6 December 2021

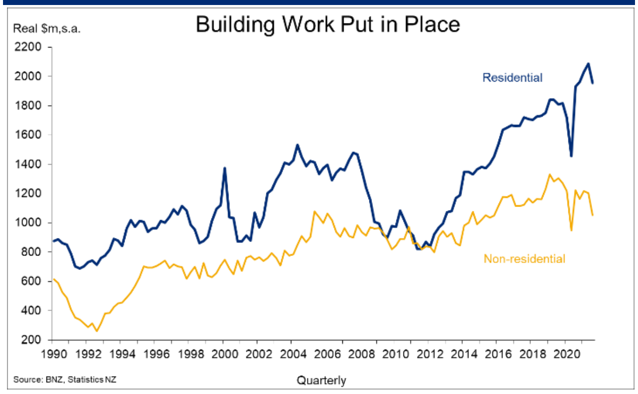
Gauging the Near-term Bounce

- **"Partials" to test our view Q3 GDP shrank 7%**
- **Building work falls 8.6% in Q3 (but levels not weak)**
- **We're picking Nov. card transactions to increase 4%**
- **Can Friday's PMI echo robustness in PMIs globally?**
- **Commodity export price fortunes becoming quite mixed**
- **RBNZ's Hawkesby/Bascand talking (separately) Tuesday 9am**

This week has a cluster of September quarter activity "partials". These will tell us whether we need to revise our expectation for Q3 GDP (presently -7%). More interestingly, there are several key data snaps for November. These will indicate how well the economy has since been expanding.

Regarding the "partials", they've begun with this morning's Building Work Put in Place for Q3. These registered a contraction of 8.6%, in real terms. This comprised a 6.4% slip in residential work and a 12.4% drop with respect to non-residential activity (leaving residential activity at a still very strong level, but non-residential levels looking a bit "average", in historical perspective).

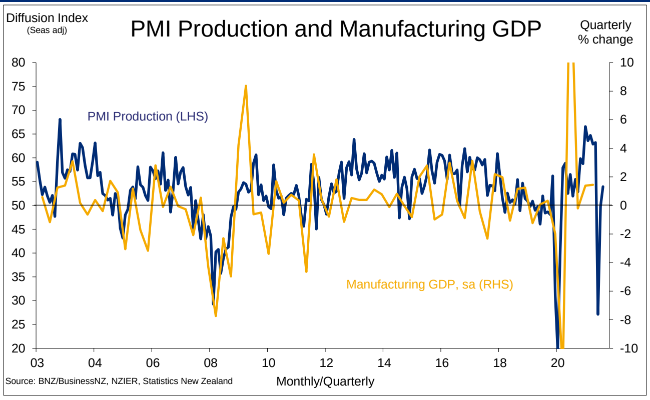
So Bad, Not So Good



While this was a chunky fall in building activity, overall, it wasn't quite as big as the 10% decline we had pencilled in. This piques our feeling that Q3 GDP might not fall as much as the 7% we (and the RBNZ) currently expect. However, we'll leave any alterations until we see the host of "partials" in Thursday's business financial data (including manufacturing and wholesaling).

We expect the manufacturing sales and inventory data to infer a 10% fall in the industry's output through Q3. A fall in manufacturing production was certainly the message from the Performance of Manufacturing Index, whose production index averaged 46.7 through Q3. However, this was a mixed bag of a very strong July (63.2), a very weak August (27.1) and a stabilised September (49.8). It's hard to translate this into what Stats NZ's survey measure might come up with, for the quarter as a whole.

The Big Dipper



As for Thursday's wholesale trade figures, we expect these to infer a 12% drop in volume terms. This means a seasonally adjusted fall in the value measure of around 10%, considering wholesale trade prices (as per the PPI) increased 1.8%. However, we also need to reconcile this with the increase reported for goods imports in Q3 (in last week's International Trade data).

We will also interrogate Thursday's business data for news on the services sector, to see what it might mean for Q3 GDP. While these services series are hard to map into the GDP accounts, some of them have proved useful for gauging the major quarterly ups and downs since the pandemic began. Of course, the services sector dominates GDP, and has arguably had more than its fair share of issues to contend with, given the lockdowns.

If we were to take a guess at the revision risk for our forecasts, we would say it's for less of a decline in Q3 GDP that we presently estimate. However, anything can happen with the remaining partials so we will just wait and see on those.

For what it's worth, the Reserve Bank, in its November Monetary Policy Statement, anticipated GDP to decline 7% in Q3 (then rebound 5.8% in Q4 and 2.6% in Q1).

