

24 September 2018

Ironing Out the Rate-Cut Wrinkle

- **RBNZ to retain up-down optionality on OCR**
- **Even with the immediate data stronger**
- **As GDP/CPI scenarios re 2019 still hold sway**
- **Bank likely comfy with less-dovish market pricing**
- **Monthly trade data on radar given external deficit**

At Thursday's OCR review, the Reserve Bank will need to look past recently robust local data, in order to retain its up-or-down rhetoric with respect to the cash rate. Which we think it will do. Of course, nobody expects the policy rate to be moved from its record low 1.75%, this week.

But some things have clearly changed since the August Monetary Policy Statement. This, you'll recall, pushed out the projected first rate hike by a whole year, and openly discussed the possibility of a rate cut. This caught the market by surprise, evident in the market reaction on the day. The main reason for the change in RBNZ's OCR profile, and tone, was the slower pulse to economic growth (which the Bank translated into a lower output gap and thus less inflationary pressure).

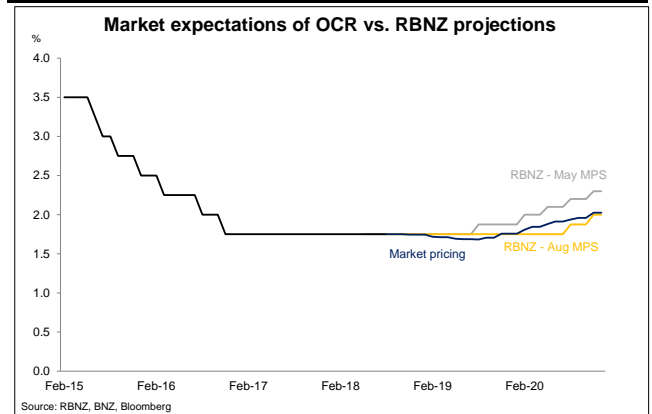
Economic developments since the August MPS have generally been stronger than expected. This was notably so in respect to Q2 GDP. We think the Q3 CPI will also surprise the August MPS very much to the upside (which the Bank may allude to on Thursday, albeit in the context of still insufficient core inflation). So who can ignore the Bank's upside scenario on inflation?

And it's not just the local economic data that have argued against the idea of further OCR easing. Note that retail interest rates have fallen over recent weeks, the NZD, even with its uplift over recent days, remains a little under RBNZ projections, while the NZ equity market keeps pushing the envelope.

Nonetheless, the Reserve Bank may still harbour concerns around the future growth trajectory, relative to its presently sanguine view on GDP growth for 2018/19. Deeply negative business confidence might be overplaying economic risks, but it can't be ignored just because of one quarter's solid GDP outcome. Consumer confidence, meanwhile, is losing some of its shine.

And so we wouldn't be surprised to see RBNZ language still suggesting that the next OCR move could be either up or down (still in contrast to the RBA, by the way, which retains a patient tightening bias). This is a reminder that the August MPS alternative scenarios were pitched around how GDP and the CPI might travel into 2019,

Steady As She Goes



rather than anything immediate. These will take time to take shape, or not.

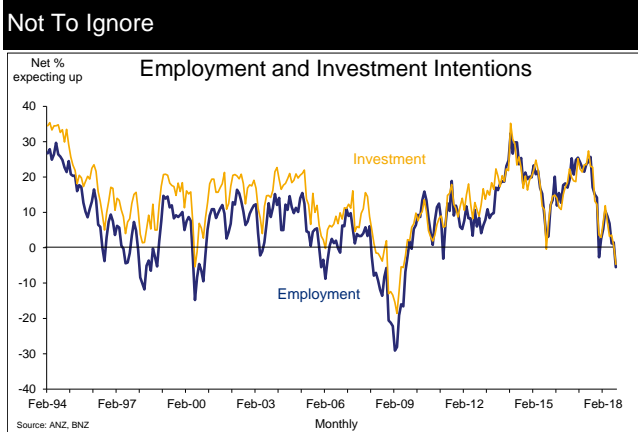
For the meantime, we suspect the Bank will mostly see, from the recent economic information, more justification to simply keep the OCR unchanged for as far as the eye can see. In this vein, the RBNZ is probably happy to have seen the market largely back off its odds of OCR easing on the 12-month horizon (especially after what the Bank might have thought was a strongly dovish interpretation of its August MPS).

If the Bank were to change its language on Thursday, however, we think it would be in a less dovish/more hawkish direction.

Ahead of the OCR Review, we get the latest reading on business confidence from the ANZ Business Outlook survey on Wednesday. We haven't seen anything to suggest that confidence will materially lift from August's -50 reading, although seasonality may help a touch in September.

