12 July 2017

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Economic Outlook

In an otherwise robust-looking NZ economy, we continue to wonder about where the housing and construction markets are going to end up, given their extremely stretched starting points. That's not to say we are forecasting a big dip, although the risks of such are there. In respect to monitoring trends in the housing market, we welcome the Real Estate Institute's new SPAR house price indices. These look to give the best signal-to-noise ratio of the many house price measures out there. Their June outcomes, published this morning, proved about as soft/flat as we expected regards Auckland, and for the rest of the country perhaps not as robust as we figured on. The more immediate issue for inflation, however, is next Tuesday's Q2 CPI report. With the recent drop in fuel prices, we now expect this to increase just 0.1%. This would drag its annual inflation down to 1.8%, from 2.2% in Q1. While this might be viewed as a disappointment by some, just don't forget to check the various core inflation measures too, as these have been firming up more recently.

Interest Rate Outlook and Strategy

In the short term, the following factors are supportive of the NZ front end; positioning now appears more balanced (less long) after the late June/early July sell-off; the NZ 1y1y roll-down is higher than most global peers (albeit diminished relative to AU over the last few days); proximity of a change in the RBNZ Governor and the NZ election in Q3; BNZ forecasts Q2 CPI (released 18 July) to be just 0.1%q/q, taking the annual rate down to 1.8%; the RBNZ being at risk of remaining dovish while its preferred measure of core inflation is below official measures (1.5% vs 2.0%), the NZ TWI is strong and the oil price has fallen. However, over the medium term higher ranges for NZ rates are likely, as capacity pressures make their presence felt.

Currency Outlook

NZD/USD has struggled to move sustainably up through 0.73. The recent signal of major central banks moving towards less policy accommodation has tempered risk appetite. This factor, alongside an RBNZ likely intent on maintaining a neutral stance, should encourage narrower NZ-global yield spreads, a headwind for the NZD for the rest of the year. Meanwhile, we have revised down our NZD/EUR and NZD/GBP projections, a reflection of the recent guidance signalled by the ECB and BoE. Indeed, NZD/EUR could fall all the way to the mid-0.50s next year if the ECB continues along a path towards policy normalisation. NZD/JPY is one to note too, on the charts. A tug-of- war sees it flat to slightly lower over the next six months before recovering next year.

The Rough and Tumble of SPAR House Prices

- We welcome the REINZ SPAR house price indices
- As arguably the best for signal-to-noise
- June's SPARs show not just Auckland hesitating
- But post-winter post-election data needed to be sure
- Food prices affirm our Q2 CPI pick at 0.1% (1.8% y/y)
- Consumer confidence holds up well in July

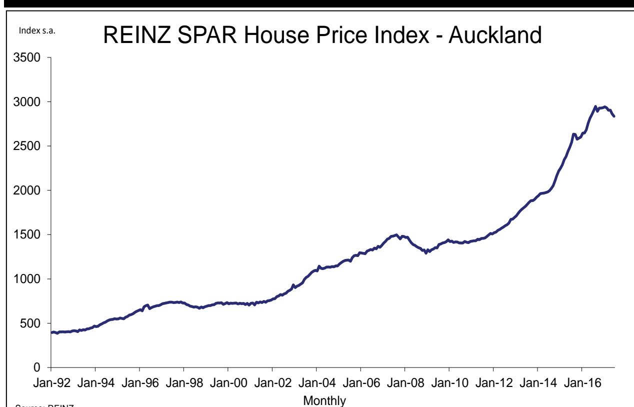
For quite a while now we've expressed discomfort about the heights that New Zealand house prices have been scaling – notably so in Auckland – building their vulnerability to a sizable correction at some point. We have not forecast a big tumble, and we don't do so now. However, we do continue to point out the risks of such, against the backdrop of still very low mortgage rates.

But this is not to be yet another rehash of all that's been written about the NZ housing market over recent years. Today we instead touch on some of the available information on the residential real estate market, with its strengths and weaknesses. If there is something afoot with house prices, in particular, it will pay to understand the various indices on offer.

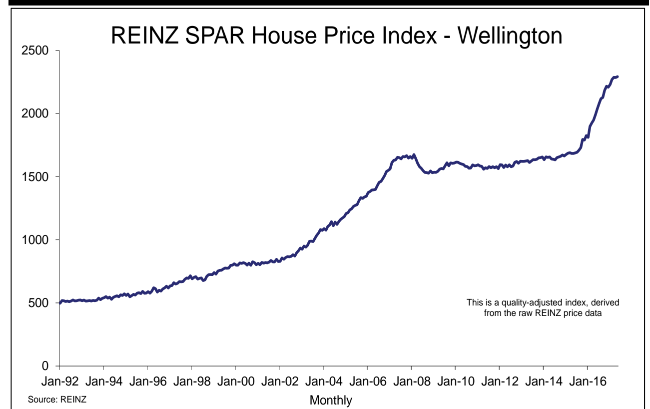
Generally speaking, of course, it's hard to get a reliable fix on house price inflation, mainly because every house (apartment, townhouse) is different. Most house price indices are derived simply from what's selling at the time (rather than from a stock take). This brings its own potential for distortion. If activity is most active at the top, or bottom, end of the market, for example, then this will skew average sales prices. There are attempts to get around such composition issues by use of, say, median sale prices. But these are far from perfect.