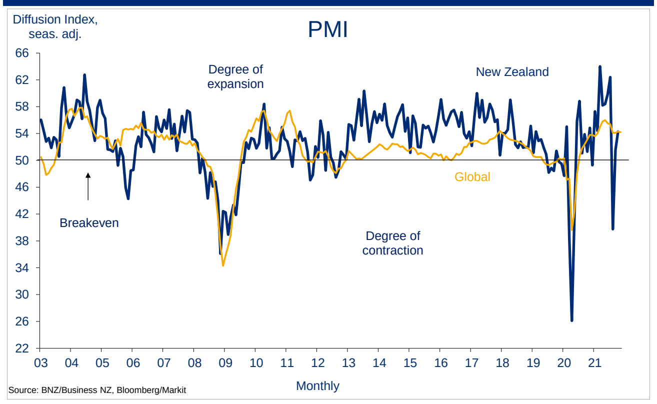
Of course, GDP is not the pointer to monetary policy that it used to be – in the current environment. Not when the pandemic is continuing to cause so much disruption – to both demand and the ability to supply. What's important to do these days is cut to the chase of how the labour market and inflation are travelling. And on these scores, the pressure is clearly on in New Zealand (and the United States would appear to be following a similar script).

With regards to economic activity, however, Friday's electronic card transactions (ECT) for November will be an important marker. We expect a value increase of 4% in these (principally as a lot of Auckland's retail sector was released from restriction near the start of the month). This would build on the near 10% jump that the ECT registered in October. And we can reasonably expect a further strong gain for December, given New Zealand's (particularly Auckland's) move into the much-less restrictive traffic-light COVID system last Thursday/Friday.

Still, this would shape "just" a 4% rebound in real retail trade in Q4, compared to Q3. A bigger gain looks probable for Q1 retail trade, even though the monthly moves in the ECT are prone to level off in the new year, even retreat a bit. It's just the way the quarterly averages work, but something to bear in mind for GDP.

Like Friday's ECT data, the day's PMI will also help flesh out how the economy was doing in November. While we haven't received the draft numbers (at time of writing), we have seen the global PMIs for November, and they proved relatively solid, in spite of Delta.

A Decent Backdrop



Also, November's truck-o-meter data from ANZ will be worth a look, to help get a handle on how activity is rebounding, as the economy shakes the shackles of COVID-related restrictions. These numbers are due Thursday.

There is also a thread of commodity export price news through the week. This will likely confirm ongoing strength (consistent with a record high terms of trade), albeit with divergent fortunes now emerging across commodity type.

For instance, while this afternoon's ANZ commodity price index for November looks set to increase by about 3% in total, this will likely reflect repeating gains in dairy offsetting clear price falls for the likes of forestry and aluminium.

As for Wednesday's early morning GDT auction, this will probably go on to show further solid gain in dairy export prices, bolstering expectations of a record-high milk price paid to farmers for the present (2021/22) season.

Finally, though, we've just received notification from the RBNZ that Assistant Governor, Christian Hawkesby, and current Deputy Governor, Andrew Bascand, are scheduled to speak Tuesday morning from about 9:00am. Hawkesby will address the KangaNews Capital Market Summit, while Bascand will give a keynote speech at the Financial Services Council ReGenerations Conference, entitled "Reflections of a Central Banker". We don't expect these to deviate from recent RBNZ messages, but who can ever ignore central bank speak, and the way it's interpreted by all and sundry?

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Global Watch

- **US CPI annual inflation expect to lift further**
- **China CPI seen higher, PPI very high but easing**
- **Little new expected from RBA tomorrow**
- **European data calendar light**

Australia

The RBA meets on Tuesday for the final meeting of the year. After a meaningful evolution of the monetary policy messaging in November, there is unlikely to be much to see tomorrow. Since the November meeting and SoMP, there has been little to change the RBA's view.

More interesting will be the first meeting back in the new year on 1 February. NAB expects the RBA to discontinue bond purchases at that meeting after seeing evidence of a quick rebound from recent lockdowns and further progress towards their goals. Q4 CPI is released the week ahead of the meeting on 25 January.

Governor Lowe speaks to Payments Summit 2021 on Thursday.

After the flurry of data this past week, there is very limited pickings in the week ahead. ABS Residential Property Price Indexes on Thursday are worth a look, with the more timely CoreLogic data pointing to a gain of about 5.0% q/q. Job ads are due today, with consumer confidence tomorrow.

