23 October 2018

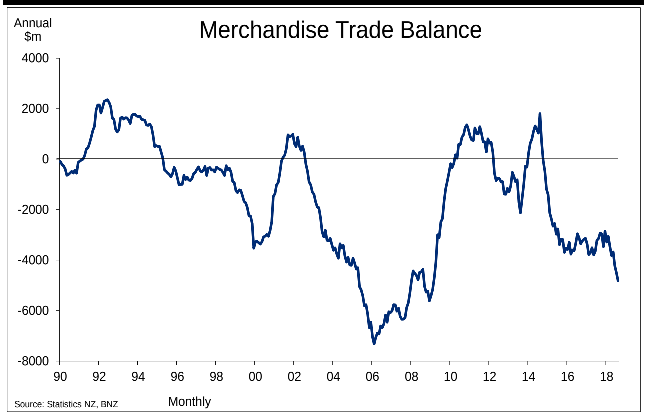
No Holiday For Expanding Trade Deficit

- **Annual goods trade deficit to pierce $5b**
- **And expected to widen further**
- **As imports grow faster than exports**
- **Amid domestic capacity constraints**
- **Lending, living costs data due**

It is a short week, given yesterday's Labour Day holiday. It is also a week short on data, with Thursday's merchandise trade figures for September the only piece with any potential to pique the market's interest. To be sure, a monthly trade release is unlikely to substantially alter views. But we think the deteriorating trend in the nation's external trade flows is well worth paying attention to. It is something we have been monitoring for a while and it's not just higher oil prices in play.

We expect September's figures to show another substantial monthly trade deficit, to the tune of $1,419m (marginally bigger than the $1,365m deficit expected by the market). Our view would see the annual merchandise trade deficit balloon out to $5,067m. It would be the first time since the GFC that the annual deficit exceeded $5b and represents a rather sharp deterioration from less than $3b a year ago.

Bigger Deficit



It is not as if exports are weak. Far from it. Indeed, we think exports in September were around 9% higher than a year earlier. Good as that would be, we judge import growth will be that much faster (again), we think up 12% on a year ago. For the year ending September as a whole, we anticipate export and import growth of 11.3% and 14.6% respectively over the corresponding period a year earlier.

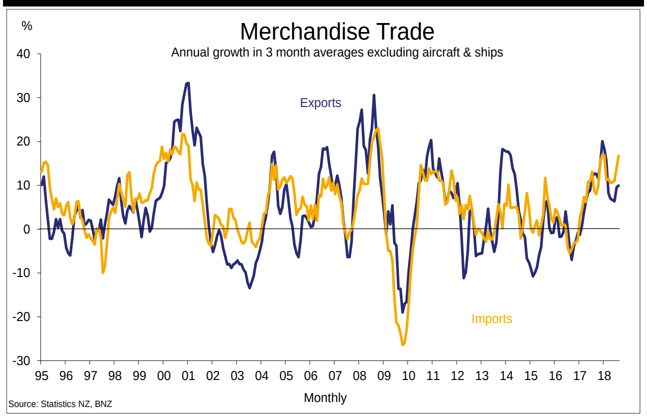
Strong Growth

Higher oil prices are certainly part of the deteriorating trade picture. International crude oil prices have lifted more than 40% over the past year. This has boosted the cost of imports and brought pain at the petrol pump. Interestingly, imports excluding oil have also been outpacing exports over the past year. To the extent that higher prices are driving imports, it is putting upward pressure on costs and downward pressure on margins and confidence.

Meanwhile, the value of both exports and imports are being boosted by a lower NZD. In the September quarter, the NZD TWI is down around 6% on the same period last year, accounting for a significant portion of both export and import growth.