With this mind, we welcome the new house price indices now being published by the Real Estate Institute. These have been developed in cahoots with the Reserve Bank. From this joint effort has sprung a preference for house price indices based on a so called sale-price to appraisal ratio. Or SPAR for short. For those interested in the technical details please refer to the Analytical note the RBNZ published on the exercise early this year entitled "Evaluating alternative monthly house price measures for New Zealand."

Hmmm?



Defiant



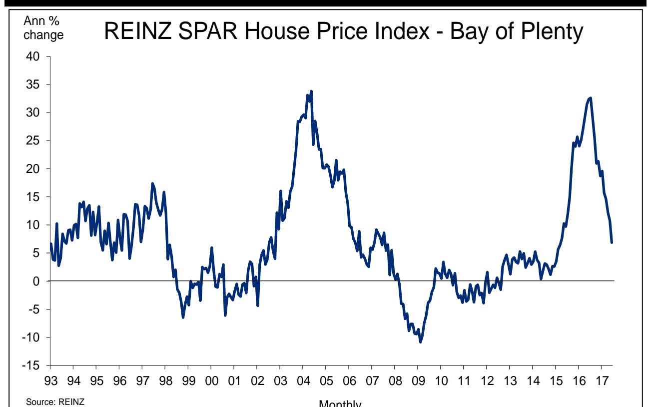
The June results were published by the Real Estate Institute this morning (with the starting point for the house price series being January 1992). They were about as soft/flat as we expected regards Auckland, but with respect to the rest of the country perhaps not quite as robust as we figured on.

It's no news that Auckland's house prices have been struggling since about the middle of last year. Results from Auckland-based realtor, Barfoot and Thompson (B&T), have made this clear. And this was continued in the June data it published 5 July. Its average sale price, while still exceptionally high, was up only 0.6% on June 2016. Similarly, the B&T the median sale prices was up 0.1% y/y. Let's call it zero.

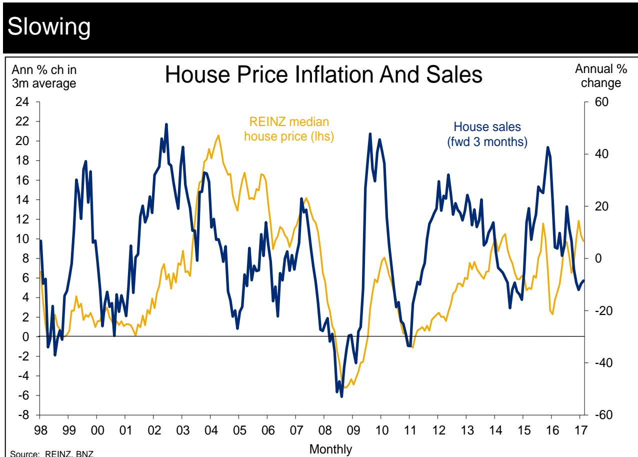
Aside from being very timely, we also like the monthly B&T report because it has not only current sales numbers (which have gone unconditional) but also information on new listings and the total outstanding stock of listings. The latter is demonstrably coming up from an extreme low point over 2016 H2. This suggests the Auckland housing market's demand-supply pressure is well on its way to rebalancing.

And so it was little surprise to us that today's REINZ SPAR indices (which essentially supersede the old

Withering



Slowing



stratified indices, for those left wanting) registered its first annual drop for the Auckland region since 2010, with -0.6%.

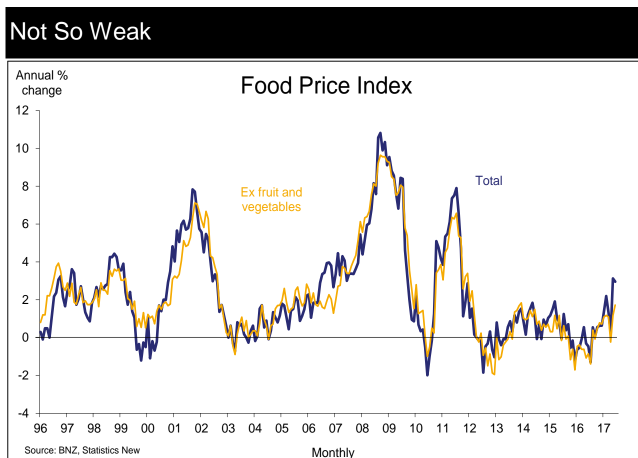
And when we adjust for the slight seasonality that's in the SPAR house price index we get the impression that Auckland's house prices are dribbling off a bit (albeit still near extreme highs).

The less anticipated message in June's REINZ data, for us at least, was the degree of slowdown outside of Auckland. Not everywhere, mind you, with Wellington, for instance, still marching on (in price, and with sales down only 12.5% y/y, in spite of the LVR imposts). But there were a lot of other areas where prices were looking a lot slower and turnover was down to degrees similar to Auckland's (-33.2% y/y). Indeed, home sales in Northland during June were 43.2% lower than a year ago, while the annual drop in the Bay of Plenty region was 33.2%.