In any case, more interest will be in the real indicators of activity, employment, and investment intentions that have genuinely softened over recent months (as a caution to GDP growth over 2018 H2?). We will also be checking in on the inflation gauges, as rising costs pressure business margins.

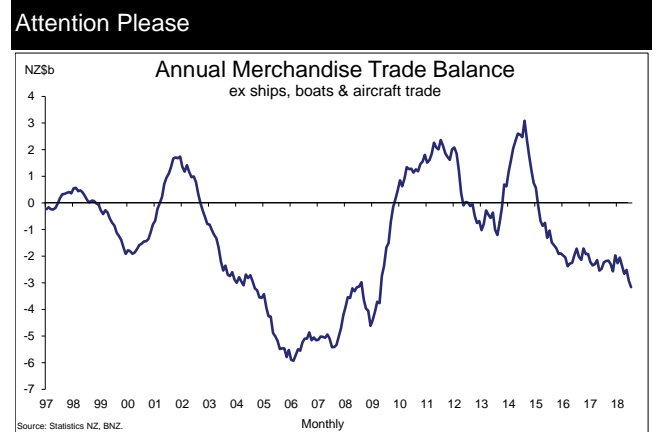
Wednesday morning brings merchandise trade data for August. We expect strong gains in exports (+13% y/y) and even stronger gains in imports (+16%). This would generate a rather hefty \$1,473m trade deficit in the month and see the annual trade deficit widen further to \$4,739m.



This is a bigger deficit than the market polls anticipate and will remain a trend to keep closer tabs on, now that the current account deficit is looking less benign as a story.

Later Wednesday afternoon, the RBNZ publishes August’s new residential lending figures. These may struggle to match July’s strong 15% annual growth but should remain well above a year ago. After all, the housing market is hardly cooled at a national level, even with price plateaus pervading Auckland and Canterbury.

On Friday, September’s ANZ consumer confidence could ease a bit further from its 117.6 result of August, if the already-released Westpac quarterly measure is anything to go by.



As for August’s building consents, also due Friday, these need to see a decent bounce – following their consecutive steep monthly declines in June and July – in order to avoid a downward trend becoming clear and strong.

Credit aggregates for August rounds out the NZ data week on Friday afternoon. Continuation of recent trends is expected, including moderate growth of around 6% per annum in household lending.

As for the article from Governor Adrian Orr, to be published on the RBNZ’s website at midday today, we do not expect this to have anything in it regards near-term policy, so close to Thursday’s OCR announcement.

And, finally, don’t forget that Daylight Saving begins in New Zealand on Sunday 30 September.

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Global Watch

- **Fed to hike rates Thursday morning**
- **Focus on guidance and projections**
- **And then numerous post meeting speakers**
- **US core PCE inflation expected to remain at 2.0%**
- **EZ core CPI still close to 1%**
- **China PMI, industrial profits due**
- **Draghi, Carney to speak**

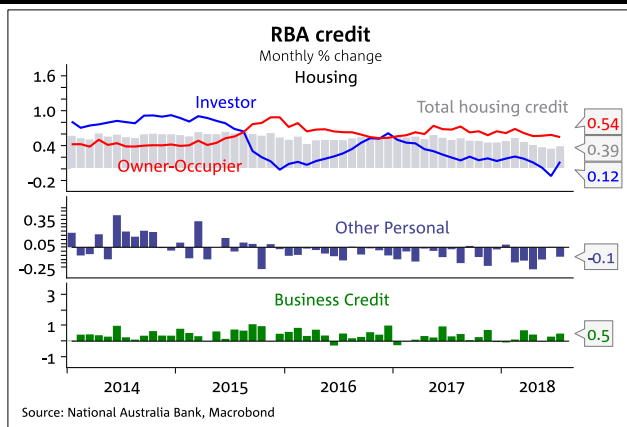
Australia

It's a quiet week with only Job Vacancies and RBA Credit on the calendar. Job vacancies have to now continued to rise not only in absolute terms but in proportion to the workforce, pointing to a still healthy state of labour demand.

For RBA Credit, the story to date has been one of continued growth in owner-occupier housing credit growth (if a little slower of late), overall flat investor housing credit, and an emerging upturn in business credit.

NAB looks for this picture to continue in August's report. NAB's forecast calls for a slowing in overall credit growth from 0.4% in July to 0.3% in August, taking annual growth in credit down to 4.2% from 4.4%. The market consensus is a little higher at 0.4% m/m.