But it is the balance of trade that is worth keeping an eye on. This includes the real trade balance, not that Thursday's monthly figures will provide much detail on

Mind The Gap



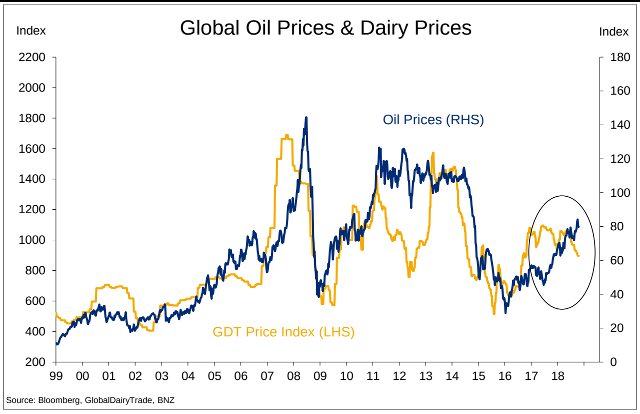
National Australia Bank

that. But there will be some export quantity figures that we look to confirm our thinking that export volumes grew strongly in Q3, driven by strong gains in meat and dairy, as part of our initial 0.8% estimate for Q3 GDP.

In any case, the nominal trade figures are arguably more instructive in NZ's case as a commodity exporter (where prices matter enormously) and a capital importer (where statistical quality adjustments typically drive unit prices down and volumes higher). Put another way, the terms of trade is at least as important as the real trade balance. Both matter for income and should be considered in tandem.

But the main point, whether you look at reals or nominals, is that the goods trade deficit has been trending wider. It looks set to get wider still over the coming year as import growth is expected to barrel on (related to elevated oil prices, growing domestic demand amid domestic capacity constraints), while export growth is (biologically and environmentally) constrained on the volume side and commodity prices ease back from recent highs.

Not A Helpful Mix



Source: Bloomberg, GlobalDairyTrade, BNZ

This is a key reason why we think the current account deficit will expand to around 4.5% of GDP through next year. That would be a size that might start getting a bit more of the market's attention than the latest reading of 3.3%, especially if it is deemed to be driven by unsustainable strength in domestic consumption driving imports above exports rather than say capital goods imports that bring the prospect of enhanced productivity, better returns, and stronger future growth.

That is to say that a trade deficit is not necessarily a bad thing – it depends on what is driving it. More productivity enhancing imported capital equipment can be a positive sign, not so cost pressures from higher oil prices, now easing primary product export prices, or higher imports reflecting domestic capacity constraints. All up, Thursday's data may not prove to be a big market mover, but we think the trends are worth monitoring.

Of course, merchandise trade is only part of the wider external accounts. For the current account as a whole, services trade have been something of a savior over recent years, with a services surplus (boosted by tourism) more than offsetting the goods deficit to date (on a balance of payments basis). Also very important has been NZ's record goods terms of trade. The latter has helped afford more imports. All this makes NZ vulnerable to a tourism downturn or a hit to the terms of trade.

Other than September's trade data, Thursday afternoon's new residential lending might get a sideways glance, in the context of mixed (regional) messages around the housing market of late. And anyone interested in the equity aspects of rising inflation, Friday's Household Living-costs Price Indexes (essentially a re-cut of the Q3 CPI) will be at your disposal.

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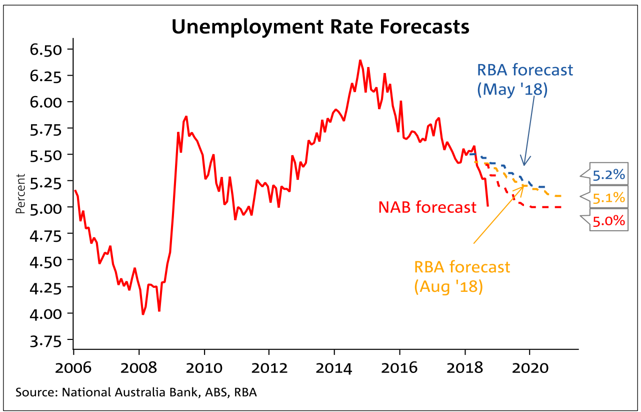
Global Watch