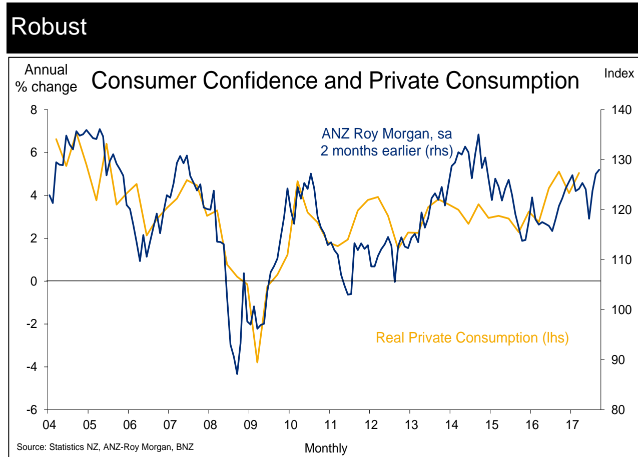
While LVR restrictions are "artificially" depressing turnover, in a sense, the turnover levels we're witnessing are nonetheless providing their usual good indication of where house price inflation is heading. That is, downward, to not much at all.

We should also say, however, that we value the anecdotal reports from the various monthly housing issues. The Quotable Value NZ commentaries are particularly good in this respect. However, it bears remembering that the QVNZ house price indices are in

Not So Weak



Robust



fact 3-month averages, on settled sales. While this helps to smooth the results it also means there is an inherent lag in its signal. This helps explain why the QVNZ house price index on the Auckland region was showing annual inflation of 7.2%, whereas the likes of the Barfoot and Thompson, and REINZ, figures show something around about flat already.

Of course, generally speaking, the housing statistics are not as reliable going into the winter as they are over the liquid seasons of spring and summer. We also need to bear in mind the fast-approaching (September) general election, which might have folk pushing the pause button on the housing market over the interim.

So in many ways we'll probably have to wait until after the election to get a proper sense on New Zealand's housing market undercurrents. But there is clearly a risk that it fails to find yet another tailwind. This is especially if the psychology about ever-increasing house prices is, in fact, in the process of being broken, even if mainly in Auckland.

But as things stand, the Reserve Bank will no doubt like what it sees in the latest housing market data (at last meeting, the Bank still seemed more worried about the housing market re-charging). This softness should, for the most part, simply nourish the Bank's obvious reservation about lifting its cash rate. However, to the extent that a housing market correction threatens to dampen the Bank's CPI inflation forecasts then who knows how it might react (including potentially in terms of macro-prudential settings, let's not forget)? It's an elephant worth keeping the binoculars on, for sure.

And just on CPI inflation, we have finalised our expectation for its June quarter move to 0.1%. This is after seeing today's Food Price Index, which increased 0.2% (for annual inflation of 3.0%). This was broadly in line with our expectation. A 0.1% increase in the Q2 CPI would drag its annual inflation down to 1.8%, from the 2.2% it got up to in Q1. Some of this has to do with the drop in fuel prices toward the end of the June quarter. The Q2 CPI report is due next Tuesday.

Recall that in its May Monetary Policy Statement, the RBNZ anticipated a 0.3% increase in the Q2 CPI, for annual inflation of 2.1%. But as much as there is now clear potential for the Bank to feel "disappointment" on this, it will also pay to see how the various core inflation measures do in Q2. Most of them were picking up on an annual basis in Q1, some of them even above 2.0%.

And while we on the data case, we might as well finish with mention of this afternoon's ANZ Roy Morgan index. While it eased to 125.4 in July, from 127.8 in June, technically speaking it defied its usual moderation heading into winter. Seasonally adjusted we estimate a slight increase to 128.0, from 127.2. Either way, it's still comfortably above average. If there is any concern about what's happening in New Zealand's housing market it's not evident in this consumer confidence report.

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Asian Monetary Policy (Response?)

- **We expect Asian central banks to start reducing policy stimulus in 2017 H2**
- **But also be aware of the tightening already underway in terms of stronger exchange rate**

We expect Asian central banks to start reducing policy accommodativeness in the second half of 2017, or signal the intention, at the very least. In fact, monetary conditions may have started to tighten in some Asian economies, an unintended consequence of currency strength. Korea, China and potentially Taiwan fall into this camp. Most Asian currencies ended the first half of 2017 stronger vs the USD. The biggest winners were TWD and KRW with over 6% appreciation. The small losers were HKD (-0.6%) and PHP (-1.1%).

The lack of demand-led inflationary pressure remains thematic across Asia. Soft oil prices have also been hampering a meaningful recovery in prices. Nevertheless, amongst the inflation-targeting Asian economies of Korea, Indonesia, Thailand and the Philippines, most are able to meet their inflation targets this year. Korea's latest inflation was at 1.9%, just slightly off its 2% full year target. The Philippines will meet its 2%-4% target with latest CPI growth at 3.1% yoy. Noteworthy though that the BSP just cut its 2017 forecast to 3.1% from 3.4%. Indonesia's growth and inflation profile appears to be in a sweet spot and will meet its 3-5% target (latest CPI 4.3% yoy). Thailand is the clear exception with deflationary pressure resurfacing and will most probably undershoot its 1-4% target (latest CPI -0.04% yoy).

