 2018 | 2019 |
| GDP - annual average % change | | | | | | | | | | |
| Private Consumption | 2.8 | 4.6 | 3.3 | 3.5 | 2.2 | 2.9 | 4.1 | 3.8 | 3.3 | 2.6 |
| Government Consumption | 2.7 | 2.6 | 2.4 | 1.6 | 1.3 | 2.6 | 2.4 | 2.9 | 1.7 | 1.2 |
| Total Investment | 2.5 | 5.6 | 3.9 | 4.0 | 2.8 | 2.1 | 5.5 | 4.2 | 4.0 | 3.3 |
| Stocks - ppts cont'n to growth | -0.2 | -0.2 | 0.2 | 0.0 | 0.0 | -0.3 | 0.0 | 0.2 | -0.1 | 0.0 |
| GNE | 2.5 | 4.2 | 3.2 | 3.3 | 2.2 | 2.3 | 4.0 | 3.7 | 3.1 | 2.6 |
| Exports | 5.5 | 1.0 | 3.6 | 3.5 | 4.0 | 6.8 | 1.9 | 1.4 | 4.2 | 4.0 |
| Imports | 2.1 | 5.1 | 4.8 | 3.8 | 3.4 | 3.7 | 3.4 | 5.5 | 3.9 | 3.6 |
| Real Expenditure GDP | 3.4 | 3.1 | 2.6 | 3.2 | 2.3 | 3.2 | 3.6 | 2.3 | 3.1 | 2.6 |
| GDP (production) | 2.4 | 3.0 | 2.6 | 3.2 | 2.3 | 2.5 | 3.1 | 2.5 | 3.0 | 2.6 |
| <i>GDP - annual % change (q/q)</i> | 2.9 | 2.5 | 2.6 | 3.3 | 2.1 | 2.2 | 2.7 | 2.6 | 3.4 | 2.2 |
| Output Gap (ann avg, % dev) | 0.9 | 1.0 | 0.9 | 1.3 | 1.1 | 0.8 | 1.0 | 1.0 | 1.2 | 1.2 |
| Household Savings (gross, % disp. income) | 1.2 | 0.4 | 0.1 | 0.5 | 1.1 | | | | | |
| Nominal Expenditure GDP - \$bn | 250.6 | 264.7 | 281.7 | 296.0 | 308.4 | 247.5 | 260.8 | 278.1 | 292.1 | 305.3 |
| Prices and Employment - annual % change | | | | | | | | | | |
| CPI | 0.4 | 2.2 | 1.2 | 1.9 | 1.8 | 0.1 | 1.3 | 1.5 | 1.9 | 1.8 |
| Employment | 2.0 | 5.7 | 2.0 | 2.4 | 1.7 | 1.4 | 5.8 | 2.5 | 2.5 | 2.0 |
| Unemployment Rate % | 5.2 | 4.9 | 4.7 | 4.7 | 4.8 | 4.9 | 5.2 | 4.7 | 4.7 | 4.8 |
| Wages - ahote | 2.5 | 1.1 | 2.8 | 2.8 | 2.7 | 2.5 | 1.1 | 2.7 | 2.6 | 2.8 |
| Productivity (ann av %) | 0.3 | -2.6 | -0.3 | 0.6 | 0.3 | 0.1 | -1.6 | -1.1 | 0.4 | 0.4 |
| Unit Labour Costs (ann av %) | 2.4 | 4.6 | 3.0 | 2.5 | 2.7 | 2.6 | 3.6 | 3.6 | 2.7 | 2.6 |
| External Balance | | | | | | | | | | |
| Current Account - \$bn | -7.8 | -8.1 | -5.4 | -7.0 | -7.9 | -8.3 | -7.2 | -6.5 | -6.9 | -7.7 |
| Current Account - % of GDP | -3.1 | -3.1 | -1.9 | -2.4 | -2.6 | -3.4 | -2.8 | -2.3 | -2.4 | -2.5 |
| Government Accounts - June Yr, % of GDP | | | | | | | | | | |
| OBEGAL (core operating balance) | 0.7 | 1.0 | 1.2 | 1.6 | 2.0 | | | | | |
| Net Core Crown Debt (excl NZS Fund Assets) | 24.4 | 22.8 | 22.2 | 21.3 | 19.8 | | | | | |
| Bond Programme - \$bn | 7.0 | 8.0 | 7.0 | 7.0 | 7.0 | | | | | |
| Bond Programme - % of GDP | 2.8 | 3.0 | 2.5 | 2.4 | 2.3 | | | | | |
| Financial Variables ⁽¹⁾ | | | | | | | | | | |
| NZD/USD | 0.67 | 0.70 | 0.69 | 0.71 | 0.73 | 0.68 | 0.70 | 0.70 | 0.70 | 0.73 |
| USD/JPY | 113 | 113 | 118 | 120 | 116 | 122 | 116 | 116 | 120 | 117 |
| EUR/USD | 1.11 | 1.07 | 1.18 | 1.20 | 1.19 | 1.09 | 1.05 | 1.17 | 1.20 | 1.17 |
| NZD/AUD | 0.90 | 0.92 | 0.93 | 0.96 | 0.96 | 0.93 | 0.96 | 0.93 | 0.96 | 0.95 |
| NZD/GBP | 0.47 | 0.57 | 0.54 | 0.57 | 0.58 | 0.45 | 0.56 | 0.55 | 0.56 | 0.59 |
| NZD/EUR | 0.61 | 0.66 | 0.59 | 0.59 | 0.61 | 0.62 | 0.67 | 0.60 | 0.58 | 0.62 |
| NZD/YEN | 76.2 | 79.1 | 81.4 | 85.2 | 84.7 | 82.1 | 81.6 | 81.2 | 84.0 | 84.8 |
| TWI | 72.2 | 76.5 | 74.9 | 76.7 | 77.9 | 73.4 | 78.1 | 75.8 | 76.0 | 77.6 |
| Overnight Cash Rate (end qtr) | 2.25 | 1.75 | 1.75 | 2.50 | 3.00 | 2.50 | 1.75 | 1.75 | 2.25 | 3.00 |
| 90-day Bank Bill Rate | 2.41 | 1.98 | 1.95 | 2.78 | 3.12 | 2.78 | 2.02 | 1.95 | 2.53 | 3.20 |
| 5-year Govt Bond | 2.40 | 2.70 | 2.90 | 3.25 | 3.45 | 2.95 | 2.75 | 2.65 | 3.15 | 3.40 |
| 10-year Govt Bond | 2.90 | 3.25 | 3.35 | 3.70 | 3.90 | 3.45 | 3.30 | 3.10 | 3.60 | 3.85 |
| 2-year Swap | 2.30 | 2.30 | 2.30 | 3.10 | 3.20 | 2.80 | 2.40 | 2.20 | 2.85 | 3.30 |
| 5-year Swap | 2.60 | 3.00 | 3.15 | 3.50 | 3.70 | 3.15 | 3.00 | 2.90 | 3.40 | 3.65 |
| US 10-year Bonds | 1.90 | 2.50 | 3.00 | 3.00 | 3.00 | 2.25 | 2.50 | 2.75 | 3.00 | 3.00 |
| NZ-US 10-year Spread | 1.00 | 0.75 | 0.35 | 0.70 | 0.90 | 1.20 | 0.80 | 0.35 | 0.60 | 0.85 |

⁽¹⁾ Average for the last month in the quarter

Source for all tables: Statistics NZ, EcoWin, Bloomberg, Reuters, RBNZ, NZ Treasury, BNZ

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