

Downside Risk to CPI

- **We forecast a 0.4% Q1 CPI outturn**
- **RBNZ pick technically impossible**
- **Potential for rate rally and NZD decline**
- **Business surveys suggest more robust growth**
- **House price inflation may have troughed**

Recent business surveys are consistent with our view that New Zealand's economic growth slowed through the second half of 2017 and into the first half of 2018. Nonetheless, equally, they continue to suggest that the economy will continue expanding at a near-trend pace for some time to come. Indicative of this, this morning's surge in the BNZ-Business New Zealand PSI (Performance of Services Index) was heartening especially given that last week's PMI (Performance of Manufacturing Index) slid further.

The seasonally adjusted headline PSI of 58.8 might have overstated the extent of activity in March, thanks to weather and Easter issues, but the three month moving average reading of 56.7, which smoothes through recent volatility in the series, is still very strong. Indeed, sufficiently so to maintain our optimism that the economy can still grow around 3.0% across calendar 2018 despite the headwinds from political uncertainty (which is likely to have an adverse impact on investment activity) and ongoing capacity constraints.

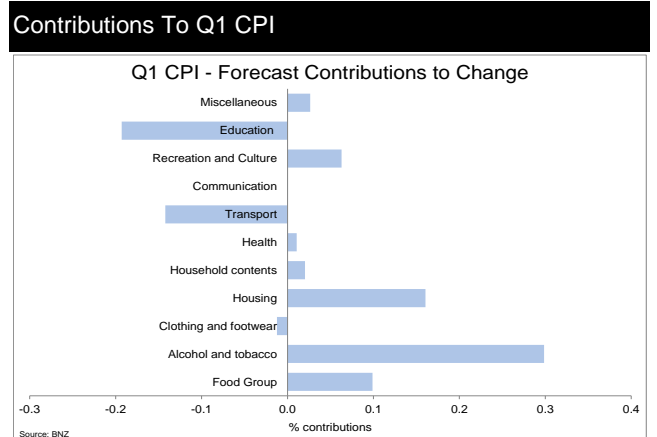
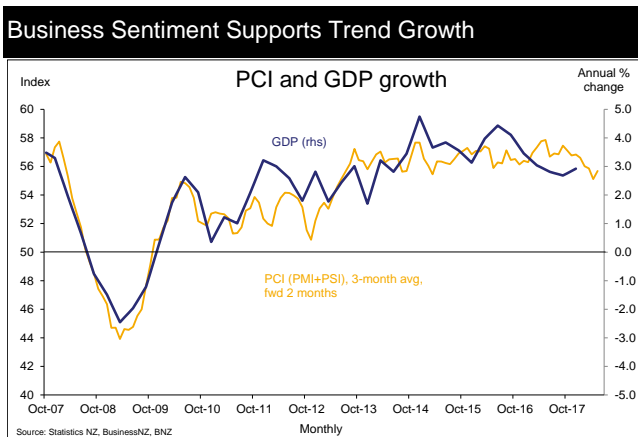
One thing that won't derail the expansion any time soon is an over-zealous central bank tightening the reins. In fact, we think this week's inflation data will leave the RBNZ feeling very smug that its lack of intent to raise interest rates for a considerable further period of time is well-justified. In fact we believe there is a very real risk that headline inflation will again surprise the RBNZ to the downside. We get the next installment on Thursday.

When the February Monetary Policy Statement was released the Bank projected that March quarter CPI inflation would be 0.6% delivering an annual reading of 1.1%. We, on the other hand, are projecting 0.4% and 1.0% respectively.

The first point that we should make is that the Reserve Bank's published forecasts appear to us to be impossible, in a purely technical sense. From what we can tell, if the 0.6% quarterly outturn the RBNZ projects eventuates then the annual number will be 1.2% (not 1.1%).

More importantly, whether we are right or not it looks to us that the chances of the fixed interest market selling off (and the NZD rallying) post the CPI outturn are slim. Not only do we see downside risk to the outturn but even if the CPI did pop higher the annual reading would still be so well shy of the RBNZ's 2.0% target band mid-point that it would be highly unlikely to shift the RBNZ to a more hawkish stance than it currently has.

Conversely, the market is currently pricing in a more aggressive monetary stance than the RBNZ's interest rate projections - so much so that there is around a 50% chance of a rate hike priced by February and even a very definite non-zero chance by November. We believe that, ultimately, rates will end up higher than the RBNZ's projections but the catalyst for this to happen will have to be higher than forecast inflation. Therefore, if our CPI projection proves accurate then annual inflation will fall to 1.0% and the prospect of the RBNZ turning more aggressive would diminish severely. Accordingly, there is a chance that fixed interest markets rally and the NZD falls on the day of the release.