Amongst the non-inflation targeters, Singapore's core and headline inflation are within the MAS' forecast ranges of 1%-2% and 0.5%-1.5% respectively. In Malaysia and India, inflation risks are quite balanced and will be dependent on commodity prices and weather conditions. China's inflation profile has been quite interesting, in that there has been very minimal trickle-down effect from the robust PPI growth to consumer prices. However, wages have been rising steadily and this will eventually feed through to demand for better quality products and services in higher price brackets. A recent report by the South China Morning Post highlighted that the average 2016 remuneration of the highest-paid executives rose 9% to CNY1.02 million (US$146,300) per annum among China's publicly traded companies, citing data accounting firm Deloitte's survey of 3,100 companies on the Shanghai and Shenzhen exchanges. Up to 80% of industries surveyed reported increments for senior management, led by the hospitality and catering industries, with 37% in compound annual raises over three years.

Most Asian central banks are now better positioned to remove some of the monetary loosening. In fact, sustained REER appreciation in TWD, KRW, IDR and INR since late 2015 may have negated some of the loose monetary conditions. This year, the tolerance for more currency appreciation suggests that while Asian central banks may not follow the Fed's rate hike immediately, it is likely that they will do so eventually. Looking at what is implied in the local forward curves, there is not much priced in for rate hikes in the next 3-6 months but the curve steepens visibly beyond 6 months. For India, our economist has pushed back the last rate cut to October from August, and cited balanced risks depending on how inflation behaves during the forthcoming monsoon months.

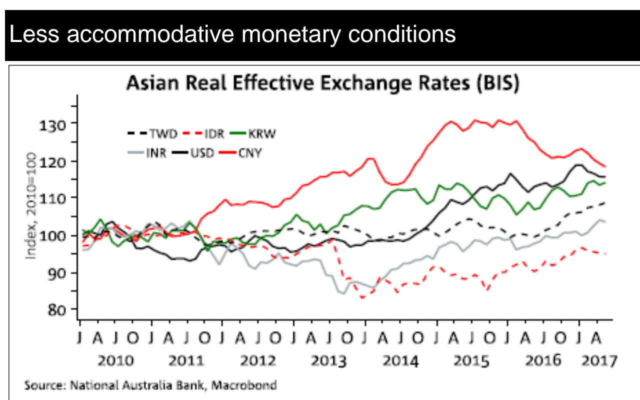
In China's case, most of the tightening has been done through liquidity tools. As part of the deleveraging efforts, China has been refraining from injecting liquidity since the end of last year and the tightness has persisted since. CNY o/n Shibor has stayed elevated above 2.25% and even broke above 2.5% at some point, compared with around 1.75-2.0% range last year. The tight liquidity was not confined onshore, but also extended offshore with the USD/CNH 3m implied yield reaching double digit earlier this year. The Chinese government yield curve inverted slightly when the CNY started to strengthen vs the USD in May, appreciating from 6.91 to 6.80 currently.

Engineering the removal of monetary policy accommodativeness through real currency appreciation may be the preferred policy strategy in the near term. Lack of clarity of Fed's policy hikes and QE removal will continue to deter Asian central banks to make decisive policy moves around benchmark interest rates. Regionally, inflation pressures have not provided a convincing case for embarking on an explicit tightening cycle as well. Until then, rate hikes will probably lay as sleeping giants.

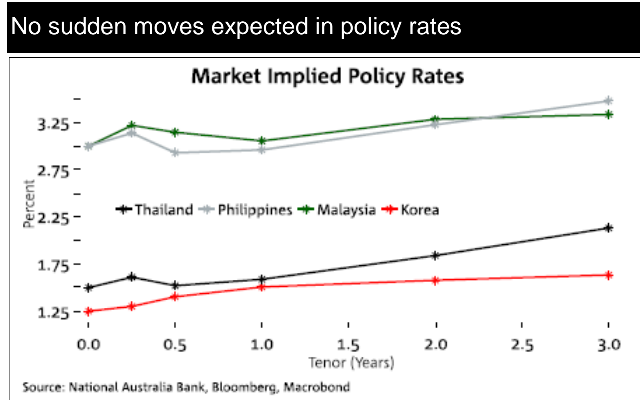
China Spotlight: Making Intelligent Guesses

Recent macro data has been encouraging, but still within the realm of a slowing economy. Cyclical strength in the first half may start to lose steam in H2 and some of the