- **Strong US Q3 GDP expected, although slower than Q2**
- **Eyes still on US earnings**
- **BoC expected to hike Wednesday**
- **No changes expected at Thursday's ECB meeting**
- **BoE's Carney, Haldane speak on Tuesday**
- **PMIs due in US, EU, Japan**

Australia
Very quiet this week. No data. Some passing interest will be on appearances by RBA Deputy Governor Guy Debelle and Assistant Governor Michelle Bullock today with both offering seemingly brief remarks at conference events..

Debelle is appearing at the 2018 ISDA Conference and the 2018 Sibos Conference, while Bullock is also at the Sibos Conference. None of these forums is focused on the economy or monetary policy (at the Sibos conference, Debelle and Bullock will be on panels centred on the FX Code of Conduct and digital currencies, respectively), but any clues they offer in Q&A are always of interest, including any reflections on the recent sharp fall in the unemployment rate to 5.0%, the RBA's best estimate of full employment.

Chart 1: Unemployment rate is well below RBA forecast



US

Q3 GDP (Friday), Q3 earnings releases and Flash PMIs (Wednesday) will be the focus of the week ahead. The fragile equity market backdrop means that markets will be carefully watching the company reports rolling in, including: Amazon, Microsoft, Intel, Twitter, McDonald's, Ford, UBS and Deutsche Bank. GDP is expected to remain strong, at 3.3%, but ease off from 4.2% seen in Q2. Markit Manufacturing PMI will be watched for any very early potential impacts from the signing of the trade deal USMCA.

Canada

The big event will be the BoC on Wednesday where a 25bp hike is almost fully priced by markets. The economy is running close to potential and the 5.9% jobless rate is almost back to multi-decade lows. Business investment, already improving, will likely rise further on the back of the recently agreed USMCA.

Eurozone

Flash German and Eurozone PMIs are due Wednesday. The story thus far has been a weakening path in the composite PMI, with auto output (and hence manufacturing) hit. This has been partly offset by better services activity. The sheer extent of recent softening makes us think we are nearing a base, auto manufacturing volatility notwithstanding. The ECB meets on Thursday, but this is for all intents and purposes a 'holding meeting' with no new forecasts and no big changes of language expected. That will wait for December and the end of QE. We expect the ECB to remain upbeat about the economic outlook based on a strengthening labour market with rising wages and favourable financing conditions.

UK

Brexit is still the focus, although there's unlikely to be much progress in the week ahead. UK real income growth is rising and the focus is drifting to the BoE quarterly Inflation Report and rate meeting on 1 November. With that in mind Carney speaks from Toronto on Tuesday, while Haldane (increasingly hawkish) speaks from Paris on the same day.

Japan

For the week ahead, it's fairly quiet, with the Nikkei Manufacturing PMI on Wednesday and October Tokyo CPI on Friday of note.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Last week saw NZ Q3 CPI data coming in stronger than market and RBNZ expectations. This wasn't all down to petrol prices as non-tradeables inflation was 0.2% stronger than the RBNZ's estimate. But the impact on the market was muted to the extent that the average of core inflation measures was steady around the 1.7-1.8% mark.

The key market impact was visible in the OIS curve, with the pricing of a rate cut by August 2019 reduced from a 24% chance to a 12% chance. The 2-year swap rate got to as high as 2.06%, but by the end of the week it had settled down to around 2.03%, barely changed for the week.

The data reaffirmed our belief that the RBNZ is unlikely to cut the OCR again this cycle. We expect headline inflation to print above 2% over the next quarter (our preliminary forecast is 2.4% y/y) and stay above 2% right through 2019. This is expected to feed into higher inflation expectations and add to pressure on wages as cost of living adjustments shift higher. So core inflation is expected to drift higher as well.

