

12 March 2018



Q4 GDP A Measure of Being Well

- **We expect Q4 GDP expanded 0.7% (3.1% y/y)**
- **Broadly spread but manufacturing a wildcard**
- **External deficit limited by record terms of trade**
- **We expect Feb food prices increased 0.3%**
- **REINZ to show home sales jump, prices robust**
- **Can Friday's PMI stick its rebound of January?**
- **RBNZ's Spencer talking macro-pru Tuesday**

Thursday's Q4 GDP report will be the highlight this week. Not that it's looking like being a big deal, one way or the other. The market's median expectation is for a quarterly expansion of 0.8%. We estimate a steady quarterly gain of 0.7% (after its 0.6% outcome of Q3). This is what the Reserve Bank expects too, with reference to its February Monetary Policy Statement.

A quarterly expansion of 0.7% would set annual growth of 3.1%. While that wouldn't look especially strong in per capita terms it will probably appear robust to the recent transitions on the political front.

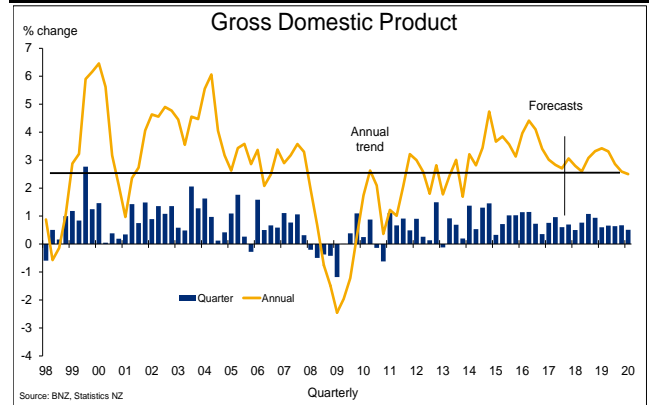
We had tended to play Q4 GDP on the conservative side. This was partly with the election cycle and outcome in mind, but also because of the extremes in the weather, dating back to last spring, affecting farm output. While the weather impacts still look negative to us, the economy, more generally, appears to have got through the news of the new government.

Perhaps most encouraging in this respect have been the still upbeat signs around business investment, which we presume will be echoed in Thursday's GDP report. Then again, with the economy so stretched, and staff becoming so scarce, the imperative to invest is innately very strong.

Our 0.7% growth expectation on Q4 GDP has the vast majority of its components expanding, albeit to various degrees. Likely exceptions to this are on-farm production (reflecting the aforementioned weather), residential construction (reflecting timing issues...levels are still strong) and elements of government spending (mainly statistical in nature).

From the production side, substance was certainly provided by last week's Building Work Put in Place and Wholesale Trade figures. The services sector still looks positive, by and large. From the expenditure side, we expect another robust gain in private consumption (albeit not nearly as much as was seen in retail trade) and a further decent increase in export volumes. There should also be some technical support from a recovery in

Through The Valley



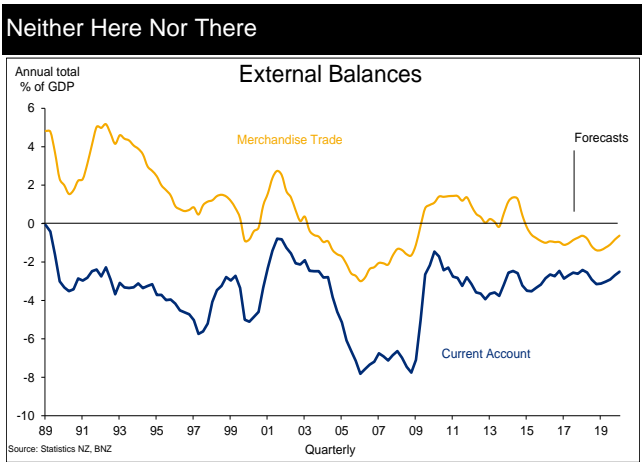
inventory (led by manufacturing), after the big rundown in stocks in Q3.

We also assume business investment in transport goods will rebound a bit in Q4, while import volumes will increase substantially. Note: this is predicated on the two big aircraft that were imported in the December quarter not counting for GDP. If, instead, they do get counted – it depends on the type of purchase they were – they could generate some headline results on business investment, and imports, which grossly overstate underlying trends. Wednesday's Balance of Payments will indicate whether or not the aircraft will be included in the GDP detail or not.

If there is a genuine curve ball in Q4 GDP it could well relate to manufacturing being either flat or strongly expansive (such have been the extremely mixed messages for the sector with respect to the quarter).

If Thursday's GDP does come in around our expectations, it might mean we need to have another look at our 0.5% expectation for GDP growth in Q1 2018. Still, much will depend on the Q4 detail. And as much as the economy appears to be ticking over, we still think agriculture production will undermine GDP computations for the early part of 2018.