China

November credit data is due in the week from Thursday, with markets looking for a jump from October numbers. New yuan loans are seen at 1,590bn from 826bn. Earlier in the week, the trade balance is seen little changed at $82bn. Thursday's inflation numbers are expected to show a lift in the annual rate of CPI growth from 1.5% to 2.5% y/y, while the PPI is expected to slow from 13.5% to 12.0% y/y.

US

Fed Chair Powell has retired the word 'transitory' from discussion around inflation. In that context, we get the November CPI data on Friday. The consensus is for another punchy core inflation print of 0.5% m/m, which would take the annual core reading to 4.9% y/y. Also out during the week are JOLTs job numbers for October and the University of Michigan Sentiment on Friday. Fed speak goes silent given the FOMC meeting next week.

UK

October monthly GDP is due on Friday, alongside trade data for the month. Friday also sees the November BoE/Kantar inflation survey for the next 12-months, which may be informative for the BoE meeting next week. The BoE's Broadbent speaks today, just ahead of the pre-meeting blackout period.

Eurozone

A quiet week with final Q3 GDP and employment out on Tuesday along with the ZEW analyst survey for December.

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Fixed Interest Market

Reuters: BNZL, BNZM Bloomberg:BNZ

Last week saw big curve flattening moves in both the NZ interest rate market and major markets offshore. Long-term interest rates were sharply lower on the week, as the market grappled with the risks around the Omicron variant and equity markets weakened. Meanwhile, short-term rates were higher as markets positioned for Fed rate hikes next year.

The US 10-year rate fell 14bps last week, to a 2½-month low of 1.34%. Safe-haven demand for longer-term government bonds picked up as equity markets came under pressure, with the moves likely exacerbated by investors closing out bets on higher interest rates. Inflation expectations were lower (US 10-year breakeven inflation -11bps to 2.44%) on lower oil prices and hawkish commentary from Fed officials.

It was a different story at the short end of the curve, with the US 2-year rate continuing to hover near its recent 18-month highs, around 0.60%. When news of Omicron first broke, the market's initial reaction was to push back the expected timing of the first Fed hike into 2023. But hawkish commentary from Fed officials last week – with multiple officials voicing support for a quicker tapering, which would open the door to earlier rate hikes – has seen the market bring forward pricing of the first hike to July next year. The nonfarm payrolls report on Friday was a mixed bag, but the consensus is that it won't deter the Fed from announcing an accelerated tapering, likely from $15b per month to $30b, at its meeting next week.

The falls in US long-term rates, from what were already extremely low levels on a historical basis, look incongruous with the growing expectations of Fed rate hikes next year. At face value, the market doesn't expect the Fed will need to raise its cash rate very far at all to get inflation back to target. Market pricing for the terminal Fed funds rate is around 1.35%, which would be well below the 2.5% peak in the cash rate in 2018. Historically, the US 10-year rate has always increased through a Fed tightening cycle and our core view is still that it will head higher next year, although near-term direction is likely to be dictated by Omicron developments.

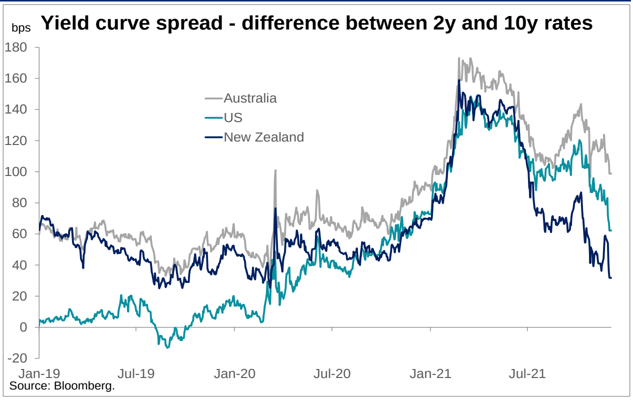
The moves in the US and elsewhere spilled over to New Zealand, where the 10-year swap rate was 16bps lower last week, to a six-week low of 2.57%, and the yield curve between 2 and 10-year rates hit 0.32%, its flattest level since early 2019. New Zealand long-term rates remain highly correlated to US and Australian moves, a trend that is likely to continue. Our expectation is that the NZ 10-year rate will push higher next year, contingent on global rates tracking higher, although we think the bulk of the move higher is probably behind us now.

The short end of the NZ swaps curve remains volatile and illiquid. After repricing lower after the RBNZ hiked by 'only' 25bps and articulated plans to tighten in "considered steps", the 2-year swap rate snapped 10bps higher last week. The increase in the 2-year swap rate last week appears to be related to investor profit-taking and ongoing mortgage-related paying, which the market is seemingly struggling to digest.