We still have a rate hike pencilled into our forecast projections from the second half of next year but continue to believe that the market will be reluctant to start pricing rate hikes into the OIS curve while the threat of low business confidence overhangs the growth outlook. We expect 2-year swap to trade a tight range over the rest of the year, with support near the 2% mark and resistance near 2.10%.

Only second-tier domestic data are released this week. The next key releases are the ANZ survey on 31 October and labour market data on 7 November, just ahead of the RBNZ's next MPS on 8 November. Recent signs of higher inflation and growth holding up much better than the RBNZ thought will be giving the Bank some food for thought as it starts its new forecasting round.

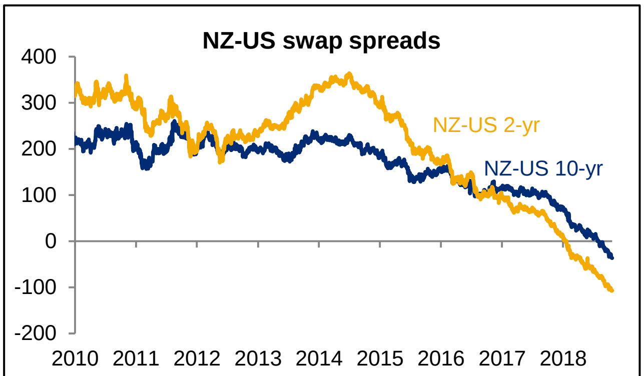
The long end of the curve was lacklustre last week, with US Treasuries stuck in a tight range. Since hitting a fresh multi-year high two weeks ago of 3.26%, the market has consolidated and sits around 3.20%. There seems to be only muted reaction to the step up in equity market volatility we have seen over recent weeks. This is a sign of a market trading close to "equilibrium", requiring a significant external force to awake the market. We see the risk of slightly more upside than downside in rates through to the end of the year.

Looking at the economic calendar for the week ahead, it all looks pretty quiet until US Q3 GDP data are released Friday night. Consensus sits at an annualised 3.4% growth for the quarter, another strong outcome which would simply reinforce expectations for another Fed rate hike before the end of the year. We don't see much change in language from the ECB later this week and another rate hike by the Bank of Canada is widely anticipated.

NZ mid to long term swap rates barely showed a pulse last week, given the global backdrop of steady rates but they even showed a lack of response to the strong domestic inflation data. As with global rates, we see more upside than downside risk into year-end, but don't expect to see much movement in the week ahead.

NZ-US swap rate spreads remained under downward pressure last week despite much stronger than expected NZ CPI data. For as long as the US market under-prices the risk of Fed rate hikes through the next 18 months and the RBNZ sits unmoved on policy, downward pressure will likely persist.

Rate Differentials Still Heading South



Source: BNZ., Bloomberg

Current Rates/Spreads and Recent Ranges

	Current	Last 3-weeks range*
NZ 90d bank bills (%)	1.90	1.88 - 1.90
NZ 2yr swap (%)	2.03	2.01 - 2.06
NZ 5yr swap (%)	2.39	2.35 - 2.43
NZ 10yr swap (%)	2.90	2.85 - 2.95
2s10s swap curve (bps)	87	84 - 92
NZ 10yr swap-govt (bps)	24	23 - 30
NZ 10yr govt (%)	2.66	2.57 - 2.70
US 10yr govt (%)	3.20	3.05 - 3.26
NZ-US 10yr (bps)	-54	-59 - -47
NZ-AU 2yr swap (bps)	-3	-4 - 1
NZ-AU 10yr govt (bps)	-5	-13 - -2

*Indicative range over last 3 weeks

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Foreign Exchange Markets

Reuters pg BNZWFWDS Bloomberg pg BNZ9

The NZD outperformed last week, closing just under 0.66 and rising by 1-2% on all the key crosses we monitor closely. Driving the broadly-based rally was stronger-than-expected Q3 CPI inflation data. While the reaction in the rates market was more muted, we did see some modest reduction in pricing for OCR rate cuts over the year ahead.