Chart 1: Tracking credit flows



China

It's a quiet data week with Thursday's Industrial Profits and Friday's Caixin Manufacturing PMI mini highlights.

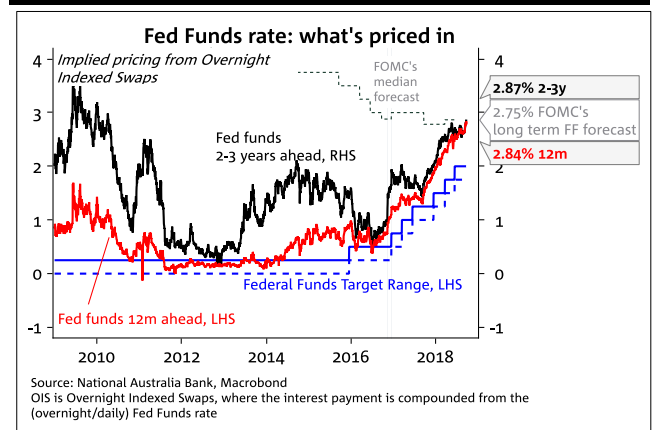
Japan

There's an absence of market-sensitive releases ahead of Friday's labour market, the Tokyo CPI, Retail Sales and Industrial production.

US

The FOMC is set to hike rates on Wednesday (6.00am Thursday NZT) with markets 99.6% priced; a rate hike would take rates to 2.00-2.25%. Along with the decision, there will be a new set of economic and rate forecasts and a press conference by Chair Powell. Focus will also be on whether the Fed sticks to its projected rate hike path amid trade uncertainty and a flattening yield curve – recent commentary by officials suggests they will. Data-wise, the more important pieces are Capital/Durable Orders on Thursday and PCE figures on Friday – Core PCE Inflation is expected to be 2.0% y/y. There are four post-FOMC Fed speakers, including NY Fed President John Williams.

Chart 2: Market pricing for neutral Fed funds



Eurozone

Activity data comes in the form of the influential German Ifo business survey for Sep. The risk is a drop back after a surge in Aug after a succession of declines. But we suspect any fall will not send the index back to recent lows given the pick-up in confidence on the recovery. Flash Sep HICP inflation data for Sep is also out at the back end of the week, which should show prices stuck around the 2% headline and 1% core, if a point above. EZ confidence data on Thursday may stabilise after the recent steady decline. Draghi speaks on Monday at the regular ECOFIN meeting.

UK

Brexit negotiations had improved but appeared to reach an impasse at last week's Salzburg summit. While we think the EU will need to compromise on the Irish border question, if it is the case the UK's position on a future trading relationship is steadfast, then markets are being too optimistic on the outcome. Second-tier data in the form of CBI data on retail and industrial output are released on Monday and Wednesday. Friday sees final Q2 GDP, with +0.4% q/q and 1.3% y/y anticipated. Q3 should be better. BoE's Vlieghe, Haldane, Ramsden and Carney all speak, the Governor on Thursday. The UK Labour Party

Conference is held 23-26 September, with Conservatives
30 September -3 October.

Canada

NAFTA talks to dominate the week with a “final” deadline for a deal seen to be on Sunday 30 September – note there have been many deadlines over the past year. Otherwise it is a quiet week with BoC Governor Poloz speaking on Thursday on ‘disruptive digital technologies’, while Monthly GDP is published on Friday.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

The main event last week was the upside surprise to NZ Q2 GDP which resulted in a reasonable increase in NZ rates across the curve. Amid some growing concerns about the strength of the NZ economy (at least as suggested by recent business confidence readings), The GDP release was a welcome surprise.

In terms of its implications for monetary policy, we think the higher than expected GDP result meaningfully increases the hurdle for rate cuts over the next 6-9 months (we thought the chance was reasonably low even before GDP). The market has reduced the implied probability of a rate cut by mid-2019 to around 25% (from close to 40% prior to the data). The 2 year swap rose 5bps last week, with most of the move happening in the immediate aftermath of GDP.

The focus now turns to the RBNZ OCR Review this week. Our base case is that, despite the GDP upside surprise, the RBNZ suggests that the OCR is likely to be on hold for a considerable period and it reiterates that the next move could be up or down. With business confidence and the PMI/PSI pointing to downside risks to growth later this year and in 2019, we'd be very surprised if the RBNZ took the option of rate cuts off the table. We also suspect the RBNZ wouldn't want to actively encourage a rise in the NZD at this stage with a hawkish message. But equally, given the stronger starting point for GDP, we don't expect the RBNZ to indicate a clear bias towards rate cuts. So far, the 'hard' economic data has yet to corroborate the weakness implied by business surveys.