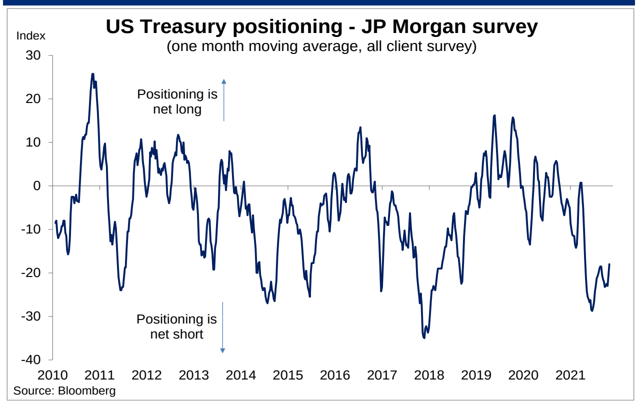
At face value, the market prices the OCR to reach around 2.35% by the end of 2022, implying (almost) a 25bps rate hike at each of the seven meetings next year. We think market pricing likely overstates the market's 'true' OCR expectations because it also likely reflects risk premia, to entice investors to take the other side of the mortgage-related paying in swaps. Either way, with the market pricing more OCR rate hikes than we think likely, we don't think short-end rates, like the 2-year swap rate, will increase to the extent expected by the market, although more volatility is possible heading into year-end.

The market focus this week is likely to be squarely on developments with Omicron. The key data release is US CPI on Friday, where the consensus is for headline inflation to hit an almost 40-year high of 6.7% y/y and core inflation to reach its highest level since the early 1990s, at 4.9%. Higher than expected inflation has been a key driver behind the Fed's recent hawkish pivot. The RBA meeting is expected to pass without incident tomorrow, with the key meeting – at which it will decide on what to do with QE – set for February. Locally, there are partial indicators ahead of next week's GDP release, where we have pencilled in a 7% fall in growth in Q3.

Yield curves flatten sharply



Surveys suggest investors are still positioned for higher US rates



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Foreign Exchange Market

Reuters pg BNZWFWDS Bloomberg pg BNZ9

Risk appetite has consolidated at a below-average level, near 40% on our risk appetite index. This reflects the uncertainty and spread of the Omicron variant of COVID19 and the Fed's incrementally more hawkish tone. Against this backdrop, the NZD and AUD underperformed last week, both reaching fresh lows for the year, with the former hitting 0.6741 and the latter going sub-0.70. NZD/AUD rose by 0.8% to 0.9650. Safe-haven currencies outperformed, seeing NZD/JPY down nearly 1½% to 76.2. NZD/EUR fell 1% to 0.5965.

The new mutant COVID19 variant Omicron was a key focus for the market last week. A lot more countries reported new cases of that variant had reached their shores, including Australia and the US. The variant's transmissibility, deadliness and current vaccine efficacy all remain speculative without further data. It will take another week or two before all these questions can be answered. Various anecdotes emerged during the week on these questions causing some market volatility. Early indications are that the variant could be more transmissible that the already highly transmissible Delta variant, but vaccinated people are only seeing mild symptoms.

The other key driver of markets last week was comments by Fed Chair Powell in front of lawmakers, who adopted a hawkish tone. He said that price pressures had spread more broadly across the economy in recent months and that the "threat of persistently higher inflation has grown". It was time to retire the word "transitory". He added that it was appropriate to consider a faster taper of QE that would allow an end to the programme a few months sooner next year. A growing chorus of FOMC members share the same view, suggesting that a faster taper pace will likely be adopted at the mid-December meeting. This would give some optionality of earlier rate increases next year.

Late last week, US non farm payrolls data were weaker than expected, but the unemployment rate, based on a separate household survey, showed another notable decline to 4.2%, getting into the zone of "full employment", another indicator that the Fed needs to get a move on and normalise monetary policy settings.

The market prices in a good chance of a higher Fed Funds rate from June next year and close to 2½ hikes are priced for 2022. The US yield curve showed a sharp flattening bias last week. Yield curve flattening is usually associated with lower growth expectations and can often act as a significant headwind for commodity currencies like the NZD.