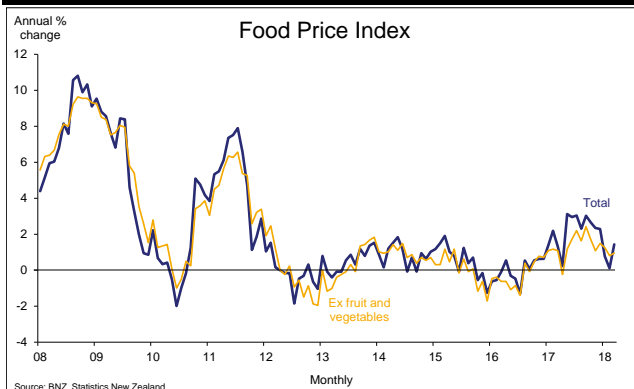
We should also note that our current CPI forecasts have annual CPI inflation falling further behind the RBNZ's February published track with us also picking 0.4% for the June quarter compared with the Bank's 0.5%.

For the March quarter result, we suspect the RBNZ will have been modestly surprised by softer than expected food prices and, possibly, lower than anticipated fuel prices. But it's not these factors that are making the most negative contributions to the quarterly outturn. The single biggest downward contribution is likely to come from the education group. This is where free education for first-timers in the tertiary sector shows up. It's difficult to know exactly the impact of this but we are gunning for a -0.2% contribution to the quarterly CPI. The other big negative contribution is likely to come from the transport group – not from fuel prices but passenger transport services. This is because international airline prices typically plummet in the March quarter each year reversing the usual surge in December.

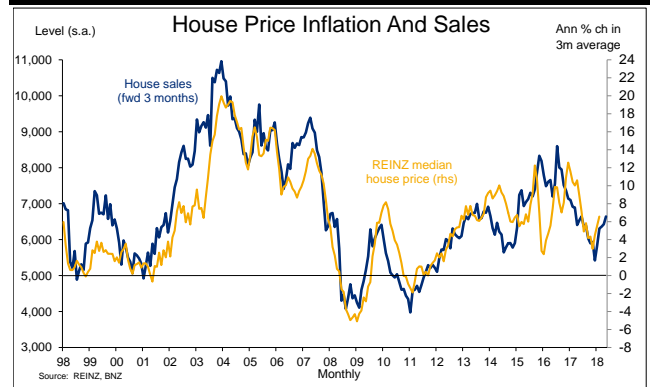
On the flipside, the inflation that will appear is likely to be driven by cigarettes and tobacco (thanks to the excise tax lift) and it would be a real surprise if the housing and household utilities group didn't have a substantial impact.

Note that the 0.4% quarterly projection that we are delivering today is higher than the 0.3% attributed to us in various market surveys. That's because we were surprised by this morning's news that food prices jumped in the

Food Prices Provide Upside Surprise



House Price Inflation Troughs



month of March by 1.0%. We knew that poor weather was going to push fresh vegetable prices higher but we hadn't expected the 10.6% increase that occurred in this subgroup. Accordingly we have pushed our pick a notch higher though we note that this increase will be unwound in due course as growing conditions improve.

Wednesday morning sees the release of the latest GDT auction data. Indications are that a small positive can be expected. Anything other than a large move in either direction will be consistent with Fonterra's current milk price payout forecast of \$6.55.

Tuesday morning we are expecting March REINZ housing data. Sales may well be messed up by the early Easter but this shouldn't have an impact on prices. Recent data seems to be suggesting that house price inflation has troughed. We will be looking for further evidence of this.

Looking further ahead, be aware that there is now significant potential for volatility in the monthly data. The early Easter could have a significant influence on both March and April data and, now, the disruption caused by recent storms threatens to mess up both April and May.

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Global Watch

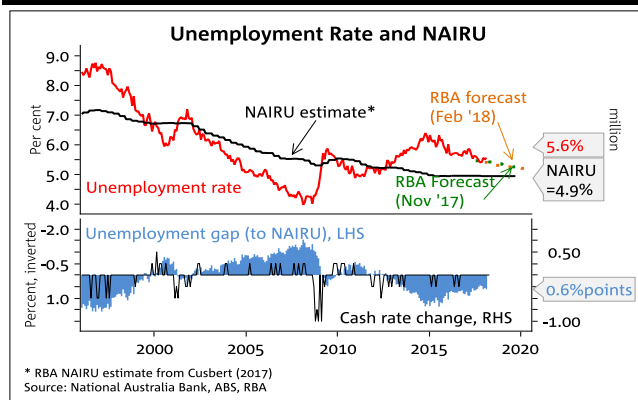
- Data to provide insight to Chinese growth this week
- US sees a heap of Fed speakers; retail sales data due
- AU employment in focus; also NAB quarterly business survey
- CPI due in EU, Japan, UK, and Canada
- No change expected from BoC