Less accommodative monetary conditions



No sudden moves expected in policy rates



structural risks may come to the fore. It appears that the fiscal boost has a stronger than expected impact on economic activities as the official NBS PMI and Caixin PMI have surprised on the upside. There has been an increase in optimism, verbalised by ex-PBoC adviser Li Daokui that China will grow 6.7% this year and if there are no unexpected international events that disrupt markets, will grow 6.9% next year. China's fiscal spending is testament though that growth is not robust on its own footing. China's fiscal deficit rose to 4% of GDP in 1Q, exceeding the government's target of 3% of GDP. Ministry of Finance data showed that national fiscal expenditure–central and local governments included– rose 25.4% yoy in March, accelerating from a rise of 17.4% over first two months of the year, the finance ministry said. However, it appeared that the government was frontloading its fiscal spending as the growth fell to below 4% in April. More rampant spending is not likely to persist in view of the fiscal consolidation target as well as the ongoing efforts to reduce leverage within the banking sector. The tight management of interbank liquidity reflects the policy focus along the line of reducing leverage, along the line of reining in property speculation. As mentioned in last month's report, China's worsening terms of trade provides another motivation for not engineering a strong CNY policy.

China's monetary conditions have just started to tighten marginally, and that is probably a reflection of real exchange rate appreciation as benchmark interest rates have stayed largely stable. However, there has been some monetary tightening via other policy tools, and the actual monetary conditions may be tighter than as reflected by the indicator. Going forward, the bias is tilted toward monetary conditions tightening further, in view of rising prices and wages. While consumer prices have been slow in recovering due to lower food and oil prices, wages have been climbing at a robust rate. Based on a Deloitte survey of 3,100 companies on the Shanghai and Shenzhen exchanges, the average 2016 remuneration of the highest-paid executives rose 9% to CNY1.02 million (US$146,300) per annum. Up to 80% of industries surveyed reported increments for senior management, led by the hospitality and catering industries, with 37% in compound annual raises over three years. In medium run, these consumers are expected to increase demand for better quality and pricier products and services in China.

While we do not subscribe to the view that China wants a strong CNY policy, the ongoing soft global USD trend may be a persistent drag to a visibly higher USD/CNY in coming months. We estimate that USD/CNY will trade within 6.75-6.85 range for the rest of 2017 and have revised our end 3Q and end 4Q USD/CNY forecasts to 6.81 and 6.82 from 6.92 and 6.96 respectively.

Slight tightening in monetary conditions

USD/CNH discount back to normal range

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NZD Headwinds Develop

- NZD/USD has struggled to move sustainably up through 0.73. The recent signal of major central banks moving towards less policy accommodation has tempered risk appetite. This factor, alongside an RBNZ likely intent on maintaining a neutral stance, should encourage narrower NZ-global yield spreads, a headwind for the NZD for the rest of the year.
- NZD/EUR and NZD/GBP projections have been revised down, a reflection of the recent guidance signalled by the ECB and BoE. NZD/EUR could fall all the way to the mid-0.50s next year if the ECB continues along a path towards policy normalisation.
- NZD/JPY looks interesting on the charts. A tug-of-war sees a flat to slightly lower profile over the next six months before recovering next year.

From mid-May to the end of June, the NZD rose for seven consecutive weeks for a gain of nearly 7%, from 0.6865 to 0.7335. And this wasn't just a soft-USD story, as the NZ TWI gained by 5% over that time as well. But the NZD has struggled to make further headway, spending most of the time between 0.72-0.73 during July, while the TWI looks to have broken lower this week.

Our view has been that the recent NZD recovery simply reflected a bounce-back from an oversold level. In mid-May, the spot rate was nearly 8% below our short-term fair value model estimate, the greatest deviation in six years. By the end of June the valuation gap had closed to within 3%, more in line with the average deviation this year, so let's call it roughly back to fair value.

It seems that speculative accounts saw the same value in the NZD and once the recovery began and upward momentum proceeded, the "hot money" jumped on board. CFTC data for the period through to early last week showed the largest number of net long speculative positions in the NZD in four years. Much of the leap in net long positions took place in the week ending 20 June, when the currency traded between 0.72-0.73, so the hot money was late to the party.

This lop-sided positioning has created a hurdle for the NZD to make any further progress beyond 0.73.

Fundamentally, stronger NZ terms of trade have been a supporting factor for the NZD but for much of the year the usual driving forces such as NZ commodity prices and risk appetite haven't been in charge on a week to week basis.

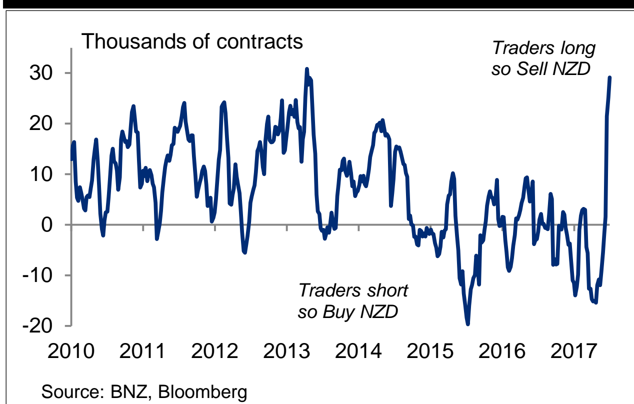
When we look at correlations, the usual NZD drivers have a much lower than usual correlation with the NZD at present. One exception is US 10-year Treasury yields, which have had a greater than usual (inverse) correlation with the NZD since the beginning of the year.