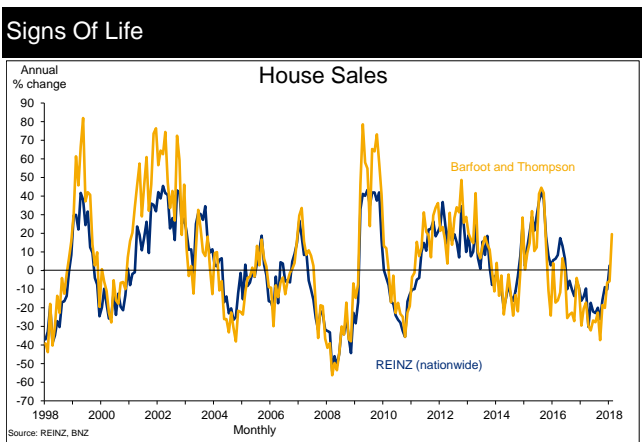
The day before GDP, Statistics NZ publishes the December quarter Balance of Payments (BOP). We expect this to be like Q4 GDP...uncontentious. Specifically, we anticipate the annual current account deficit to stay at 2.6%, proportionate to GDP (in line with market expectations). The record high terms of trade are important in holding this in.



The more interesting issue for us is whether the Q4 BOP detail on exports and imports, of goods and services, influences our attitude to Q4 GDP at the eleventh hour. It rarely causes us to change our view on GDP but it can often colour our risk assessment. The broader issue is how much the current account deficit expands over the coming year and next. While we do forecast it to enlarge, it's not to any worrying degree.

There is also a handful of monthly data reports for the coming week to note. For Tuesday morning's Food Price Index we presume an increase of 0.3% for the month (February). This is after the +1.2% result for January that was actually disappointing, after accounting for seasonality. Our pick on February's food prices is integral to the 0.4% increase we expect of the Q1 CPI, which would lower its annual inflation to 1.0%, from 1.6% in Q4.

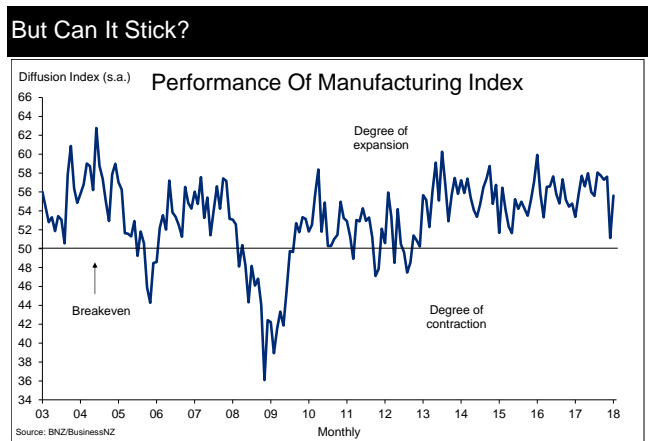
February's housing report from the Real Estate Institute is scheduled for Wednesday morning. This is likely to confirm a much bigger bounce in turnover than was seen



over earlier months (seasonally adjusted) and flat-to-positive trends in prices, depending on the region concerned. Generally speaking, we think the housing market is not as moribund as many folk appear to be assuming, including those at the Reserve Bank.

The final data report of the week is Friday's Bank of New Zealand/Business NZ Performance of Manufacturing Index (PMI). This will be judged for how well it holds up, after it grappled its way back up to 55.6 in January, after swooning to 51.1 in December. The latest PMI will also give some useful pointers, should manufacturing in Thursday's GDP throw a curve ball, either way.

With respect to tomorrow's speech by RBNZ Acting Governor, Grant Spencer, the topic, "Getting the best out of macro-prudential policy" suggests little foray into the realm of monetary policy. The phasing of the current review of the RBNZ Act would certainly suggest monetary policy (phase 1) is seen as separate enough from prudential policy (phase 2). Yet, in practice, there is actually a lot of overlap between the two, which central banks, as much as anyone else, need to be clear about.



craig_ebert@bnz.co.nz

Global Watch

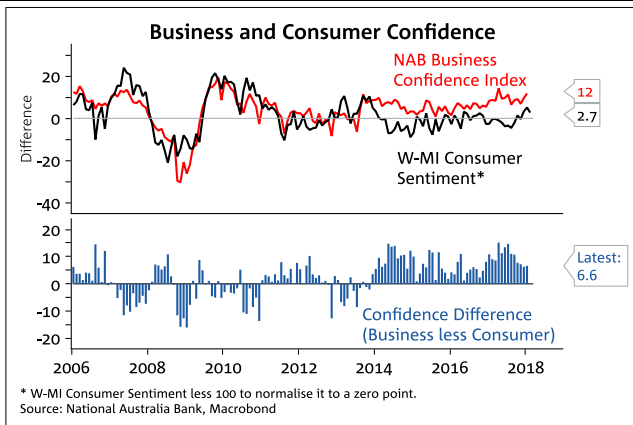
- **Big Wednesday for China data**
- **CPI and retail sales the focus in the US**
- **Australian confidence check**
- **ECB (Draghi), BoC, and RBA speakers on the circuit**