Australia

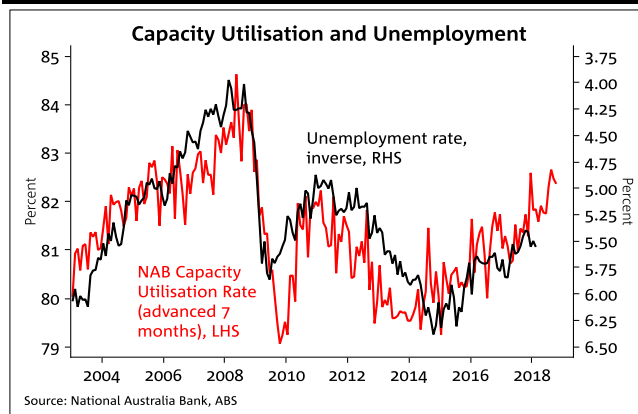
It's now been 17 consecutive months of employment growth and still counting. NAB's forecast for March employment based on its reading of the economy calls for yet another month of solid growth, an increase of 25K, just above the 20K market consensus. Whether by dint of a change in trend or through sample effects, the stretch of the growth elastic will break at some point. As a survey of 26,000 dwellings, there's always the possibility of an outlier from sampling effects alone.

Indicators of labour demand such as from the NAB Business Survey and Job Ads point to continuing ongoing growth in the demand for labour, consistent with some further solid growth in prospective employment. NAB is expecting a broadly unchanged participation rate that with

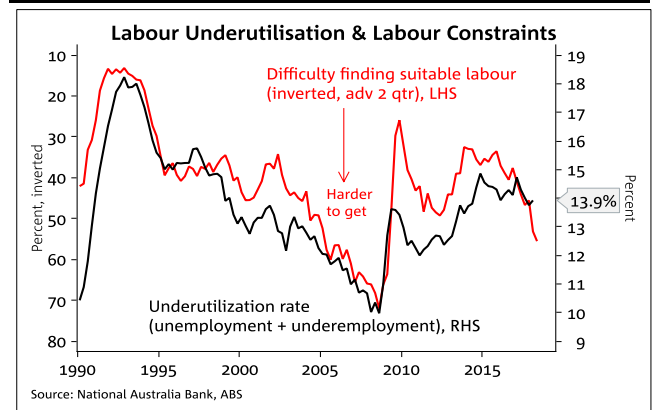
Still Some Spare Labour Market Capacity



... Though Diminishing, And Prospectively Too



Increasingly Difficult To Find Suitable Labour



the 25K rise in employment would see the unemployment rate dip a tenth to 5.5%. An unemployment rate of 5.5% is still above what is thought to be the Non-Accelerating Inflation Rate of Unemployment (NAIRU) of just below 5%, the level around which wages are likely to see more upward pressure as labour shortages become more prominent.

An alternative perspective on the degree of spare capacity in the labour market comes with the quarterly version of the NAB Business Survey, on Thursday. Businesses are asked to report on the constraints that are limiting their growth, including the "difficulty of finding suitable labour" that's been becoming more prominent of late and at levels not seen since the GFC.

The quarterly survey has also for some time been pointing to a pick-up in non-mining capex, a trend that has become prominent in the Statistician's Capex survey for the past year or so and increasingly a source of economic growth.

In addition to the quarterly NAB Survey, NAB is also releasing its Cashless Retail Sales index for March ahead of the ABS Retail Sales report due 8 May. That release is out on Wednesday along with the March quarter NAB Commercial Property Survey covering conditions and the prospects across the various major commercial segments.

US

A quieter week for the US with today's Retail Sales the main data interest coming among a deluge of Fed speakers. There will be continuing interest in any Twitter feeds from the White House.

China

Tuesday will be a time to reflect on first quarter GDP, the market looking for steady 6.8% growth. The market will be just as interested in the momentum of the economy in March from Retail Sales, Industrial Production, and Fixed Assets Investment. Home prices for March are also out.

Japan

There's only Trade on Wednesday ahead of Friday's March CPI.

UK

Inflation is also the economic focus, CPI on Wednesday, then Retail Sales Thursday.

Eurozone

Wednesday's EU CPI the main interest.

Canada

Retail Sales and Inflation arrive Friday after the BoC decision Wednesday. On the latter, no change is expected.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

NZ interest rates moved higher last week, with the 10 year swap rate up around 6bps but, more notably, the 2 year swap rate up 8bps. The 2 year swap rate has broken out of its recent range and moved to its highest level since July last year.