We think that this theme might well continue through the second half of the year and this represents a headwind for the NZD. A number of major central banks have recently guided towards less monetary policy accommodation. This has boosted global bond yields, taken the edge off risk appetite, and provided good reason for many investors to adopt a more cautious stance on the NZD.

We're aware of some views from offshore that the RBNZ will be pulled into the global central bank moves towards indicating less policy accommodation. But we'd push back on that view, seeing the RBNZ (like the RBA last week) playing an even hand and maintaining a neutral bias for as long as feasible. Recent strength in the NZD and lower oil prices add downside risk to the RBNZ's prevailing CPI forecasts. This supports the Bank's view that monetary policy accommodation can remain for a considerable period. The bottom line is that NZ monetary policy is unlikely to be a supporting factor for the NZD for much of this year.

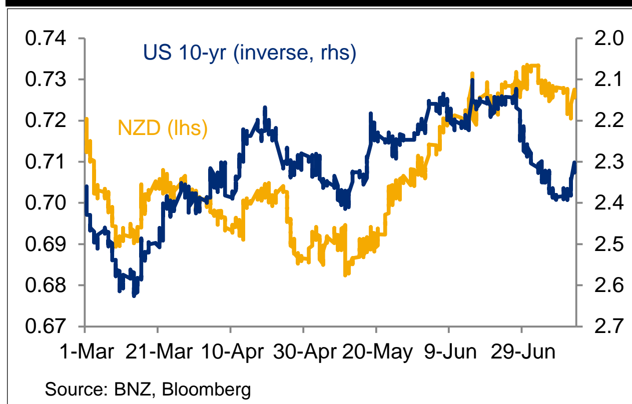
Next Tuesday's Q2 CPI release is expected to be supportive of the RBNZ's stance that the recent rise in headline inflation was simply driven by temporary factors. We expect a soft outcome of 0.1% q/q and 1.8% y/y, down from the last annual increase of 2.2%.

Speculative Positioning Net Long NZD Towards end-June



Source: BNZ, Bloomberg

NZD Correlated with US 10s (inverse) Last Few Months



Source: BNZ, Bloomberg

Of course, the core inflation readings will be more important, but we doubt the data will be significant enough to trigger a change in stance by the RBNZ. Official measures of core inflation already average 2% and that seems to be of no consequence to the Reserve Bank. The Bank's preferred core CPI measure (the sectoral factor model) is a very slow-moving beast and has been static at 1.5% over the past 18 months.

The combination of global central banks moving towards less policy accommodation and the RBNZ sitting on its hands should encourage narrower NZ-global yield spreads and be a headwind for the NZD for the rest of the year.

Our near term projections reflect this bias, with end-Q3 and end-Q4 targets of USD 0.71 and USD 0.68 respectively.

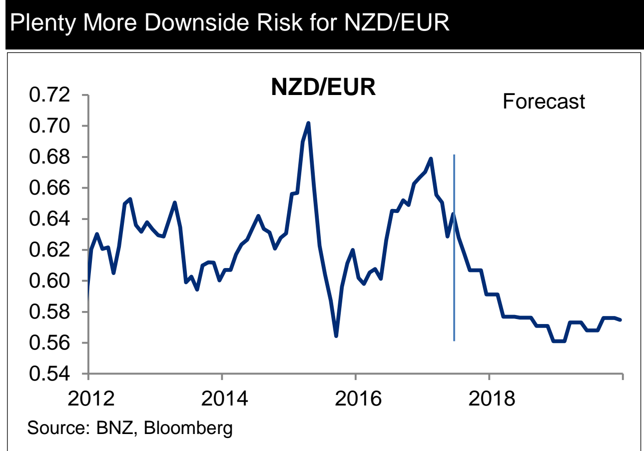
Our colleagues at NAB recently upgraded projections for EUR, GBP, and CAD, based on the relevant central banks adopting a less accommodative policy tone. We saw no need to revise NZD estimates at the same time, thus those NZD crosses are now revised downwards.

We have already been particularly bearish on NZD/EUR, with the cross one of our highest conviction views. Back in April we highlighted the skewed downside risk to this cross rate on the view that eventually the ECB would look to normalise monetary policy. We noted the significant downside risk to NZD/EUR even on the seemingly innocuous view that the ECB deposit rate is lifted from minus 0.4% to zero. We illustrated this with a model that showed how easily NZD/EUR could fall to EUR 0.54. ECB policy had been instrumental in driving EUR to a historically low level and keeping it there and any push back on that policy would unleash a sharp reversal.

NAB's upgrade to EUR/USD which sees the cross up to 1.20 in the second half of next year combined with our weaker NZD/USD track now sees NZD/EUR down to 0.59 by the end of 2017 and 0.56 by the end of next year, now broadly in line with our earlier modelling work.

GBP has been better bid as it has become obvious that a majority of the Bank of England's Monetary Policy Committee members have a bias towards tightening policy. However, we don't see an official rate hike until early next year, with the dataflow taking a turn for the worse as Brexit negotiations get underway. Nevertheless, some anticipation towards tighter monetary policy likely supports GBP close to the current rate over the next year, which represents an upgrade to our previous view. With a projected weaker NZD through the rest of the year, NZD/GBP is now projected to fall to around 0.53-0.54, before support sets in.