An RBNZ statement similar to the one produced in August would generate little market reaction. There is the potential for a material market reaction however if the RBNZ either adopts a more explicit easing bias or if it implied that it no longer thought rate cuts were likely. Our sense is that, if there were to be a surprise, it would likely be on the hawkish side (given the GDP surprise), although we think this is still quite a low probability. In the absence of a surprise from the RBNZ, we think the 2 year swap should be capped around 2.05% - 2.10% for now.

Before the RBNZ OCR Review, the ANZ Business Survey is released on Wednesday. The weakness in business confidence has been a major concern weighing on the RBNZ and the market, and the last Survey showed declines in both investment and employment intentions. We expect the activity indicators in the Survey to remain subdued, but the big surprise (more likely to generate a meaningful market reaction) would be if there was an unexpected bounce in business confidence.

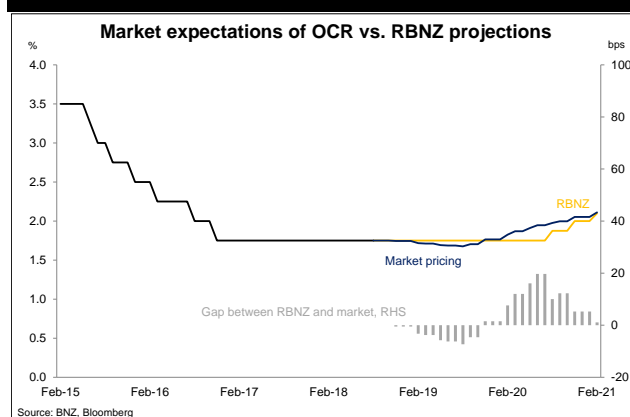
Offshore rates were higher last week, with the 10 year US Treasury yield rising to 3.06% - its highest level since May. Improved risk sentiment looks to be one of the drivers of higher US yields over the past week, alongside growing

expectations of continued Fed tightening through 2019. The market has increased Fed rate hike pricing for 2019 from 32bps at the start of the month to nearly 50bps now.

The rise in US yields, alongside the GDP upside surprise led to a modest steepening in the NZ curve and an underperformance in the 5 year point of the curve. The 2s5s10s butterfly has moved to -14bps now, from -21bps earlier this month.

The focus offshore this week will be the FOMC meeting on Thursday morning (a few hours before the RBNZ OCR Review). A rate hike is a done deal, and the focus will be on the Fed's interest rate projections for 2019 (the so called 'dots'). The last FOMC meeting showed a median rate projection of three further hikes in 2019, which lies above the market's current two hike expectation. We expect the 'dots' for 2019 to remain the same at this meeting, with the risk being that they indicate a fourth hike. We expect UST yields to grind higher over the remainder of the year.

The market still prices some risk of an OCR rate cut



Current Rates/Spreads and Recent Ranges

	Current	Last 3-weeks range*
NZ 90d bank bills (%)	1.91	1.88 - 1.91
NZ 2yr swap (%)	2.03	1.96 - 2.04
NZ 5yr swap (%)	2.41	2.27 - 2.42
NZ 10yr swap (%)	2.93	2.79 - 2.95
2s10s swap curve (bps)	90	83 - 90
NZ 10yr swap-govt (bps)	26	25 - 30
NZ 10yr govt (%)	2.67	2.51 - 2.69
US 10yr govt (%)	3.06	2.85 - 3.09
NZ-US 10yr (bps)	-40	-42 - -35
NZ-AU 2yr swap (bps)	-3	-12 - -1
NZ-AU 10yr govt (bps)	-4	-7 - 0

*Indicative range over last 3 weeks

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Foreign Exchange Markets

Reuters pg BNZFWDS Bloomberg pg BNZ9

The NZD recovered strongly last week as President Trump's latest tariff impost on Chinese imports proved to be at the moderate end of the scale (10% on \$200bn of goods rather than the threatened 25%) and NZ Q2 GDP data were stronger than expected. The pick-up in economic momentum went against the grain of plunging business confidence and provided evidence that the economy had yet to hit a pothole. Expectations are that Q3 GDP will be robust as well.

So the NZD made around 2% gains against the USD, JPY, GBP and CNY. It also rose around 1% against EUR and ended up just 0.2% against AUD as that currency also benefited from the positive news on trade tariffs.