The key driver of the move higher in short-dated swap rates was the increase in the 3 month bank bill-OIS spread. The 3 month bank bill rate increased 6bps on the week to 2.03% (whereas OCR expectations were unchanged). Market expectations of the 3 month bank bill-OIS spread in the future were also revised higher.

As we have noted in the past few months, the US Libor-OIS spread has increased sharply this year, to almost 60bps at present. There was a similar run-up in the Australian bank bill-OIS spread this year, but NZ has significantly lagged the move, until just recently. We had attributed the relatively low level of the NZ bank bill-OIS spread partly to signs that the domestic banking system seemed awash with liquidity (as suggested by low rates on other money market instruments, and some modest reductions to term deposit and fixed mortgage rates).

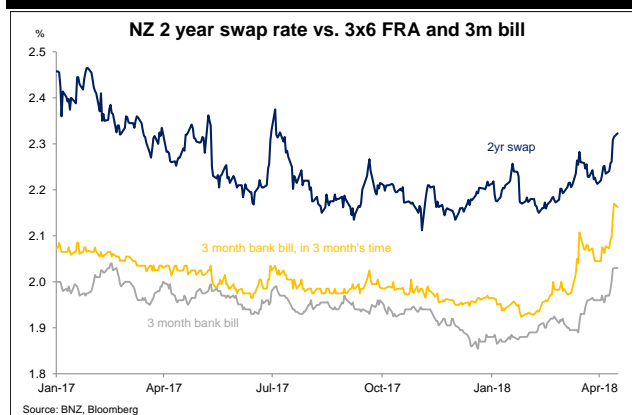
It's not altogether clear why the NZ bank bill-OIS spread is adjusting now, although it could be that the liquidity situation among NZ banks has normalised somewhat compared to earlier this year, with funding being brought more into line with domestic credit growth. It is also possible that domestic banks are tilting some of their short-term funding to the NZ market (putting some upward pressure on NZ bank bills), rather than the relatively more expensive US CP market. The market now prices the NZ bank bill-OIS spread to rise to 40bps by mid-June, which is comparable to the US and Australia.

The 10 year Treasury yield moved around 5bps higher last week, as fears of a US-China trade war receded slightly and equity markets recovered. The 10 year swap rate moved up to 3.20%, and is back to the middle of its recent trading range, having reached 6 month lows only a fortnight ago.

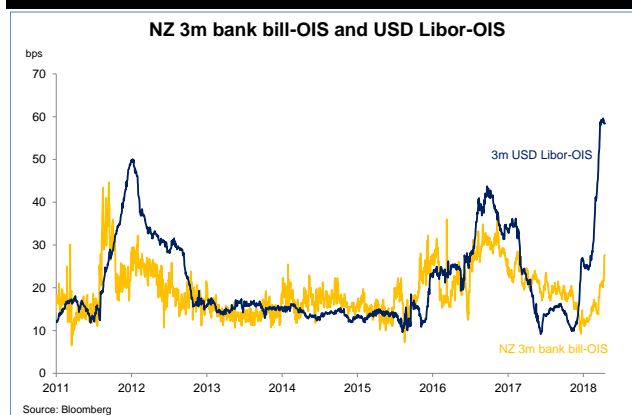
In the week ahead, the focus domestically will be on NZ CPI, released on Thursday. We are looking for a below consensus 0.4% rise on the quarter, taking the annual headline rate to just 0.9%. The measures of core inflation will also be closely watched by the market. If we're right on our pick for CPI, we should see short-dated swap rates fall back a bit, and if it's even lower than our pick, it's conceivable the market could start to price a small chance of rate cuts this year. We recommended a NZ curve steepener [idea](#) earlier this month, partly on the basis that it was protected against a scenario where the market started to price the risk of rate cuts, but also plays to our idea that the market is underpricing the medium-term inflationary pressures in NZ.

Offshore, the data highlights will probably be US retail sales, released tonight, and the Australian labour market report which is due out on Thursday. 10 year Treasury yields continue to closely track equity market movements, so the continued back and forth between China and the US on trade talks will remain a focus.