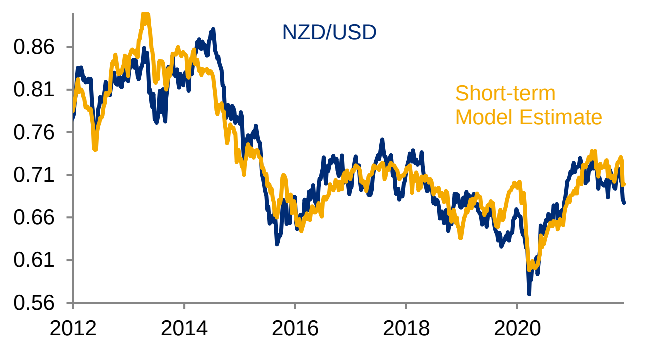
For the NZD, the key technical support level of 0.68 has clearly been broken. The charts now show a lack of technical support through to about 0.65. We have previously alluded to 0.67 as potentially being the bottom of the range we expected through to mid next year, but that view didn't assume the emergence of a more vicious COVID19 strain. A move to 0.65 can't be ruled out if Omicron proves to be more transmissible, deadlier and more vaccine-resistant than currently believed.

We'd note that the recent fall in the NZD has followed the reduction in our short-term fair value estimate, which has just slipped below 0.70, driven lower by the fall in risk appetite. The spot rate has consistently tracked below our model estimate since March so in that respect the NZD is not seen to be oversold. Its current level remains well within the fair-value zone of the model (see chart).

In the week ahead, only second-tier domestic economic data are released. Globally, the focus turns to the US CPI at the end of the week, where the consensus sees a mammoth headline rise of 6.7% y/y and 4.9% y/y for the core. The trend this year has been for positive surprises. The data should reinforce the view that the Fed needs to quickly normalise monetary policy or run the risk of high inflation expectations becoming entrenched.

Tomorrow's RBA policy update is expected to pass without incident, with the key meeting – at which it will decide on what to do with QE – set for February.

Recent trading in NZD in line with gyrations in fair value model



Source: BNZ, Bloomberg

Cross Rates and Model Estimates

	Current	Last 3-weeks range*
NZD/USD	0.6766	0.6740 - 0.7050
NZD/AUD	0.9656	0.9520 - 0.9700
NZD/GBP	0.5108	0.5090 - 0.5260
NZD/EUR	0.5981	0.5960 - 0.6230
NZD/JPY	76.35	76.00 - 80.70

*Indicative range over last 3 weeks, rounded figures

BNZ Short-term Fair Value Models

	Model Est.	Actual/FV
NZD/USD	0.6990	-3%
NZD/AUD	0.9210	5%

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Technicals

NZD/USD

Outlook:	Trading range
ST Resistance:	0.70 (ahead of 0.7220)
ST Support:	0.65

Key support of 0.68 was broken last week and there are now no obvious support levels until about 0.65.

NZD/AUD

Outlook:	Trading range
ST Resistance:	0.9700 (ahead of 0.9730)
ST Support:	0.9400 (ahead of 0.9240)

Resistance is around 0.97-0.9730, while support is not a current threat, down at 0.94.

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NZ 5-year Swap Rate

Outlook: Neutral

MT resistance: 3.10

ST support: 2.30

Market is still in consolidation phase. Staying neutral until we get a new strong technical signal.

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

Outlook: steeper

MT resistance: 0.51

MT support: 0.31

Range still holding put steepener on at +31 with a stop on close below 0.275.

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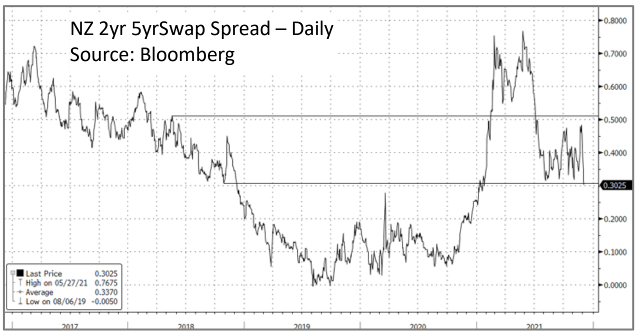

Quarterly Forecasts

Forecasts as at 6 December 2021

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22
GDP (production s.a.)	-9.9	13.9	-1.0	1.4	2.8	-7.0	2.6	4.9	1.8	0.4
Retail trade (real s.a.)	-15.6	28.4	-2.3	2.3	3.3	-8.1	4.0	6.0	0.8	0.6
Current account (ytd, % GDP)	-1.5	-0.7	-0.8	-2.5	-3.3	-4.7	-5.7	-5.8	-6.1	-6.0
CPI (q/q)	-0.5	0.7	0.5	0.8	1.3	2.2	1.3	0.9	0.5	0.9
Employment	-0.4	-0.7	0.7	0.5	1.0	2.0	0.4	0.0	0.2	0.2
Unemployment rate %	4.1	5.3	4.8	4.6	4.0	3.4	3.3	3.3	3.3	3.4
Avg hourly earnings (ann %)	2.4	3.7	4.6	4.1	4.5	3.6	3.8	4.3	4.8	4.8
Trading partner GDP (ann %)	-5.3	-0.9	0.8	6.7	9.8	4.2	3.6	4.2	4.3	5.1
CPI (y/y)	1.5	1.4	1.4	1.5	3.3	4.9	5.8	5.8	5.0	3.6
GDP (production s.a., y/y))	-10.2	1.4	0.1	2.9	17.4	-4.2	-0.6	2.8	1.8	9.9