Australia

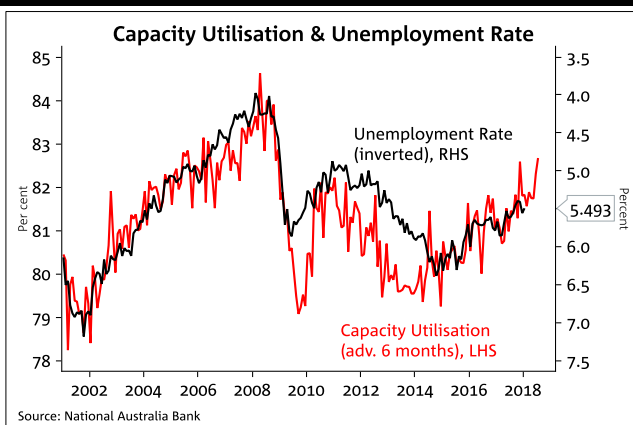
The data focus this week is on business and consumer confidence, followed later in the week with a speech from RBA Deputy Governor Debelle, someone the market tends to pay close attention to. He's speaking on "*Risk and return in a low rate environment*", offering the opportunity to speak about asset valuations and risk.

There are two other RBA speeches, the first from Michele Bullock, Assistant Governor (Financial System), at the Seamless Australia Payments Conference in Sydney on

Consumer Confidence Still Lagging



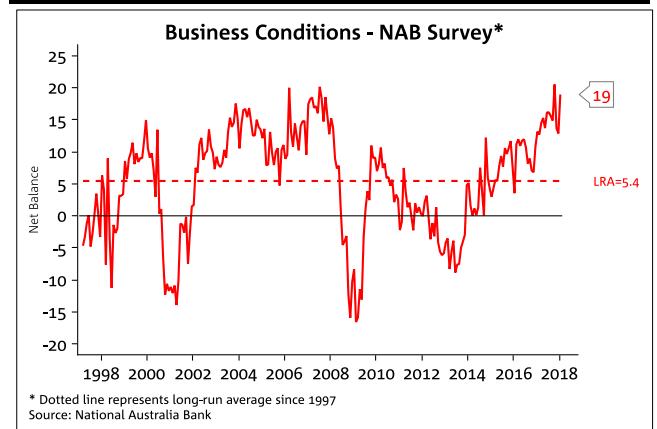
Less Spare Capacity



Tuesday, followed by Christopher Kent, Assistant Governor (Financial Markets) speaking at the KangaNews DCM Summit, also Sydney, on Wednesday. The RBA releases its quarterly Bulletin on Friday, the Bulletin

containing various research papers, including on the economy, markets, and other central bank interests.

Business Activity Levels High In January



As is always the case, we offer nothing on for Tuesday's NAB Business Survey, this one for February. All we offer is a reminder that the January survey revealed Business Conditions at a near record high of +19 and Business Confidence at a well-above average +12. Other key metrics that are always worthy of attention include the capacity utilisation rate as well as what the Survey reports on business prices and costs, including labour costs.

As for the monthly W-MI Consumer Sentiment Survey, due Wednesday, it has recently been tracking a little higher to around long term average levels after a period when consumer confidence lagged business "animal spirits".

As for Tuesday's Housing Finance approvals for January, we look for a 0.6% rise in the number of headline owner-occupied approvals, with interest also in investor finance approvals amid more variable levels of demand and supply.

US

The focus this week is on February's CPI (Tuesday) and Retail Sales (Wednesday). It's a hefty week for US Treasury supply.

China

The first of this year's key monthly growth reports come this week for February (year-to-date), tracking growth in industrial production, retail sales, and fixed assets investment. It's all out Wednesday.

Japan

A quiet data week beckons. The BoJ's 23 January Meeting Minutes are released Wednesday.

UK

Chancellor Hammond delivers his Spring Statement on Tuesday, complete with new forecasts from the Office of Budget Responsibility.

Eurozone

ECB President Draghi speaks on Wednesday. The main data interest is Friday's February final CPI, following Germany's final February report on Wednesday.

Canada

The market will be interested in BoC Governor Poloz's speech on Tuesday following last week's BoC rate discussion.

David.deGaris@nab.com.au

Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Movements in NZ swap rates were again reasonably subdued last week. The 2 year swap moved up 2.5bps to 2.22%, moving marginally outside its recent trading range. 10 year swap is 3bps higher than this time last week.

The modest move higher in the 2 year swap rate was unrelated to bank funding pressures. The 3 month bank bill rate actually declined slightly last week, despite US Libor-OIS rising to its widest level since 2012 (see chart). To date, the rise in US Libor-OIS (which appears related to the significant increase in US Treasury bill funding and anticipated repatriation of foreign profits by US multinationals) has had only a limited effect on Libor-OIS spreads in most other countries, NZ included.

Last week, the NZDMO announced the syndication of a new NZ 2029 government bond, targeting \$1.5-2.0b of issuance, and launched the deal today. Longer-dated NZGB-swap spreads had been narrowing over recent weeks (see chart), possibly in anticipation of the new issue. After the announcement, NZGB-swap spreads subsequently widened (the 10y NZGB yield actually fell on the day), although longer-dated spreads remain towards the narrow end of their trading ranges over the past 12 months. We released a [note](#) looking at the 2029 syndication early last week.