2 year swap moving higher due to rising bank bill rates



NZ bank bill-OIS catching up to the move in the US



Current Rates/Spreads and Recent Ranges

	Current	Last 3-weeks range*
NZ 90d bank bills (%)	2.03	1.95 - 2.03
NZ 2yr swap (%)	2.32	2.21 - 2.32
NZ 5yr swap (%)	2.75	2.61 - 2.75
NZ 10yr swap (%)	3.20	3.05 - 3.20
2s10s swap curve (bps)	88	84 - 90
NZ 10yr swap-govt (bps)	38	33 - 38
NZ 10yr govt (%)	2.82	2.70 - 2.83
US 10yr govt (%)	2.83	2.72 - 2.86
NZ-US 10yr (bps)	0	-6 - 2
NZ-AU 2yr swap (bps)	17	12 - 18
NZ-AU 10yr govt (bps)	9	9 - 15

*Indicative range over last 3 weeks

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Foreign Exchange Markets

Reuters pg BNZFWDS Bloomberg pg BNZ9

Commodity currencies outperformed last week as risk appetite improved after a conciliatory speech from China's President Xi allayed fears about a US-China trade war. Xi said that China was entering a "new phase of opening up" and pledged commitment to further economic liberalisation, promising greater intellectual property protection and increased access to China's financial and manufacturing sectors for foreign companies.

Our risk appetite index increased to 66%, its highest level in four weeks, helping drive both the actual NZD and our fair value estimate up by one cent. US-Russia tensions increased after a chemical weapon attack in Syria but the market didn't seem too concerned and there hasn't been any material change in risk currencies early Monday since the weekend precision bombing by the US on possible chemical weapon sites in Syria.

On our radar recently has been the steady rise in NZD/AUD over recent months. Last week the cross reached 0.9534, its highest level since July last year. Some of the strength over recent months we can put down to fundamental forces, as NZ commodity prices have outperformed Australian commodity prices. But CFTC data also suggest a speculative element, with net long positioning in NZD rising at the same time as net AUD positioning turning negative. Putting these two indicators together, suggests net long NZD/AUD positioning at present.

It suggests a vulnerability to the downside for both NZD/USD and NZD/AUD. Our previous research suggests that stretched positioning works well as a contrary indicator. With that in mind, we suggest that NZD/USD and NZD/AUD are both near the top of their likely trading range for the months ahead and risks are skewed towards the downside for both.

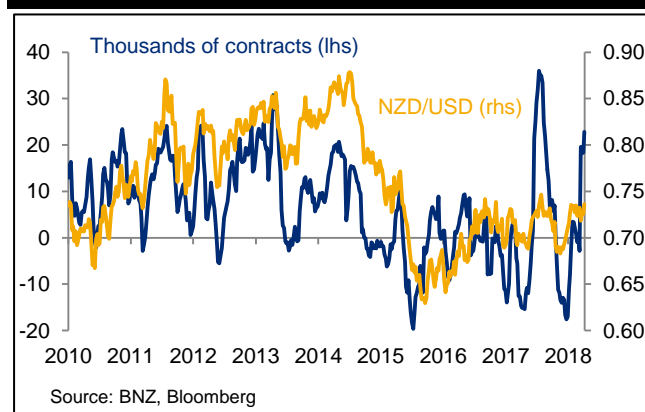
Technical indicators suggest key resistance for the NZD at 0.7440 and over recent years the AUD 0.95-0.96 level has been a key area of resistance.

The economic calendar in the week ahead is full. The key local release is Thursday's Q1 CPI data, which is expected to show headline inflation weaker than projected by the RBNZ. BNZ's estimate of 0.4% q/q sits below the consensus estimate of 0.5% and on our figures annual inflation slips below the bottom of the 1-3% target range, to 0.9%. More importance should be attached to the underlying measures of inflation and these aren't expected to show any lift in inflation. Market reaction should be limited to the extent that most are on board with the view that any policy tightening remains a distant prospect, but we see more chance of the NZD weakening than strengthening after the release.

On the global calendar, tonight's retail sales release in the US is the key focus while 12 Fed speeches are scheduled, providing plenty of opportunity for more noise than signal about US monetary policy. NZD movements have had little correlation with narrowing NZ-US rate differentials for some time now, so the fact that the RBNZ is on hold and the Fed remains on a gradual tightening path seems to matter little to the NZD.

Elsewhere this week, employment data for Australia, CPI data for the UK and Japan and GDP and other activity data for China round out the week. The Bank of Canada is expected to keep policy unchanged at this week's meeting.

Net Long NZD Positioning Suggests Downside NZD Risks



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.7354	0.7190 - 0.7400
NZD/AUD	0.9469	0.9370 - 0.9530
NZD/GBP	0.5163	0.5110 - 0.5220
NZD/EUR	0.5963	0.5830 - 0.6000
NZD/JPY	79.06	76.20 - 79.60

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7150	3%
NZD/AUD	0.9220	3%

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Technicals

NZD/USD

Outlook: Downside risk
 ST Resistance: 0.7440 (ahead of 0.7550)
 ST Support: 0.7155 (ahead of 0.7050)

Last week's strength challenges the notion that a downward channel was in play. However, key resistance remains at 0.7440. A break of support of 0.7155 would be required to validate the notion of a downward channel.