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
2020	**Mar**	0.75	1.05	1.00	1.35	1.00	1.10	1.40	1.55	1.40	-0.03
	Jun	0.25	0.30	0.40	0.85	0.25	0.40	0.80	0.60	0.70	0.15
	Sep	0.25	0.30	0.25	0.65	0.15	0.25	0.60	0.25	0.65	0.02
	Dec	0.25	0.25	0.25	0.70	0.15	0.30	0.75	0.20	0.85	-0.15
2021	**Mar**	0.25	0.30	0.75	1.40	0.40	0.85	1.50	0.20	1.30	0.09
	Jun	0.25	0.35	1.00	1.75	0.55	1.20	1.90	0.15	1.60	0.17
	Sep	0.25	0.50	1.35	1.75	1.20	1.60	1.95	0.15	1.30	0.41
Forecasts											
	Dec	0.75	0.95	2.50	2.55	2.25	2.60	2.65	0.15	1.80	0.75
2022	**Mar**	1.00	1.35	2.65	2.80	2.45	2.75	2.90	0.15	2.00	0.80
	Jun	1.50	1.95	2.75	3.05	2.65	2.85	3.15	0.15	2.20	0.85
	Sep	2.00	2.25	2.80	3.15	2.75	2.90	3.25	0.15	2.35	0.80
	Dec	2.25	2.50	2.85	3.20	2.80	2.95	3.30	0.15	2.50	0.70
2023	**Mar**	2.50	2.65	2.85	3.20	2.80	2.95	3.30	0.15	2.50	0.70
	Jun	2.50	2.65	2.85	3.20	2.80	2.95	3.30	0.15	2.50	0.70

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.68	0.70	1.13	1.32	113
Dec-21	0.69	0.72	1.15	1.32	112
Mar-22	0.70	0.73	1.16	1.33	111
Jun-22	0.70	0.74	1.17	1.35	112
Sep-22	0.71	0.76	1.19	1.36	111
Dec-22	0.72	0.78	1.20	1.38	111
Mar-23	0.72	0.78	1.22	1.39	110
Jun-23	0.72	0.78	1.24	1.40	109
Sep-23	0.72	0.78	1.24	1.42	108
Dec-23	0.71	0.77	1.25	1.43	108
Mar-24	0.70	0.76	1.25	1.43	107

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.68	0.96	0.60	0.51	76.4	73.0
Dec-21	0.69	0.95	0.60	0.52	77.0	73.4
Mar-22	0.70	0.95	0.60	0.52	77.4	73.8
Jun-22	0.70	0.94	0.60	0.52	78.4	73.7
Sep-22	0.71	0.94	0.60	0.52	79.1	74.4
Dec-22	0.72	0.93	0.60	0.52	79.9	74.7
Mar-23	0.72	0.93	0.59	0.52	79.2	74.5
Jun-23	0.72	0.92	0.58	0.51	78.5	74.2
Sep-23	0.72	0.92	0.58	0.51	77.8	74.1
Dec-23	0.71	0.92	0.57	0.50	76.7	73.2
Mar-24	0.70	0.92	0.56	0.49	74.9	72.5
TWI Weights	13.6%	18.7%	10.4%	4.1%	6.1%	