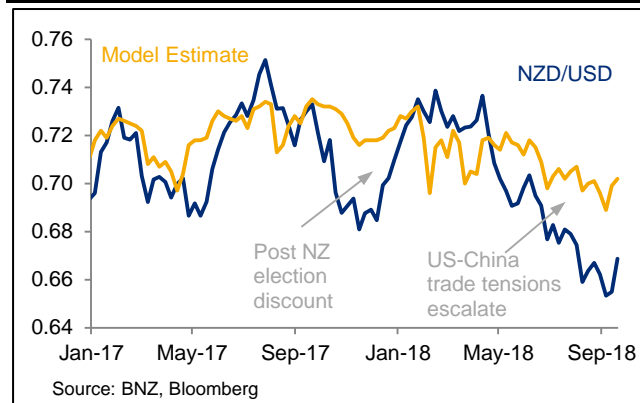
Despite the NZD recovery, it remains just under 5% shy of our short-term fair value estimate, which nudged up above 0.70, as risk appetite improved during the week. We don't see the NZD recovering to that level over coming months as we expect to see downward pressure on our model estimate, as risk appetite is likely to fall from its current elevated level and NZ-US yield spreads should continue to fall. The technical charts show plenty of resistance ahead, initially at 0.6730 and then again near 0.6830.

The focus for the week ahead turns away from trade wars and towards US and NZ monetary policy outlooks, with Fed and RBNZ updates on Thursday morning. The FOMC is set to hike the Fed Funds rate range by another 25bps to 2.0-2.25%. Along with the decision, there will be a new set of economic and rate projections and a press conference by Chair Powell. Focus will also be on whether the Fed sticks to its projected rate hike path amid trade uncertainty and a flattening yield curve – recent commentary by officials suggests they will and the balance of risk lies with the median Fed Funds rates for 2019 rising, not falling. Expect the USD to be jumpy on the day, but we can't see any obvious argument for a sustained market reaction.

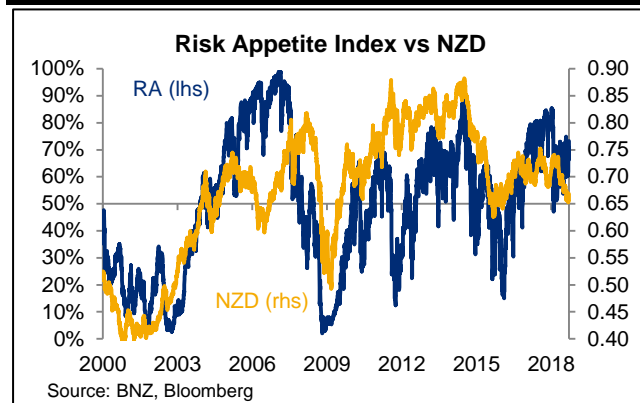
The RBNZ should acknowledge the stronger starting point for the economy, following the Q2 GDP miss. But we doubt it has changed its policy outlook for keeping rates on hold "for a considerable period". In August, it seemed that the RBNZ was spooked by the plunge in business confidence and this had an impact on its projections. So the Bank will be keen to see the latest reading of the ANZ business outlook survey released on Wednesday before finalising its OCR Review statement. Although not expected, a significant recovery in business confidence could well change the RBNZ's policy outlook. For now, we'd expect the Bank's language to remain similar to August, in keeping its options open about policy, and that shouldn't lead to much market reaction. At the margin, the balance of risk is for a slightly firmer tone, which would be NZD-positive.

In other economic news, US core PCE inflation data at the end of the week is expected to show annual inflation steady at 2.0%, with previously released CPI data giving a good guide. CPI data in the euro area are expected to show a nudge up in both core and headline inflation, not significant enough to change ECB policy expectations.

NZD Still Trades at a 5% discount to Short-Term FV



Risk Appetite Still Above-Average



Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6672	0.6500 - 0.6700
NZD/AUD	0.9181	0.9070 - 0.9210
NZD/GBP	0.5102	0.4990 - 0.5140
NZD/EUR	0.5682	0.5610 - 0.5700
NZD/JPY	75.07	72.30 - 75.50

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.7020	-5%
NZD/AUD	0.9050	1%

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Technicals

NZD/USD

Outlook: Downside risk
 ST Resistance: 0.6730 (ahead of 0.6830)
 ST Support: 0.6500 (ahead of 0.6400)

The NZD recovery last week puts it out of the danger zone for plunging to fresh lows. Support remains at 0.65, while initial resistance is close by at 0.6730.



NZD/AUD

Outlook: Trading range
 ST Resistance: 0.9230 (ahead of 0.9400)
 ST Support: 0.9050 (ahead of 0.8950)

Trading aimlessly over the past few weeks. Resistance sits just over 0.92. Beyond that level, there is little resistance ahead of 0.94.