Supporting factors for the NZD were flat to slightly better risk appetite and a better vibe towards China. The US six-monthly Treasury report did not label China a currency currency manipulator. Meanwhile, Chinese authorities have come out in force talking of support for China's economy. President Xi vowed to offer "unwavering" support for the private sector and released a plan for personal income tax cuts beginning 2019. Yesterday, the PBoC chimed in with further accommodative measures, designed to ease funding strains of private companies.

While Chinese equities have staged a big counter-trend rally (up around 7½% over two trading days), the follow-through into currency markets has been minor. Indeed, CNY continues to look vulnerable, hovering around 6.95, its weakest level in nearly two years. The correlation between the NZD and CNY is moderate, rather than high, but high enough to suggest that should CNY continue to weaken, through 7 and beyond, then that could easily spillover into weaker Asia-Pacific currencies like the NZD. This dynamic is a key constraint for any potential further recovery in the NZD.

We expect to see the NZD in a bit of a holding pattern this week. The year-to-date low of 0.6425 is where support lies, while trendline resistance now sits at 0.6610, which proved to be a bit of a barrier in trading at the end of last week and at the start of trading this week. We'd need to see the NZD break up through 0.6730 before having some confidence that the downward trend has been broken.

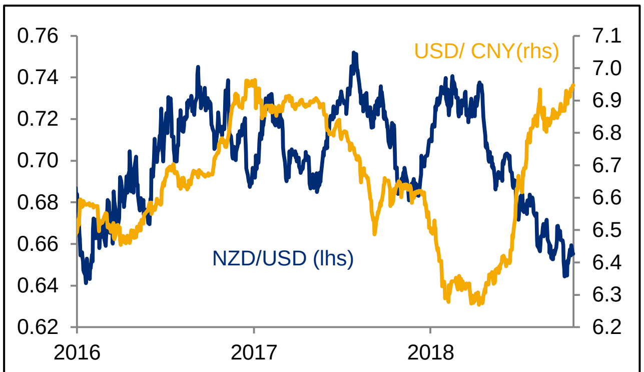
Other currencies have their own home-grown issues. Brexit and the threat of a leadership challenge to UK PM May overhangs GBP. A change in leadership would raise the possibility of a fresh election and the potential change to a Labour government with socialist tendencies, which would be highly GBP-negative. A focus on Italy's budget woes, with the country's run-in with the EU over the issue remains a near-term headwind for EUR.

The weekend by-election in Australia saw a big swing against the ruling Liberal party in a usually safe seat, seeing the government lose its majority and now propped up by Independents until the next general election by May 2019. The market didn't put too much weight on the unemployment rate falling to 5% to a seven year low, with the RBA still looking to keep policy on hold for some time yet. A big retreat in oil prices from their high has removed one support for AUD, helping see NZD/AUD move up to a 4-month high. We previously highlighted the risk of oil heading towards $100 and pushing NZD/AUD lower, but that near-term threat remains on hold for now.

The economic calendar this week is fairly light, with only second tier NZ releases. In the US the key release is the first reading of Q3 GDP at the end of the week, which is expected to confirm that growth is on a firm footing, running above 3% (consensus is at an annualised 3.4%).

We aren't expecting much market reaction to the ECB meeting Thursday night. We are in the final months of quantitative easing policy. Rate hikes remain a distant prospect and the Bank is unlikely to be drawn into changing guidance of unchanged rates "through the summer", which makes September 2019 the earliest start date. The Bank of Canada is widely expected (88% priced) to hike rates Wednesday night for the fifth time this cycle.