NZD/AUD

Outlook: Trading range
 ST Resistance: 0.9530 (ahead of 0.9640)
 ST Support: 0.9250 (ahead of 0.9050)

An upward trend within a long-term trading range is evident and resistance levels keep getting broken on the way up. If last week's high around 0.9530 is broken then the next level of resistance is just above the 0.96 mark. The first area of support is currently well below spot around 0.9250.

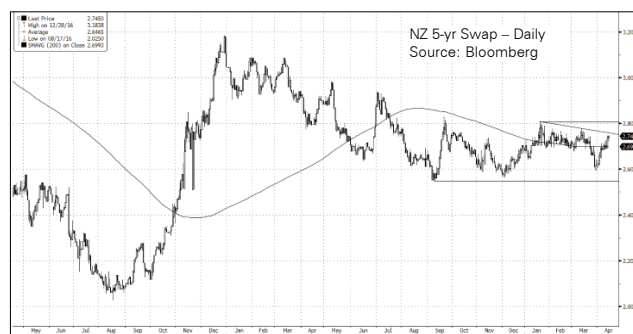


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NZ 5-year Swap Rate

Outlook: Neutral
 ST Resistance: 2.82
 ST Support: 2.5475

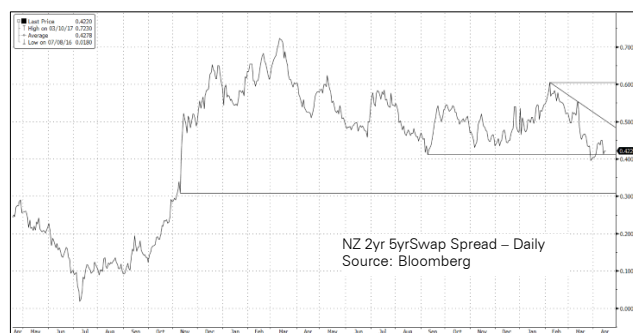
Still mid-range. Minor resistance at 2.77 but 2.82 remains key.



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

Outlook: Flatter
 MT Resistance: +60.8
 MT Support: +31

Steepened slightly from lows but still expect a move to +31. Move to +51 would bring this into question.



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Quarterly Forecasts

Forecasts as at 16 April 2018

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
GDP (production s.a.)	0.4	0.7	0.9	0.6	0.6	0.6	0.8	1.1	0.9	0.6
Retail trade (real s.a.)	1.4	1.4	1.8	0.3	1.7	1.0	0.7	1.3	1.3	0.7
Current account (ytd, % GDP)	-2.2	-2.6	-2.6	-2.5	-2.7	-2.6	-2.7	-3.1	-3.1	-2.9
CPI (q/q)	0.4	1.0	0.0	0.5	0.1	0.4	0.4	0.7	0.4	0.6
Employment	0.9	1.0	0.0	2.2	0.5	0.6	0.5	0.5	0.5	0.5
Unemployment rate %	5.3	4.9	4.8	4.6	4.5	4.4	4.4	4.3	4.2	4.4
Avg hourly earnings (ann %)	1.1	1.1	1.2	2.0	3.1	3.2	3.0	2.8	2.6	2.8
Trading partner GDP (ann %)	3.5	3.6	3.7	4.1	3.9	3.9	3.8	3.7	3.7	3.7
CPI (y/y)	1.3	2.2	1.7	1.9	1.6	1.0	1.4	1.6	1.9	2.1
GDP (production s.a., y/y)	3.5	3.0	2.8	2.7	2.9	2.8	2.6	3.1	3.4	3.4

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
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	2.35	2.90	2.20	2.65	3.15	1.60	2.40	0.40
2018 Mar	1.75	1.95	2.50	3.00	2.20	2.75	3.30	1.80	3.00	0.00
Forecasts										
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
Jun	3.00	3.20	3.65	3.95	3.65	3.50	3.95	2.55	3.50	0.40

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.74	0.78	1.23	1.42	108
Jun-18	0.72	0.78	1.28	1.43	104
Sep-18	0.71	0.77	1.30	1.45	103
Dec-18	0.70	0.75	1.30	1.46	102
Mar-19	0.70	0.75	1.28	1.46	101
Jun-19	0.71	0.76	1.27	1.45	100
Sep-19	0.71	0.76	1.28	1.45	100
Dec-19	0.70	0.75	1.30	1.46	99
Mar-20	0.70	0.75	1.32	1.47	99
Jun-20	0.69	0.74	1.34	1.48	98
Sep-20	0.69	0.74	1.36	1.47	98