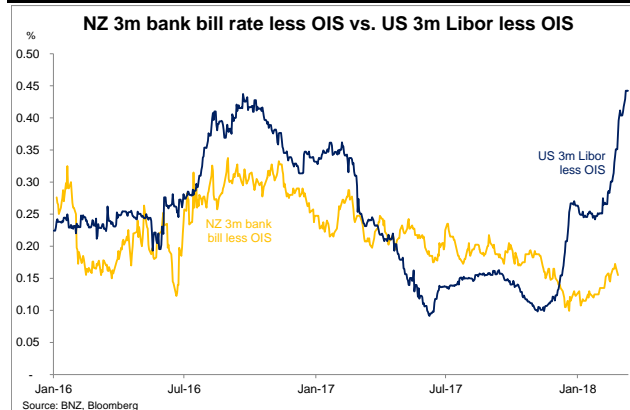
In the week ahead, the focus domestically will be on NZ GDP, released on Thursday morning. We expect a 0.7% increase in Q4, in line with the RBNZ's forecast, but slightly below the median economist estimate of 0.8%. The rates market reaction to a GDP outturn between 0.6-0.9% should be reasonably contained. If anything, we suspect the market would react more strongly to a material downside surprise than one on the upside.

The US 10 year Treasury yield spent another week consolidating a bit below 3%. Non-farm payrolls didn't affect market expectations for the Federal Reserve very much, with strong employment growth cancelling out the weakness in wages. The focus shifts to US core CPI, on Tuesday night, which is the last major data release before the March FOMC meeting. A higher than expected core CPI number, which would be the second in a row, will likely see the US 10 year yield challenge 3% and intensify speculation the Fed could lift its 2018 'dots'.

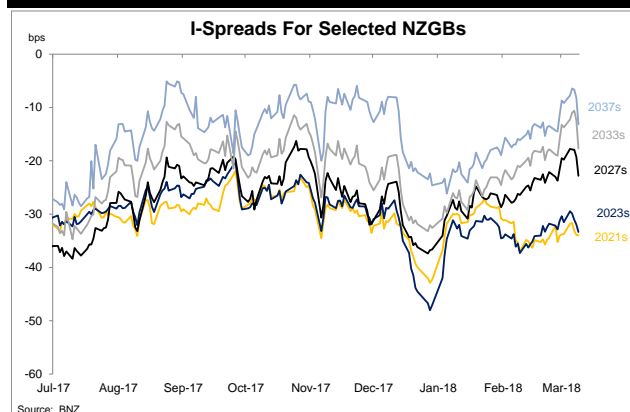
In the medium-term, we remain of the view that the direction for US yields is higher. Last week, we officially changed our forecast for the 10 year Treasury to 3% by end-June, 3.25% by year-end, and 3.5% in mid-2019. Our forecast for the NZ 10 year swap at year-end is 3.55%, 30bps higher than current levels. We expect higher global rates to be the key driver of longer-term NZ rates this year. Our base case is the RBNZ tightening

cycle starts in Feb-2019, and this should put NZ swap rates under additional upward pressure later this year, but more so in 2019.

US Libor-OIS widening has caused only small impact in NZ



Long-dated NZGB I-spreads towards narrow end of range



Current Rates/Spreads and Recent Ranges

	Current	Last 3-weeks range*
NZ 90d bank bills (%)	1.90	1.90 - 1.93
NZ 2yr swap (%)	2.22	2.17 - 2.23
NZ 5yr swap (%)	2.75	2.68 - 2.75
NZ 10yr swap (%)	3.26	3.16 - 3.30
2s10s swap curve (bps)	104	99 - 110
NZ 10yr swap-govt (bps)	29	24 - 30
NZ 10yr govt (%)	2.96	2.90 - 3.04
US 10yr govt (%)	2.89	2.79 - 2.95
NZ-US 10yr (bps)	7	2 - 13
NZ-AU 2yr swap (bps)	16	11 - 21
NZ-AU 10yr govt (bps)	18	8 - 21

*Indicative range over last 3 weeks

nick.smyth@bnz.co.nz

Foreign Exchange Markets

Reuters pg BNZFWDS Bloomberg pg BNZ9

Last week we saw a resurgence in risk appetite supported by (i) Trump watering down his plans for tariffs on imported steel and aluminium, (2) plans set for a historic meeting between the North Korean leader and President Trump, and (3) a market-friendly US payrolls report showing very strong employment growth alongside softer wage inflation. This backdrop saw the commodity currencies outperform, while the safe havens JPY and CHF underperformed.

NZD was higher against all majors apart from AUD. On the charts the NZD remains bounded by support at USD 0.7175 and resistance at USD 0.7440 with current spot close to the middle of the range. Last week our risk appetite index surged from 60% to 72%, driving up our short term fair value estimate to just under the 0.72 mark.

NZD/AUD has traded in a narrow 2-cent range for the past six weeks, with support near AUD 0.92 and resistance near AUD 0.94. Our suite of short-term models for this cross puts fair value within a range of AUD 0.90-0.94. This is where we expect the cross to spend much of the year, given the similar economic drivers for the NZ and Australian economies at present, including steady monetary policy.