CNY Trend Still A Downside Risk For NZD



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6554	0.6430 - 0.6620
NZD/AUD	0.9252	0.9100 - 0.9300
NZD/GBP	0.5054	0.4880 - 0.5080
NZD/EUR	0.5716	0.5580 - 0.5760
NZD/JPY	73.94	72.30 - 75.10

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6790	-3%
NZD/AUD	0.9030	2%

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Technicals

NZD/USD

Outlook: Downside risk
ST Resistance: 0.6610 (ahead of 0.6730)
ST Support: 0.6425 (ahead of 0.6400)

The NZD has recovered recently, but hasn't convincingly broken trendline resistance, which now sits at 0.6610. The YTD low of 0.6425 is the first level of support.

NZD/AUD

Outlook: Trading range
ST Resistance: 0.9300 (ahead of 0.9380)
ST Support: 0.9050 (ahead of 0.8950)

After trading aimlessly over the past couple of months, the cross has broken higher and suddenly the downside threat is reduced. Resistance now sits at 0.93.

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NZ 5-year Swap Rate

Outlook: Bearish
ST Resistance: 2.495
ST Support: 2.34

Still expect a move higher to 2.495 possibly extending to 2.5975. Stop on close below 2.34.

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

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

Still neutral awaiting a break to signal new position.

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Quarterly Forecasts

Forecasts as at 23 October 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	0.8	0.4	0.7	0.7
Retail trade (real s.a.)	1.6	0.3	1.3	0.3	1.1	1.1	1.0	0.7	0.6	0.6
Current account (ytd, % GDP)	-2.6	-2.6	-2.9	-3.0	-3.3	-3.7	-4.0	-4.0	-4.2	-4.5
CPI (q/q)	0.0	0.5	0.1	0.5	0.4	0.8	0.6	0.6	0.5	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	2.3	2.4	2.5	2.4
GDP (production s.a., y/y))	2.8	2.6	2.9	2.6	2.8	3.0	3.1	3.0	2.7	2.6

Interest Rates

Historical data - qtr average Forecast data - end quarter		Cash	Government Stock 90 Day Bank Bills	 5 Year	 10 Year	Swaps 2 Year	 5 Year	 10 Year	US Rates Libor 3 month	 US 10 yr	Spread NZ-US Ten year
2017	**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
	Sep	1.75	2.00	2.25	2.80	2.20	2.65	3.10	2.35	3.00	-0.45
Forecasts											
	Dec	1.75	1.95	2.25	2.85	2.00	2.55	3.15	2.40	3.25	-0.40
2019	**Mar**	1.75	1.95	2.35	2.90	2.20	2.65	3.20	2.60	3.25	-0.35
	Jun	1.75	2.05	2.60	3.15	2.40	2.65	3.20	2.95	3.50	-0.35
	Sep	2.00	2.30	2.80	3.30	2.70	2.65	3.20	3.20	3.50	-0.20
	Dec	2.25	2.55	3.00	3.45	3.00	2.90	3.45	3.20	3.50	-0.05
2020	**Mar**	2.50	2.80	3.15	3.55	3.20	2.90	3.45	2.95	3.50	0.05
	Jun	2.75	2.95	3.30	3.55	3.20	2.90	3.45	2.95	3.50	0.15
	Sep	2.75	2.95	3.35	3.55	3.20	3.10	3.60	2.95	3.50	0.20
	Dec	2.75	2.95	3.35	3.65	3.40	3.10	3.60	2.95	3.50	0.25

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.65	0.71	1.16	1.31	112
Dec-18	0.65	0.71	1.18	1.26	112
Mar-19	0.65	0.72	1.20	1.28	110
Jun-19	0.66	0.73	1.22	1.30	110
Sep-19	0.68	0.75	1.25	1.34	108
Dec-19	0.69	0.75	1.30	1.40	106
Mar-20	0.70	0.76	1.32	1.43	104
Jun-20	0.70	0.77	1.34	1.46	102
Sep-20	0.70	0.76	1.36	1.49	100
Dec-20	0.69	0.75	1.38	1.52	99
Mar-21	0.70	0.75	1.38	1.52	98