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NZ 5-year Swap Rate

Outlook: Bearish
 ST Resistance: 2.495
 ST Support: 2.34

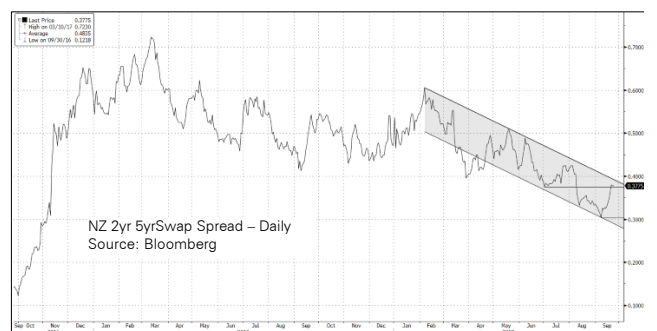
2.41 was broken last week so have initiated a paid position. Once resistance trendline at 2.43 is breached, expect a move to 2.495.



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

Outlook: Neutral
 ST Resistance: +39.5
 ST Support: +30.5

Turned neutral (though +37.5). Await a break of trendline resistance to initiate steepener.



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Quarterly Forecasts

Forecasts as at 27 September 2018

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
GDP (production s.a.)	0.8	0.6	0.6	0.5	1.0	0.8	0.9	0.5	0.7	0.7
Retail trade (real s.a.)	1.6	0.3	1.3	0.3	1.1	1.2	1.2	0.7	0.6	0.6
Current account (ytd, % GDP)	-2.6	-2.6	-2.9	-3.0	-3.3	-3.5	-3.8	-3.8	-4.1	-4.3
CPI (q/q)	0.0	0.5	0.1	0.5	0.4	0.8	0.5	0.6	0.4	0.7
Employment	-0.1	2.2	0.4	0.6	0.5	0.5	0.5	0.6	0.5	0.4
Unemployment rate %	4.8	4.6	4.5	4.4	4.5	4.4	4.3	4.2	4.2	4.3
Avg hourly earnings (ann %)	1.2	2.0	3.1	4.0	3.3	2.9	3.0	2.8	3.4	3.6
Trading partner GDP (ann %)	3.7	4.0	3.9	4.1	4.1	3.9	3.9	3.8	3.7	3.7
CPI (y/y)	1.7	1.9	1.6	1.1	1.5	1.8	2.2	2.3	2.3	2.2
GDP (production s.a., y/y)	2.8	2.6	2.9	2.6	2.8	3.0	3.3	3.2	2.9	2.9

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 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	1.90	2.40	2.95	2.20	2.70	3.20	2.20	2.85	0.10
Jun	1.75	2.00	2.35	2.90	2.25	2.70	3.15	2.35	2.90	-0.06
Forecasts										
Sep	1.75	1.95	2.15	2.75	2.00	2.45	3.05	2.40	3.10	-0.35
Dec	1.75	1.95	2.25	2.90	2.00	2.55	3.20	2.65	3.25	-0.35
2019 Mar	1.75	1.95	2.40	2.95	2.20	2.70	3.25	2.85	3.25	-0.30
Jun	1.75	2.05	2.60	3.20	2.40	2.70	3.25	3.20	3.50	-0.30
Sep	2.00	2.30	2.85	3.35	2.70	2.70	3.25	3.45	3.50	-0.15
Dec	2.25	2.55	3.05	3.50	3.00	2.90	3.50	3.45	3.50	0.00
2020 Mar	2.50	2.80	3.20	3.60	3.20	2.90	3.50	3.20	3.50	0.10
Jun	2.75	2.95	3.35	3.60	3.20	2.90	3.50	3.20	3.50	0.20
Sep	2.75	2.95	3.40	3.60	3.20	3.15	3.65	3.20	3.50	0.25

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.67	0.73	1.17	1.31	113
Sep-18	0.67	0.73	1.15	1.25	109
Dec-18	0.68	0.75	1.18	1.26	110
Mar-19	0.68	0.75	1.22	1.28	108
Jun-19	0.69	0.75	1.22	1.30	106
Sep-19	0.69	0.75	1.25	1.34	104
Dec-19	0.69	0.75	1.30	1.40	102
Mar-20	0.70	0.75	1.32	1.43	100
Jun-20	0.69	0.74	1.34	1.46	99
Sep-20	0.68	0.74	1.36	1.49	98
Dec-20	0.67	0.73	1.38	1.52	98