Plenty More Downside Risk for NZD/EUR

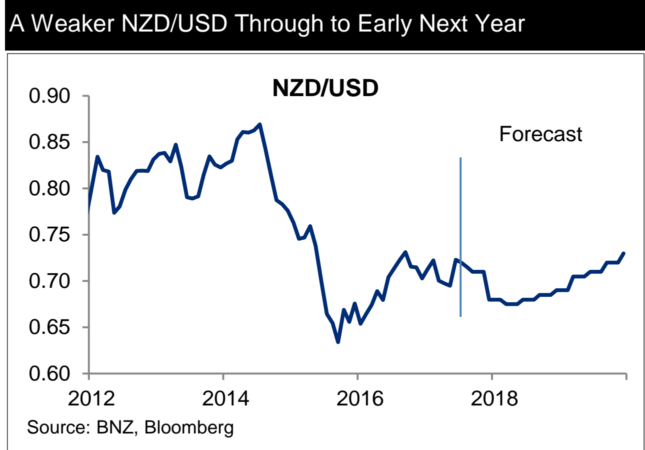


Our JPY forecasts haven't changed, but NZD/JPY looks interesting as it has recently approached an important area of technical support around 83.5. The Bank of Japan stepped in last week to prevent the JGB 10-year rate from moving higher alongside the upward pressure on global rates. This was a signal that it wasn't ready to adjust its yield curve control policy, with its inflation mandate still far from being achieved.

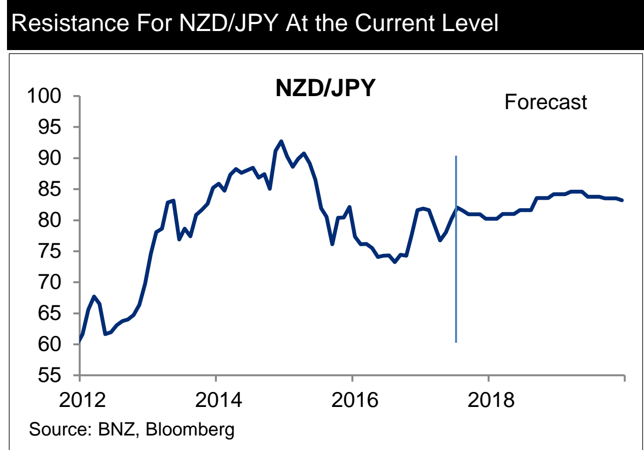
If the BoJ can maintain this stance, then downward pressure on the yen can continue in an environment of rising global bond yields. So it's not hard to argue for a higher USD/JPY track, as our forecasts show, but the question is what happens to NZD/JPY in that environment.

We earlier illustrated the inverse correlation that has developed between US Treasury yields and the NZD. A higher US 10-year rate puts downward pressure on the yen but also downward pressure on the NZD. Reflecting these forces, our NZD/JPY projections show a cross hovering in an 80-82 zone through much of this year, before seeing some renewed upside risk later next year.

A Weaker NZD/USD Through to Early Next Year



Resistance For NZD/JPY At the Current Level



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The BNZ OIS-ter: Bank of Canada Kicks Off a Tightening Cycle

- There hasn't been much change in short-end rate curves over the past fortnight. Although not illustrated here, the Bank of Canada became the second major central bank to kick off a tightening cycle. The policy rate was raised 25bps to 0.75% and the market is confident of another 25bps before the end of the year.
- Short-end rate curves remain upward sloping across the other majors, some more so than others. While the Fed has signalled another hike this year, the market hasn't fully embraced this view, with only a slightly better-than-even chance of a hike by December priced in. A Bank of England hike by November is priced at roughly 50/50.
- Closer to home, an RBNZ hike by March 2018 is priced at around 50/50, with the first full hike not priced in until June 2018. The Australian curve is flatter, with the first hike not priced until late next year.