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.65	0.91	0.56	0.50	72.9	71.3
Dec-18	0.65	0.91	0.55	0.51	72.5	70.8
Mar-19	0.65	0.90	0.54	0.51	71.5	71.4
Jun-19	0.66	0.90	0.54	0.51	72.6	72.6
Sep-19	0.68	0.91	0.54	0.51	73.4	74.2
Dec-19	0.69	0.92	0.53	0.49	73.1	74.5
Mar-20	0.70	0.92	0.53	0.49	72.8	74.9
Jun-20	0.70	0.91	0.52	0.48	71.4	74.0
Sep-20	0.70	0.92	0.52	0.47	70.0	73.5
Dec-20	0.69	0.92	0.50	0.45	68.3	72.1
Mar-21	0.70	0.93	0.51	0.46	68.6	73.1
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 23 October 2018	March Years Actuals 2017	2018	Forecasts 2019	2020	2021	December Years Actuals 2016	2017	Forecasts 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	5.0	4.0	3.8	2.1	1.8	4.3	4.7	3.9
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	3.2	2.7	2.5	4.1	2.7	3.0	2.9	2.6
GDP (production)	**3.7**	**2.7**	**3.0**	**2.7**	**2.5**	**4.0**	**2.8**	**2.9**	**2.8**	**2.6**
GDP - annual % change (q/q)	*3.0*	*2.6*	*3.0*	*2.7*	*2.4*	*3.4*	*2.9*	*3.1*	*2.6*	*2.5*
Output Gap (ann avg, % dev)	1.1	0.7	0.7	0.4	0.2	1.2	0.8	0.7	0.5	0.2
Household Savings (% disp. income)	-2.8	-1.8	-3.7	-3.8	-2.8					
Nominal Expenditure GDP - $bn	270.6	285.9	298.9	314.0	325.8	266.5	283.0	294.9	310.2	323.4
Prices and Employment - annual % change										
CPI	2.2	1.1	2.4	1.8	1.9	1.3	1.6	2.3	2.1	1.7
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	0.8	1.0	-0.8	-1.4	-0.3	0.6	1.0
Unit Labour Costs (ann av %)	3.9	3.9	3.5	2.8	2.4	2.7	4.0	4.0	2.9	2.4
External Balance										
Current Account - $bn	-6.9	-8.5	-12.0	-12.7	-13.9	-5.7	-8.2	-11.7	-13.4	-13.2
Current Account - % of GDP	-2.6	-3.0	-4.0	-4.0	-4.3	-2.1	-2.9	-4.0	-4.3	-4.1
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	1.5	1.9	1.1	1.2	1.3					
Net Core Crown Debt (excl NZS Fund Assets)	21.7	19.9	19.6	19.0	17.8					
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	0.65	0.70	0.70	0.70	0.70	0.65	0.69	0.69
USD/JPY	113	106	110	104	98	116	113	112	106	99
EUR/USD	1.07	1.23	1.20	1.32	1.38	1.05	1.18	1.18	1.30	1.38
NZD/AUD	0.92	0.94	0.90	0.92	0.93	0.96	0.91	0.91	0.92	0.92
NZD/GBP	0.57	0.52	0.51	0.49	0.46	0.56	0.52	0.51	0.49	0.45
NZD/EUR	0.66	0.59	0.54	0.53	0.51	0.67	0.59	0.55	0.53	0.50
NZD/YEN	79.1	77.0	71.5	72.8	68.6	81.6	78.7	72.5	73.1	68.3
TWI	76.5	74.8	71.4	74.9	73.1	78.1	73.6	70.8	74.5	72.1
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	2.35	3.15	3.40	2.75	2.30	2.25	3.00	3.35
10-year Govt Bond	3.25	2.95	2.90	3.55	3.80	3.30	2.80	2.85	3.45	3.75
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	2.65	3.45	3.70	3.00	2.65	2.55	3.30	3.65
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	-0.35	0.05	0.30	0.80	0.40	-0.40	-0.05	0.25