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.74	0.95	0.60	0.52	79.0	75.6
Jun-18	0.72	0.92	0.56	0.50	74.9	73.1
Sep-18	0.71	0.92	0.55	0.49	73.1	71.9
Dec-18	0.70	0.93	0.54	0.48	71.4	71.2
Mar-19	0.70	0.93	0.55	0.48	70.7	71.3
Jun-19	0.71	0.93	0.56	0.49	71.0	72.2
Sep-19	0.71	0.94	0.56	0.49	71.0	72.4
Dec-19	0.70	0.93	0.54	0.48	69.3	71.3
Mar-20	0.70	0.93	0.53	0.48	69.3	71.3
Jun-20	0.69	0.93	0.52	0.47	67.6	70.4
Sep-20	0.69	0.93	0.51	0.47	67.6	70.4

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 16 April 2018	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
GDP - annual average % change										
Private Consumption	3.9	5.4	4.1	3.8	2.3	5.0	4.5	3.9	2.7	1.4
Government Consumption	2.5	2.0	4.9	2.9	2.2	1.7	4.7	3.3	2.5	1.9
Total Investment	4.7	5.6	3.9	4.1	3.9	6.4	3.3	4.5	4.0	3.6
Stocks - ppts cont'n to growth	-0.3	-0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
GNE	3.5	4.8	3.5	3.4	2.7	4.7	4.0	3.2	3.0	2.1
Exports	5.6	0.7	4.2	2.2	4.3	1.6	2.5	2.4	4.2	4.5
Imports	2.1	5.1	6.2	3.6	3.6	3.4	6.6	3.7	3.9	3.0
Real Expenditure GDP	4.4	3.6	3.3	3.1	2.8	4.1	3.0	3.1	3.1	2.4
GDP (production)	3.6	3.7	2.8	3.2	2.8	4.0	2.9	3.0	3.0	2.4
GDP - annual % change (q/q)	4.0	3.0	2.8	3.4	2.5	3.5	2.9	3.4	2.6	2.3
Output Gap (ann avg, % dev)	1.0	1.3	0.9	1.3	1.3	1.3	1.0	1.2	1.4	1.2
Household Savings (% disp. income)	-1.3	-2.8	-2.3	-3.2	-2.9					
Nominal Expenditure GDP - \$bn	254.7	270.3	287.5	300.3	314.1	266.0	283.5	297.0	310.6	324.9
Prices and Employment - annual % change										
CPI	0.4	2.2	1.0	2.1	2.0	1.3	1.6	1.9	2.1	2.0
Employment	2.0	5.7	3.3	2.0	1.6	5.8	3.7	2.1	1.8	1.2
Unemployment Rate %	5.2	4.9	4.4	4.4	4.4	5.3	4.5	4.2	4.4	4.6
Wages - ahote	2.5	1.1	3.2	2.8	2.7	1.1	3.1	2.6	2.8	2.4
Productivity (ann av %)	1.5	-1.9	-0.8	0.7	1.0	-0.8	-1.3	0.2	1.1	1.0
Unit Labour Costs (ann av %)	1.3	3.8	3.8	2.9	2.1	2.7	4.0	3.6	2.0	1.8
External Balance										
Current Account - \$bn	-7.0	-7.2	-7.4	-8.8	-7.0	-6.0	-7.7	-9.1	-7.5	-7.3
Current Account - % of GDP	-2.8	-2.6	-2.6	-2.9	-2.2	-2.2	-2.7	-3.1	-2.4	-2.2
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	0.73	0.70	0.70	0.70	0.70	0.70	0.70	0.68
USD/JPY	113	113	106	101	99	116	113	102	99	97
EUR/USD	1.11	1.07	1.23	1.28	1.32	1.05	1.18	1.30	1.30	1.38
NZD/AUD	0.90	0.92	0.94	0.93	0.93	0.96	0.91	0.93	0.93	0.93
NZD/GBP	0.47	0.57	0.52	0.48	0.48	0.56	0.52	0.48	0.48	0.46
NZD/EUR	0.61	0.66	0.59	0.55	0.53	0.67	0.59	0.54	0.54	0.49
NZD/YEN	76.2	79.1	77.0	70.7	69.3	81.6	78.7	71.4	69.3	66.0
TWI	72.2	76.5	74.8	71.3	71.3	78.1	73.6	71.2	71.3	69.5
Overnight Cash Rate (end qtr)	2.25	1.75	1.75	2.00	3.00	1.75	1.75	1.75	2.75	2.75
90-day Bank Bill Rate	2.41	1.98	1.95	2.28	3.20	2.02	1.88	2.03	3.03	2.87
5-year Govt Bond	2.40	2.70	2.50	2.95	3.70	2.75	2.30	2.80	3.60	3.60
10-year Govt Bond	2.90	3.25	3.00	3.35	3.95	3.30	2.80	3.25	3.90	3.95
2-year Swap	2.30	2.30	2.20	2.75	3.65	2.40	2.20	2.50	3.45	3.40
5-year Swap	2.60	3.00	2.75	3.20	3.95	3.00	2.65	3.05	3.85	3.85
US 10-year Bonds	1.90	2.50	3.00	3.25	3.50	2.50	2.40	3.25	3.50	3.50
NZ-US 10-year Spread	1.00	0.75	0.00	0.10	0.45	0.80	0.40	0.00	0.40	0.45