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

Annual Forecasts

Forecasts as at 6 December 2021	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2020	2021	2022	2023	2024	2019	2020	2021	2022	2023
GDP - annual average % change										
Private Consumption	2.7	0.2	4.7	6.2	1.9	3.4	-1.3	6.3	5.8	2.2
Government Consumption	6.1	6.5	7.7	1.9	1.3	5.4	6.3	8.3	2.9	1.2
Total Investment	1.3	-4.4	4.9	7.1	-0.9	3.2	-7.0	6.8	6.7	-0.2
Stocks - ppts cont'n to growth	-0.5	-0.1	0.4	0.3	-0.1	-0.7	-0.8	1.0	0.3	-0.2
GNE	2.4	0.2	6.3	5.8	1.1	2.9	-2.0	8.4	5.9	1.3
Exports	0.3	-17.8	5.7	12.2	5.6	2.5	-12.6	-3.4	9.7	9.2
Imports	1.2	-16.1	18.0	10.3	4.0	2.1	-16.0	14.9	10.1	5.8
Real Expenditure GDP	2.1	-0.3	3.0	5.8	1.3	3.0	-1.1	3.4	5.6	1.7
GDP (production)	**1.7**	**-1.4**	**3.4**	**5.4**	**1.3**	**2.4**	**-2.1**	**3.4**	**5.5**	**1.6**
GDP - annual % change (q/q)	*0.1*	*2.9*	*2.8*	*2.8*	*1.7*	*1.8*	*0.1*	*-0.6*	*7.5*	*1.3*
Output Gap (ann avg, % dev)	1.4	-1.5	-0.1	2.3	1.1	1.9	-1.7	-0.3	2.3	1.4
Nominal Expenditure GDP - $bn	322	325	348	376	390	319	322	342	372	386
Prices and Employment - annual % change										
CPI	2.5	1.5	5.8	2.6	2.3	1.9	1.4	5.8	2.7	2.5
Employment	2.5	0.2	3.4	0.7	1.0	1.2	0.6	4.0	0.6	0.7
Unemployment Rate %	4.2	4.6	3.3	3.6	4.1	4.0	4.8	3.3	3.5	4.0
Wages - ahote	3.2	4.1	4.3	4.5	2.8	3.8	2.6	4.6	3.8	4.8
Productivity (ann av %)	-0.3	-1.9	0.2	4.2	0.6	0.5	-3.3	1.1	3.4	0.9
Unit Labour Costs (ann av %)	3.3	4.5	6.1	0.2	2.7	2.5	5.7	4.8	1.0	2.8
House Prices	7.8	24.1	11.2	-5.9	0.0	4.6	17.0	21.0	-3.2	-2.5
External Balance										
Current Account - $bn	-7.6	-8.2	-20.2	-19.6	-18.3	-9.3	-2.7	-19.4	-21.2	-19.1
Current Account - % of GDP	-2.4	-2.5	-5.8	-5.2	-4.7	-2.9	-0.8	-5.7	-5.7	-5.0
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	-7.3	-1.3	-5.5	-1.8	-0.2					
Net Core Crown Debt (excl NZS Fund Assets)	26.3	30.1	42.0	45.0	42.0					
Bond Programme - $bn (Treasury forecasts)	29.0	45.0	30.0	25.0	25.0					
Bond Programme - % of GDP	9.0	13.8	8.6	6.6	6.4					
Financial Variables [(1)]										
NZD/USD	0.60	0.71	0.70	0.72	0.71	0.66	0.71	0.69	0.72	0.71
USD/JPY	108	109	111	110	108	109	104	112	111	108
EUR/USD	1.11	1.19	1.16	1.22	1.25	1.11	1.22	1.15	1.20	1.25
NZD/AUD	0.97	0.93	0.95	0.93	0.92	0.96	0.94	0.95	0.93	0.92
NZD/GBP	0.49	0.51	0.52	0.52	0.50	0.50	0.53	0.52	0.52	0.50
NZD/EUR	0.55	0.60	0.60	0.59	0.57	0.59	0.58	0.60	0.60	0.57
NZD/YEN	65.1	77.5	77.4	79.2	76.7	72.0	73.6	77.0	79.9	76.7
TWI	68.9	74.8	73.8	74.5	73.2	72.8	74.3	73.4	74.7	73.2
Overnight Cash Rate (end qtr)	0.25	0.25	1.00	2.50	2.25	1.00	0.25	0.75	2.25	2.50
90-day Bank Bill Rate	0.71	0.33	1.35	2.65	2.40	1.23	0.26	0.95	2.50	2.65
5-year Govt Bond	0.80	1.00	2.65	2.85	2.50	1.25	0.40	2.50	2.85	2.65
10-year Govt Bond	1.15	1.75	2.80	3.20	3.05	1.60	0.90	2.55	3.20	3.15
2-year Swap	0.65	0.50	2.45	2.80	2.40	1.25	0.28	2.25	2.80	2.60
5-year Swap	0.80	1.15	2.75	2.95	2.60	1.40	0.49	2.60	2.95	2.75
US 10-year Bonds	0.90	1.60	2.00	2.50	2.50	1.85	0.90	1.80	2.50	2.50
NZ-US 10-year Spread	0.25	0.15	0.80	0.70	0.55	-0.25	0.00	0.75	0.70	0.65