The VIX index is back down with a 14-handle and the S&P500 is back within 3% of its closing high in late January. The swoon we saw in equity markets in early February now seems like a distant memory. The risk of the Fed ramping up its tightening profile has receded with the still-benign inflation backdrop, while last week the ECB's Draghi conveyed a dovish tone as the euro-area inflation outlook remained soft. The risk of a trade war hasn't gone away, but this looks like a US-specific risk, restricted to bilateral trade with the US and isolated to specific products that make up a small proportion of overall trade.

Overall, it feels like that over coming weeks risk appetite could hold up at better levels than what we saw earlier in the year, an environment that is NZD-supportive.

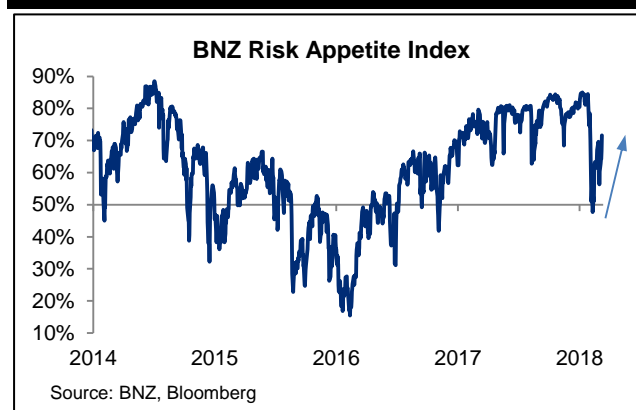
The onset of global inflation remains a key macro risk on our radar. With that in mind, the key release on the global calendar this week is the US CPI due Tuesday night NZ time. The market is hyper sensitive to any inflation data that misses expectations, so anything other than the consensus estimate of 0.2% m/m for core inflation has the potential to move the market. US retail sales data the following night is the only other top-tier release. Elsewhere around the world it's a fairly uneventful looking calendar.

The key local release in the week ahead is the Q4 GDP release. It is expected to show the economy running close to trend and in line with the RBNZ's estimate of 0.7% q/q so we don't expect much market reaction.

NZD Stuck in a Range



Sharp Rise Follows the Sharp Fall in Risk Appetite



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.7293	0.7190 - 0.7390
NZD/AUD	0.9287	0.9240 - 0.9390
NZD/GBP	0.5265	0.5190 - 0.5290
NZD/EUR	0.5922	0.5840 - 0.5980
NZD/JPY	77.76	75.90 - 79.30

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7190	1%
NZD/AUD	0.9080	2%

jason.k.wong@bnz.co.nz

Technicals

NZD/USD

Outlook: Trading range
 ST Resistance: 0.7440 (ahead of 0.7550)
 ST Support: 0.7175 (ahead of 0.7050)

There are some well-defined support and resistance levels at 0.7175 and 0.7440, given trading behaviour over the past six weeks. A break up through 0.7440 would open up the 2017 high of 0.7558. Support of 0.7175 is near the 200-day moving average of 0.7180.



NZD/AUD

Outlook: Trading range
 ST Resistance: 0.9420 (ahead of 0.9640)
 ST Support: 0.9040 (ahead of 0.8975)

Resistance near 0.9420 remains in play, with support well down at 0.9040, reflecting the upward move in early February.



jason.k.wong@bnz.co.nz

NZ 5-year Swap Rate

Outlook: Higher
 ST Resistance: 2.93
 ST Support: 2.66

Moving higher expect move to 2.80 en route 2.93.



NZ 2-year - 5-year Swap Spread (yield curve)

Outlook: Steeper
 ST Resistance: +72
 ST Support: +50

We have moved back down to support at 2.50. Although we expect this to hold, place a tight stop on a close through +50.



pete_mason@bnz.co.nz

Quarterly Forecasts

Forecasts as at 12 March 2018

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
GDP (production s.a.)	0.7	0.4	0.8	1.0	0.6	0.7	0.5	0.8	1.1	0.9
Retail trade (real s.a.)	1.0	1.4	1.4	1.8	0.3	1.7	1.0	0.7	1.3	1.3
Current account (ytd, % GDP)	-2.7	-2.5	-2.9	-2.7	-2.6	-2.6	-2.4	-2.5	-2.9	-3.2
CPI (q/q)	0.3	0.4	1.0	0.0	0.5	0.1	0.4	0.4	0.6	0.1
Employment	1.1	0.9	1.0	0.0	2.2	0.5	0.6	0.5	0.5	0.5
Unemployment rate %	4.9	5.3	4.9	4.8	4.6	4.5	4.4	4.4	4.3	4.2
Avg hourly earnings (ann %)	1.6	1.1	1.1	1.2	2.0	3.1	3.2	3.0	2.8	2.6
Trading partner GDP (ann %)	3.2	3.5	3.5	3.7	4.0	3.9	4.0	3.8	3.6	3.7
CPI (y/y)	0.4	1.3	2.2	1.7	1.9	1.6	1.0	1.4	1.5	1.5
GDP (production s.a., y/y)	4.1	3.4	3.0	2.8	2.7	3.1	2.8	2.6	3.1	3.3