⁽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 16 April				China, Property Prices, March			
NZ, Food Price Index, March	+0.4%		-0.5%	Jpn, Merchandise Trade Balance, March	+¥499b		+¥3b
NZ, BNZ PSI (Services), March			55.0	Euro, CPI, Mar y/y 2nd est			+1.4%P
US, Business Inventories, February		+0.6%	+0.6%	UK, CPI, March y/y	+2.7%		+2.7%
US, Retail Sales, March	+0.4%		-0.1%	US, Beige Book			
US, Empire Manufacturing, April	+18.6		+22.5	Can, BOC Policy Announcement	1.25%		1.25%
US, NAHB Housing Index, April		70	70	Thursday 19 April			
Tuesday 17 April				NZ, CPI, Q1 y/y	+0.9%	1.1%	+1.6%
NZ, (circa) REINZ Housing Data, March				Aus, Employment, March		+20k	+17k
Aus, RBA Minutes, 3 Apr Meeting				Aus, Unemployment Rate, March		5.5%	5.6%
China, Fixed Assets (ex rural), Mar ytd	+7.7%		+7.9%	Aus, NAB Business Survey, Q1			+6
China, GDP, Q1 y/y	+6.8%		+6.8%	UK, (circa) CBI Industrial Trends, March			+4
China, Industrial Production, Mar y/y	+6.9%		+7.2%	UK, Retail Sales vol., March			+0.8%
China, Retail Sales, Mar y/y	-9.7%		+9.7%	US, Jobless Claims, week ended 14/04		230k	233k
Jpn, Industrial Production, Feb 2nd est			+4.1%P	US, Philly Fed Index, April		+21.0	+22.3
Germ, ZEW Sentiment, April		-1.0	+5.1	US, Leading Indicator, March	+0.3%		+0.6%
UK, Unemployment Rate (ILO), February			4.3%	Friday 20 April			
US, Housing Starts, March		1,266k	1,236k	Jpn, CPI, March y/y	+1.1%		+1.5%
US, Industrial Production, March	+0.4%		+1.1%	Jpn, Tertiary Industry Index, February		flat	-0.6%
Wednesday 18 April				Euro, Consumer Confidence, Apr 1st est			+0.1
NZ, Dairy Auction, GDT Price Index			-0.6%	Germ, PPI, Mar y/y	+2.0%		+1.8%

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	2.32	2.25	2.27	2.27
1mth	1.89	1.87	1.81	1.84	3 years	2.47	2.41	2.43	2.47
2mth	1.95	1.92	1.87	1.90	4 years	2.61	2.56	2.59	2.65
3mth	2.04	1.98	1.96	1.96	5 years	2.74	2.69	2.73	2.80
6mth	2.13	2.08	2.03	2.02	10 years	3.20	3.14	3.21	3.27
GOVERNMENT STOCK					FOREIGN EXCHANGE				
03/19	1.79	1.75	1.76	2.08	NZD/USD	0.7353	0.7306	0.7244	0.7008
04/20	1.93	1.90	1.89	2.23	NZD/AUD	0.9468	0.9492	0.9385	0.9234
05/21	2.10	2.07	2.05	2.34	NZD/JPY	79.07	78.01	76.85	76.32
04/23	2.37	2.34	2.34	2.63	NZD/EUR	0.5962	0.5930	0.5872	0.6587
04/25	2.64	2.60	2.63	2.87	NZD/GBP	0.5161	0.5171	0.5166	0.5580
04/27	2.82	2.78	2.84	2.93	NZD/CAD	0.9261	0.9277	0.9473	0.9334
04/33	3.21	3.17	3.19	3.25					
04/37	3.41	3.39	3.34	3.51	TWI	75.6	75.3	74.5	76.4
GLOBAL CREDIT INDICES (ITRXX)									
Australia 5Y	65	69	58	89					
Nth America 5Y	61	65	55	68					
Europe 5Y	55	57	51	77					

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