[(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

All times and dates NZT

		Median Fcast	Last
Monday			
NZ	Volume of All Buildings SA QoQ 3Q	-13.00%	2.00%
NZ	ANZ Commodity Price MoM Nov		2.10%
AU	Melbourne Institute Inflation YoY Nov		3.10%
AU	ANZ Job Advertisements MoM Nov		6.20%
GE	Factory Orders MoM Oct	-0.30%	1.30%
Tuesday			
UK	BOE's Broadbent speaks		
JN	Household Spending YoY Oct	-0.60%	-1.90%
AU	House Price Index QoQ 3Q	5.00%	6.70%
AU	RBA Cash Rate Target Dev-07	0.10%	0.10%
GE	Industrial Production SA MoM Oct	0.90%	-1.10%
GE	ZEW Survey Expectations Dec	25	31.7
EC	Employment QoQ 3Q F		0.90%
EC	GDP SA QoQ 3Q F	2.20%	2.20%
CH	Trade Balance CNY Nov	575.00b	545.95b
Wednesday			
US	Trade Balance Oct	-$66.9b	-$80.9b
NZ	GDT Dairy Auction		1.90%
NZ	Finance Minister at Select Committee		
JN	GDP SA QoQ 3Q F	-0.80%	-0.80%
EC	ECB's Lagarde Speaks		
Thursday			
CA	Bank of Canada Rate Decision Dec-08	0.25%	0.25%
US	JOLTS Job Openings Oct	10500k	10438k
NZ	ANZ Truckometer Heavy MoM Nov		1.00%
NZ	Mfg Activity Volume QoQ 3Q		-0.10%
NZ	Filled Jobs (PAYE-based) 3Q		
AU	RBA Governor Lowe speaks at Payments Summit		
CH	CPI YoY Nov	2.50%	1.50%
CH	PPI YoY Nov	12.00%	13.50%
CH	Aggregate Financing CNY Nov	2700.0b	1590.0b
Friday			
US	Initial Jobless Claims Dec-04	225k	222k
US	Continuing Claims Nov-27	1910k	1956k
US	Wholesale Trade Sales MoM Oct		1.10%
NZ	BusinessNZ Manufacturing PMI Nov		54.3
NZ	Card Spending Total MoM Nov		9.50%
UK	Monthly GDP (MoM) Oct	0.40%	0.60%
GE	CPI YoY Nov F	5.20%	5.20%
UK	Industrial Production MoM Oct	0.10%	-0.40%
UK	Trade Balance GBP/Mn Oct	-£2400m	-£2777m
EC	ECB's Lagarde, Bundesbank's Weidmann speak		
EC	ECB's Panetta Speaks		
CH	FDI YTD YoY CNY Nov		17.80%
Saturday			
US	CPI MoM Nov	0.70%	0.90%
US	U. of Mich. Expectations Dec P	62	63.5

Historical Data

	Today	Week Ago	Month Ago	Year Ago
CASH AND BANK BILLS				
Call	0.50	0.50	0.50	0.25
1mth	0.83	0.81	0.56	0.27
2mth	0.87	0.84	0.65	0.26
3mth	0.91	0.86	0.74	0.25
6mth	1.20	1.15	0.95	0.24
GOVERNMENT STOCK				
04/23	1.66	1.63	1.36	0.18
04/25	2.28	2.21	1.91	0.26
04/27	2.41	2.35	2.11	0.44
04/29	2.51	2.49	2.29	0.64
05/31	2.57	2.58	2.42	0.80
04/33	2.65	2.68	2.52	0.96
04/37	2.82	2.85	2.72	1.25
05/41	2.88	2.92	2.85	1.54
GLOBAL CREDIT INDICES (ITRXX)				
Nth America 5Y	52	51	51	54
Europe 5Y	50	49	50	51

	Today	Week Ago	Month Ago	Year Ago
SWAP RATES				
2 years	2.44	2.29	1.99	0.23
3 years	2.68	2.54	2.21	0.27
4 years	2.77	2.63	2.32	0.33
5 years	2.80	2.66	2.39	0.41
10 years	2.84	2.70	2.59	0.83
FOREIGN EXCHANGE				
NZD/USD	0.7008	0.7048	0.7162	0.6924
NZD/AUD	0.9684	0.9593	0.9561	0.9502
NZD/JPY	79.85	80.44	81.47	72.36
NZD/EUR	0.6209	0.6199	0.6170	0.5848
NZD/GBP	0.5210	0.5253	0.5203	0.5196
NZD/CAD	0.8863	0.8820	0.8872	0.9059
TWI	75.1	75.3	75.7	73.7

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