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.67	0.92	0.57	0.51	75.2	72.5
Sep-18	0.67	0.92	0.58	0.54	73.0	72.6
Dec-18	0.68	0.91	0.58	0.54	74.8	72.9
Mar-19	0.68	0.91	0.56	0.53	73.4	72.1
Jun-19	0.69	0.92	0.57	0.53	73.1	72.6
Sep-19	0.69	0.92	0.55	0.52	71.8	71.9
Dec-19	0.69	0.92	0.53	0.49	70.4	71.3
Mar-20	0.70	0.93	0.53	0.49	70.0	71.9
Jun-20	0.69	0.93	0.52	0.47	68.3	70.9
Sep-20	0.68	0.92	0.50	0.46	66.6	69.6
Dec-20	0.67	0.92	0.49	0.44	65.7	68.7

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 27 September 2018	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2017	2018	2019	2020	2021	2016	2017	2018	2019	2020
GDP - annual average % change										
Private Consumption	5.1	3.8	3.2	2.3	1.6	4.8	4.4	3.0	2.7	1.7
Government Consumption	1.9	4.8	3.9	1.7	1.7	1.6	4.5	4.2	2.1	1.7
Total Investment	5.6	3.8	2.4	3.5	3.8	6.4	3.4	2.9	3.3	3.6
Stocks - ppts cont'n to growth	-0.1	-0.1	0.1	0.0	0.0	0.0	-0.1	0.3	-0.2	0.0
GNE	4.6	3.9	3.8	2.5	2.2	4.6	4.1	4.0	2.7	2.2
Exports	1.3	3.0	4.9	4.2	3.9	2.1	1.8	4.2	4.7	4.0
Imports	5.1	7.2	6.8	3.2	2.5	3.4	7.0	7.4	3.9	2.3
Real Expenditure GDP	3.5	2.8	3.1	2.7	2.5	4.1	2.7	3.0	2.9	2.6
GDP (production)	3.7	2.7	3.1	2.8	2.6	4.0	2.8	2.9	2.9	2.7
GDP - annual % change (q/q)	3.0	2.6	3.2	2.8	2.4	3.4	2.9	3.3	2.8	2.5
Output Gap (ann avg, % dev)	1.1	0.7	0.8	0.6	0.4	1.2	0.8	0.7	0.7	0.5
Household Savings (% disp. income)	-2.8	-1.8	-3.7	-3.7	-2.8					
Nominal Expenditure GDP - \$bn	270.6	285.9	298.8	314.0	325.8	266.5	283.0	294.8	310.1	323.3
Prices and Employment - annual % change										
CPI	2.2	1.1	2.3	2.2	2.1	1.3	1.6	2.2	2.0	2.1
Employment	5.7	3.1	2.1	1.6	1.6	5.8	3.7	2.1	1.9	1.6
Unemployment Rate %	4.9	4.4	4.2	4.3	4.2	5.3	4.5	4.3	4.2	4.2
Wages - ahote	1.1	4.0	2.8	3.9	3.4	1.1	3.1	3.0	3.8	3.6
Productivity (ann av %)	-1.9	-0.8	0.0	1.0	1.0	-0.8	-1.4	-0.3	0.8	1.1
Unit Labour Costs (ann av %)	3.9	3.9	3.5	2.7	2.4	2.7	4.0	4.0	2.7	2.4
External Balance										
Current Account - \$bn	-6.9	-8.5	-11.4	-12.5	-14.3	-5.7	-8.2	-11.3	-13.0	-13.5
Current Account - % of GDP	-2.6	-3.0	-3.8	-4.0	-4.4	-2.1	-2.9	-3.8	-4.2	-4.2
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	1.5	1.2	1.0	1.5	1.5					
Net Core Crown Debt (excl NZS Fund Assets)	21.7	20.8	20.6	19.7	18.3					
Bond Programme - \$bn	8.0	8.0	8.0	9.0	9.0					
Bond Programme - % of GDP	3.0	2.8	2.7	2.9	2.8					
Financial Variables ⁽¹⁾										
NZD/USD	0.70	0.73	0.68	0.70	0.68	0.70	0.70	0.68	0.69	0.67
USD/JPY	113	106	108	100	98	116	113	110	102	98
EUR/USD	1.07	1.23	1.22	1.32	1.38	1.05	1.18	1.18	1.30	1.38
NZD/AUD	0.92	0.94	0.91	0.93	0.92	0.96	0.91	0.91	0.92	0.92
NZD/GBP	0.57	0.52	0.53	0.49	0.44	0.56	0.52	0.54	0.49	0.44
NZD/EUR	0.66	0.59	0.56	0.53	0.49	0.67	0.59	0.58	0.53	0.49
NZD/YEN	79.1	77.0	73.4	70.0	65.7	81.6	78.7	74.8	70.4	65.7
TWI	76.5	74.8	72.1	71.9	69.4	78.1	73.6	72.9	71.3	68.7
Overnight Cash Rate (end qtr)	1.75	1.75	1.75	2.50	2.75	1.75	1.75	1.75	2.25	2.75
90-day Bank Bill Rate	1.98	1.93	1.95	2.78	2.87	2.02	1.88	1.95	2.53	2.95
5-year Govt Bond	2.70	2.35	2.40	3.20	3.45	2.75	2.30	2.25	3.05	3.40
10-year Govt Bond	3.25	2.95	2.95	3.60	3.85	3.30	2.80	2.90	3.50	3.80
2-year Swap	2.30	2.25	2.20	3.20	3.40	2.40	2.20	2.00	3.00	3.40
5-year Swap	3.00	2.70	2.70	3.50	3.75	3.00	2.65	2.55	3.35	3.70
US 10-year Bonds	2.50	2.85	3.25	3.50	3.50	2.50	2.40	3.25	3.50	3.50
NZ-US 10-year Spread	0.75	0.10	-0.30	0.10	0.35	0.80	0.40	-0.35	0.00	0.30