(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
Tuesday 23 October			
Euro, Consumer Confidence, Oct 1st est		-3.2	-2.9
Germ, PPI, Sept y/y		+3.0%	+3.1%
UK, Carney Speaks, Eco Club of NY			
UK, CBI Industrial Trends, October		+2	-1
Wednesday 24 October			
Euro, M3, September y/y		+3.5%	+3.5%
Euro, PMI Services, Oct 1st est		54.5	54.7
Euro, PMI Manufacturing, Oct 1st est		53.0	53.2
US, Markit PMI, October 1st est		55.3	55.6
US, New Home Sales, September		625k	629k
US, Markit PSI, October 1st est		54.0	53.5
Can, BOC Policy Announcement		1.75%	1.50%
Thursday 25 October			
NZ, Merchandise Trade, September	-$1,419m	-$1,365m	-$1,484m
NZ, New Residential Lending, Sept y/y			+5.8%
Euro, ECB Policy Announcement, Refi	0.00%	0.00%	0.00%
Germ, IFO Index, October		103.2	103.7
US, Wholesale Inventories, Sept 1st est		+0.5%	+1.0%
US, Jobless Claims, week ended 20/10		213k	210k
US, Durables Orders, Sept 1st est		-1.4%	+4.4%
US, Pending Home Sales, September		flat	-1.8%
US, International Goods Trade, Sept advance		-$75.6b	-$75.8b
Friday 26 October			
NZ, Household Living Costs, Q3			
NZ, Business Demography Statistics, As at February 2018			
US, Mich Cons Confidence, Oct 2nd est		99.0	99.0P
US, Beige Book			
US, GDP, Q3 1st est		+3.4%	+4.2%
Saturday 27 October			
China, Industrial Profits, Sept y/y			+9.2%
Germ, (circa) Retail Sales, September		+0.4%	-0.1%

Historical Data

	Today	Week ago	Month Ago	Year Ago
CASH & BANK BILLS				
Call	1.75	1.75	1.75	1.75
1mth	1.82	1.82	1.83	1.80
2mth	1.86	1.86	1.87	1.87
3mth	1.90	1.91	1.93	1.96
6mth	1.93	1.95	1.97	1.98
GOVERNMENT STOCK				
03/19	1.74	1.74	1.73	1.87
04/20	1.76	1.76	1.74	2.03
05/21	1.82	1.85	1.79	2.18
04/23	2.02	2.05	2.02	2.49
04/25	2.28	2.31	2.29	2.79
04/27	2.49	2.52	2.50	2.99
04/29	2.66	2.69	2.68	
04/33	2.84	2.86	2.85	3.34
04/37	2.97	3.00	2.99	3.53
GLOBAL CREDIT INDICES (ITRXX)				
Australia 5Y	79	74	68	
Nth America 5Y	68	63	62	53
Europe 5Y	74	73	69	54

	Today	Week ago	Month Ago	Year Ago
SWAP RATES				
2 years	2.03	2.04	2.05	2.17
3 years	2.14	2.15	2.16	2.34
4 years	2.26	2.28	2.29	2.51
5 years	2.39	2.41	2.42	2.67
10 years	2.90	2.92	2.94	3.20
FOREIGN EXCHANGE				
NZD/USD	0.6553	0.6574	0.6647	0.6909
NZD/AUD	0.9250	0.9221	0.9169	0.8877
NZD/JPY	73.93	73.80	75.09	78.67
NZD/EUR	0.5714	0.5690	0.5649	0.5871
NZD/GBP	0.5052	0.4994	0.5042	0.5257
NZD/CAD	0.8582	0.8503	0.8610	0.8752
TWI	72.1	72.1	72.3	73.4

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