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	US 10 yr	NZ-US
		Bank Bills						3 month		Ten year
2016 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	0.75
Sep	1.75	1.95	2.45	2.95	2.20	2.70	3.20	1.30	2.20	0.75
Dec	1.75	1.90	2.30	2.80	2.20	2.65	3.10	1.60	2.40	0.40
Forecasts										
2018 Mar	1.75	1.95	2.50	3.00	2.20	2.75	3.30	1.80	3.00	0.00
Jun	1.75	1.95	2.50	2.95	2.20	2.75	3.25	1.95	3.00	-0.05
Sep	1.75	1.95	2.70	3.20	2.35	2.95	3.50	2.20	3.25	-0.05
Dec	1.75	2.05	2.80	3.25	2.50	3.05	3.55	2.30	3.25	0.00
2019 Mar	2.00	2.30	2.95	3.35	2.75	3.20	3.65	2.45	3.25	0.10
Jun	2.25	2.55	3.25	3.65	3.05	3.20	3.65	2.55	3.50	0.15
Sep	2.50	2.80	3.45	3.80	3.30	3.20	3.65	2.55	3.50	0.30
Dec	2.75	3.05	3.60	3.90	3.45	3.50	3.95	2.55	3.50	0.40
2020 Mar	3.00	3.20	3.70	3.95	3.65	3.50	3.95	2.55	3.50	0.45

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.73	0.79	1.23	1.39	107
Mar-18	0.72	0.79	1.25	1.44	110
Jun-18	0.72	0.78	1.28	1.45	110
Sep-18	0.71	0.77	1.30	1.47	109
Dec-18	0.70	0.75	1.30	1.48	109
Mar-19	0.70	0.75	1.28	1.46	108
Jun-19	0.71	0.76	1.27	1.45	107
Sep-19	0.71	0.76	1.28	1.45	106
Dec-19	0.70	0.75	1.30	1.46	105
Mar-20	0.70	0.75	1.32	1.47	105
Jun-20	0.69	0.74	1.34	1.48	103

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.73	0.93	0.59	0.53	77.9	75.1
Mar-18	0.72	0.92	0.58	0.50	79.6	73.9
Jun-18	0.72	0.92	0.56	0.50	79.2	73.3
Sep-18	0.71	0.92	0.55	0.48	77.4	72.1
Dec-18	0.70	0.93	0.54	0.47	76.3	71.4
Mar-19	0.70	0.93	0.55	0.48	75.6	71.6
Jun-19	0.71	0.93	0.56	0.49	76.0	72.5
Sep-19	0.71	0.94	0.56	0.49	75.3	72.6
Dec-19	0.70	0.93	0.54	0.48	73.5	71.6
Mar-20	0.70	0.93	0.53	0.48	73.5	71.5
Jun-20	0.69	0.93	0.52	0.47	71.1	70.6