⁽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 24 September				Thursday 27 September...continued			
Germ, IFO Index, September		103.2	103.8	US, GDP, Q2 3rd est	+4.2%		+4.2%P
UK, CBI Industrial Trends, September		+4	+7	US, Durables Orders, August 1st est	+1.9%		-1.7%
Tuesday 25 September				Friday 28 September			
Jpn, BOJ Minutes, 31 July Meeting				NZ, Building Consents, August (res, #)			-10.3%
US, Shiller Home Price Index, July y/y			+6.2%	NZ, ANZ-RM Consumer Confidence, Sep			117.6
US, Consumer Confidence, September		132.0	133.4	NZ, Credit Aggregates, Aug (household y/y)			+6.0%
Wednesday 26 September				Sunday 30 September			
NZ, New Residential Lending, August y/y			+15.0%	NZ, Daylight Saving Begins, +1hr to +13:00GMT			
NZ, ANZ Business Survey, September			-50.3	China, Non-manufacturing PMI, September		54.0	54.2
NZ, Merchandise Trade, August	-\$1,473m	-\$925m	-\$143m	China, PMI (NBS), August		51.1	51.3
UK, CBI Retailing Reported Sales, September		+17	+29				
US, New Home Sales, August		630k	627k				
US, FOMC Policy Announcement	2.25%	2.25%	2.00%				
Thursday 27 September							
NZ, RBNZ OCR Review	1.75%	1.75%	1.75%				
China, Industrial Profits, August y/y			+16.2%				
Euro, Economic Confidence, September		111.2	111.6				
Euro, ECB Economic Bulletin							
Germ, Retail Sales, August		+0.4%	-0.4%				
Germ, CPI, Sept y/y 1st est		+2.0%	+2.0%				
US, International Goods Trade, August		-\$70.6b	-\$72.0b				

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	2.03	1.99	2.04	2.21
1mth	1.83	1.82	1.81	1.83	3 years	2.15	2.08	2.13	2.40
2mth	1.86	1.85	1.86	1.89	4 years	2.28	2.20	2.25	2.57
3mth	1.91	1.89	1.93	1.96	5 years	2.41	2.33	2.37	2.72
6mth	1.95	1.94	1.96	1.98	10 years	2.93	2.85	2.87	3.21
GOVERNMENT STOCK					FOREIGN EXCHANGE				
03/19	1.73	1.71	1.72	1.95	NZD/USD	0.6671	0.6578	0.6695	0.7264
04/20	1.73	1.65	1.69	2.12	NZD/AUD	0.9181	0.9164	0.9114	0.9153
05/21	1.78	1.69	1.74	2.28	NZD/JPY	75.06	73.57	74.36	81.17
04/23	2.00	1.91	1.97	2.58	NZD/EUR	0.5680	0.5630	0.5734	0.6131
04/25	2.27	2.18	2.24	2.85	NZD/GBP	0.5101	0.4999	0.5195	0.5394
04/27	2.49	2.40	2.42	2.99	NZD/CAD	0.8621	0.8579	0.8683	0.8987
04/29	2.67	2.58	2.58						
04/33	2.85	2.76	2.75	3.33	TWI	72.4	71.7	72.4	76.4
04/37	2.99	2.91	2.90	3.54					
GLOBAL CREDIT INDICES (ITRXX)									
Australia 5Y	68	70	74						
Nth America 5Y	62	57	58	59					
Europe 5Y	68	60	66	59					

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