TWI Weights

14.0% 20.7% 10.3% 4.8% 6.8%

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

Annual Forecasts

Forecasts as at 12 March 2018	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019
GDP - annual average % change										
Private Consumption	3.9	5.3	3.6	3.4	2.3	3.8	5.0	4.0	3.3	2.7
Government Consumption	2.5	2.0	4.3	2.4	2.2	2.7	1.8	4.2	2.5	2.5
Total Investment	4.7	5.6	3.9	4.7	3.9	4.3	6.4	3.2	5.3	4.0
Stocks - ppts cont'n to growth	-0.3	-0.1	-0.3	0.4	0.0	-0.3	0.0	-0.1	0.2	0.0
GNE	3.5	4.7	3.5	4.0	2.7	3.2	4.7	3.7	4.0	3.0
Exports	5.6	0.7	5.1	2.7	4.2	6.9	1.6	3.0	3.3	4.1
Imports	2.0	5.1	6.9	5.3	3.6	3.7	3.4	6.8	6.1	3.9
Real Expenditure GDP	4.4	3.5	3.2	3.2	2.8	4.2	4.1	2.8	3.2	3.0
GDP (production)	3.6	3.7	2.9	3.1	2.8	3.5	4.0	2.9	3.0	3.0
<i>GDP - annual % change (q/q)</i>	4.0	3.0	2.8	3.4	2.5	3.1	3.4	3.1	3.3	2.6
Output Gap (ann avg, % dev)	1.0	1.3	0.8	1.1	1.1	0.8	1.3	1.0	1.0	1.1
Household Savings (% disp. income)	-1.3	-2.8	-1.8	-2.4	-2.2					
Nominal Expenditure GDP - \$bn	254.7	270.0	286.0	298.2	311.7	251.0	266.0	282.3	295.0	308.3
Prices and Employment - annual % change										
CPI	0.4	2.2	1.0	1.9	2.0	0.1	1.3	1.6	1.5	2.1
Employment	2.0	5.7	3.3	2.0	1.6	1.4	5.8	3.7	2.1	1.8
Unemployment Rate %	5.2	4.9	4.4	4.4	4.4	5.0	5.3	4.5	4.2	4.4
Wages - ahote	2.5	1.1	3.2	2.8	2.7	2.5	1.1	3.1	2.6	2.8
Productivity (ann av %)	1.5	-1.9	-1.2	0.5	1.0	1.2	-0.8	-1.6	-0.2	1.1
Unit Labour Costs (ann av %)	1.3	3.9	4.3	3.2	2.1	1.5	2.7	4.2	4.0	2.0
External Balance										
Current Account - \$bn	-7.3	-7.7	-6.9	-9.3	-7.8	-8.0	-6.6	-7.4	-9.3	-8.3
Current Account - % of GDP	-2.8	-2.9	-2.4	-3.1	-2.5	-3.2	-2.5	-2.6	-3.2	-2.7
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	0.7	1.5	1.0	0.9	1.6					
Net Core Crown Debt (excl NZS Fund Assets)	24.5	22.2	23.3	23.2	22.2					
Bond Programme - \$bn	7.0	8.0	8.0	9.0	10.0					
Bond Programme - % of GDP	2.7	3.0	2.8	3.0	3.2					
Financial Variables ⁽¹⁾										
NZD/USD	0.67	0.70	0.72	0.70	0.70	0.68	0.70	0.70	0.70	0.70
USD/JPY	113	113	110	108	105	122	116	113	109	105
EUR/USD	1.11	1.07	1.25	1.28	1.32	1.09	1.05	1.18	1.30	1.30
NZD/AUD	0.90	0.92	0.92	0.93	0.93	0.93	0.96	0.91	0.93	0.93
NZD/GBP	0.47	0.57	0.50	0.48	0.48	0.45	0.56	0.52	0.47	0.48
NZD/EUR	0.61	0.66	0.58	0.55	0.53	0.62	0.67	0.59	0.54	0.54
NZD/YEN	76.2	79.1	79.6	75.6	73.5	82.1	81.6	78.7	76.3	73.5
TWI	72.2	76.5	73.9	71.6	71.5	73.4	78.1	73.6	71.4	71.6
Overnight Cash Rate (end qtr)	2.25	1.75	1.75	2.00	3.00	2.50	1.75	1.75	1.75	2.75
90-day Bank Bill Rate	2.41	1.98	1.95	2.28	3.20	2.78	2.02	1.88	2.03	3.03
5-year Govt Bond	2.40	2.70	2.50	2.95	3.70	2.95	2.75	2.30	2.80	3.60
10-year Govt Bond	2.90	3.25	3.00	3.35	3.95	3.45	3.30	2.80	3.25	3.90
2-year Swap	2.30	2.30	2.20	2.75	3.65	2.80	2.40	2.20	2.50	3.45
5-year Swap	2.60	3.00	2.75	3.20	3.95	3.15	3.00	2.65	3.05	3.85
US 10-year Bonds	1.90	2.50	3.00	3.25	3.50	2.25	2.50	2.40	3.25	3.50
NZ-US 10-year Spread	1.00	0.75	0.00	0.10	0.45	1.20	0.80	0.40	0.00	0.40
⁽¹⁾ Average for the last month in the quarter										

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

Key Upcoming Events

	Forecast	Median	Last		Forecast	Median	Last			
Monday 12 March				Euro, Industrial Production, January				-0.4%	+0.4%	
Jpn, BSI Business Survey, Q1			+6.2	Germ, CPI, Feb y/y 2nd est				+1.4%	+1.4%P	
Tuesday 13 March				US, Retail Sales, February				+0.3%	-0.3%	
NZ, Food Price Index, February	+0.3%		+1.2%	US, PPI ex-food/energy, February y/y				+2.6%	+2.2%	
Aus, Housing Finance, January	+0.6%	-0.2%	-2.3%	Thursday 15 March						
Aus, NAB Business Survey, February			+12	NZ, GDP, Q4				+0.7%	+0.8%	+0.6%
Jpn, Tertiary Industry Index, January		-0.3%	-0.2%	US, Jobless Claims, week ended 10/03				225k	231k	
US, NFIB Small Business Optimism, February		107.1	106.9	US, Philly Fed Index, March				+23.0	+25.8	
US, CPI ex food/energy, February y/y		+1.8%	+1.8%	US, NAHB Housing Index, March				72	72	
Wednesday 14 March				US, Empire Manufacturing, March				+15.0	+13.1	
NZ, Balance of Payments, Q4	-2.6%	-2.6%	-2.6%	US, Business Inventories, January				+0.6%	+0.4%	
NZ, REINZ Housing Data, February				Friday 16 March						
Aus, RBA's Kent Speaks				NZ, BNZ PMI (Manufacturing), February					55.6	
Aus, Consumer Sentiment - Wpac, March			102.7	Aus, RBA's Debelle Speaks, Financial Risk Day						
China, Industrial Production, Feb y/y			+6.2%	Jpn, Industrial Production, Jan 2nd est					-6.6%P	
China, Retail Sales, Feb y/y			+9.4%	Euro, CPI, Feb y/y 2nd est				+1.2%	+1.2%P	
China, Fixed Assets (ex rural), Feb ytd		+7.0%	+7.2%	Euro, Labour Costs, Q4 y/y					+1.6%	
Jpn, Machinery Orders, January		+5.2%	-11.9%	US, Industrial Production, February				+0.3%	-0.1%	
Jpn, BOJ Minutes, 23 Jan Meeting				US, Housing Starts, February				1,288	1,326k	
Euro, Draghi Speaks, Address to ECB				US, Mich Cons Confidence, Mar 1st est				99.0	99.7	
Euro, Eurozone Employment, Q4 y/y			+1.7%	US, JOLTS Job Openings, January				5,900	5,811	

Historical Data

	Today	Week Ago	Month Ago	Year Ago		Today	Week Ago	Month Ago	Year Ago
CASH & BANK BILLS					SWAP RATES				
Call	1.75	1.75	1.75	1.75	2 years	2.21	2.20	2.16	2.34
1mth	1.78	1.78	1.80	1.84	3 years	2.40	2.37	2.37	2.62
2mth	1.84	1.84	1.85	1.90	4 years	2.57	2.54	2.57	2.86
3mth	1.90	1.90	1.91	1.96	5 years	2.73	2.70	2.74	3.06
6mth	1.94	1.95	1.93	2.02	10 years	3.23	3.20	3.31	3.62
GOVERNMENT STOCK					FOREIGN EXCHANGE				
03/19	1.77	1.77	1.77	2.18	NZD/USD	0.7293	0.7226	0.7264	0.6924
04/20	1.91	1.90	1.87	2.44	NZD/AUD	0.9294	0.9305	0.9239	0.9145
05/21	2.09	2.08	2.07	2.62	NZD/JPY	77.78	76.74	78.92	79.54
04/23	2.41	2.41	2.41	2.93	NZD/EUR	0.5923	0.5858	0.5910	0.6499
04/25	2.72	2.74	2.75	3.24	NZD/GBP	0.5266	0.5218	0.5250	0.5667
04/27	2.94	2.96	2.99	3.37	NZD/CAD	0.9345	0.9368	0.9136	0.9309
04/33	3.30	3.33	3.36	3.74					
04/37	3.44	3.47	3.51	4.00	TWI	75.0	74.6	74.8	76.2
GLOBAL CREDIT INDICES (ITRXX)									
Australia 5Y	57	60	65	84					
Nth America 5Y	54	55	58	65					
Europe 5Y	50	54	54	73					

Contact Details

Stephen Toplis

Head of Research
+64 4 474 6905

Craig Ebert

Senior Economist
+64 4 474 6799

Doug Steel

Senior Economist
+64 4 474 6923

Jason Wong

Senior Markets Strategist
+64 4 924 7652

Nick Smyth

Interest Rates Strategist
+64 4 924 7653

Main Offices

Wellington

Level 4, Spark Central
42-52 Willis Street
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland

80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch

111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

National Australia Bank

Peter Jolly

Global Head of Research
+61 2 9237 1406

Alan Oster

Group Chief Economist
+61 3 8634 2927

Ray Attrill

Head of FX Strategy
+61 2 9237 1848

Skye Masters

Head of Fixed Income Research
+61 2 9295 1196

Wellington

Foreign Exchange +800 642 222
Fixed Income/Derivatives +800 283 269

Sydney

Foreign Exchange +61 2 9295 1100
Fixed Income/Derivatives +61 2 9295 1166

London

Foreign Exchange +44 20 7796 3091
Fixed Income/Derivatives +44 20 7796 4761

New York

Foreign Exchange +1 212 916 9631
Fixed Income/Derivatives +1 212 916 9677

Hong Kong

Foreign Exchange +85 2 2526 5891
Fixed Income/Derivatives +85 2 2526 5891

ANALYST DISCLAIMER: The person or persons named as the author(s) of this report hereby certify that the views expressed in the research report accurately reflect their personal views about the subject securities and issuers and other subject matters discussed. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Markets Division of National Australia Bank Limited, a member of the National Australia Bank Group ("NAB"). The views of the author(s) do not necessarily reflect the views of NAB and are subject to change without notice. NAB may receive fees for banking services provided to an issuer of securities mentioned in this report. NAB, its affiliates and their respective officers, and employees, including persons involved in the preparation or issuance of this report (subject to the policies of NAB), may also from time to time maintain a long or short position in, or purchase or sell a position in, hold or act as advisors, brokers or commercial bankers in relation to the securities (or related securities and financial instruments), of companies mentioned in this report. NAB or its affiliates may engage in these transactions in a manner that is inconsistent with or contrary to any recommendations made in this report.

NEW ZEALAND DISCLAIMER: This publication has been provided for general information only. Although every effort has been made to ensure this publication is accurate the contents should not be relied upon or used as a basis for entering into any products described in this publication. Bank of New Zealand strongly recommends readers seek independent legal/financial advice prior to acting in relation to any of the matters discussed in this publication. Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

US DISCLAIMER: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.

National Australia Bank Limited is not a registered bank in New Zealand.