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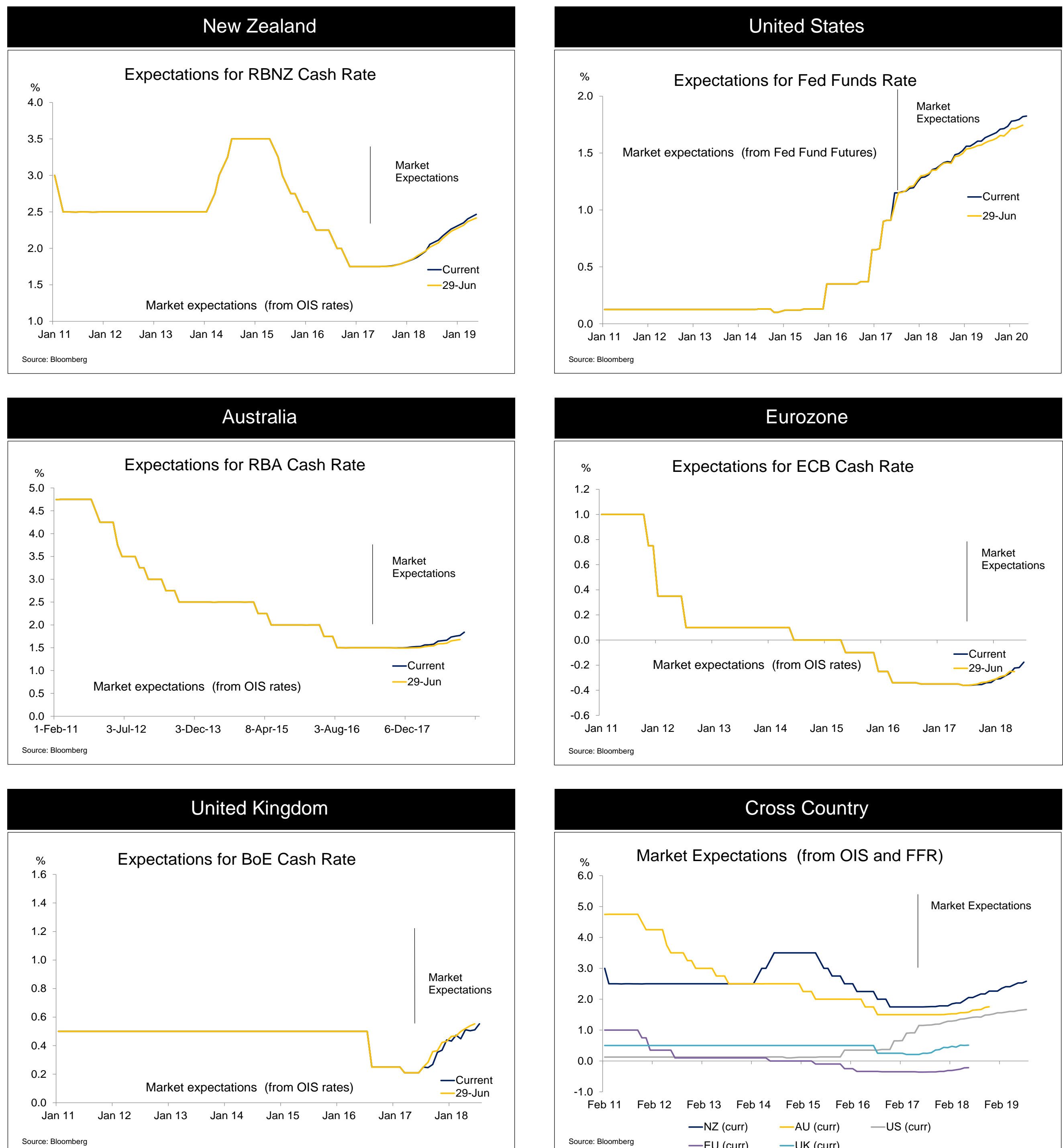


Interest Rate Strategy: AUD and NZD Front End Rates Outlook

- Aussie rates have underperformed amid recent hawkish global central bank signals, even as RBA commentary suggests it is firmly on hold.
- We target receiving AU 1y1y swap on a move above 2.20%.
- For NZ, front end rates are likely to remain range-bound in the short term, with a number of supportive domestic factors offsetting potential upside pressure from offshore.
- Given current NZ-AU spread levels, we prefer targeting received positions in AU over NZ swap.
- We see value in NZ-AU 1y1y spread wideners, but next week's NZ CPI is likely to provide a better entry point.

AU rates: underperformance against US and NZ
The global rates sell-off over the past month was driven, initially, by some hawkish central bank commentary (BoE, BoC, Norway) but then also some better than expected global data prints. The rise in Australian yields has purely been driven by offshore forces, as domestic data prints over the past fortnight have been limited and mixed (weak building approvals, stronger retail sales, firmer business conditions). The under-performance has been sustained even as the RBA in its latest meeting statement failed to follow the more hawkish tone evident in global central bank communications.

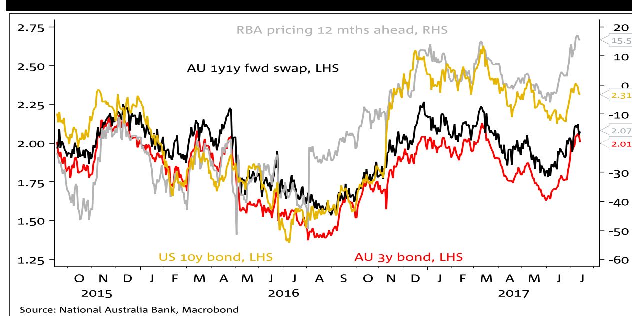
Despite the RBA's neutral stance, the AU OIS curve has moved from pricing in a full rate hike by early 2019 to a full hike by August 2018 with the risk of another rate hike by end 2018. This re-pricing has been supported by expectations and delivery of BoC tightening.

RBA on-hold, target receiving AU front end
As long as the global growth outlook remains positive and inflationary pressures build (our core view) the removal of emergency monetary policy and the global tightening theme will continue to develop over the year ahead. We expect the Fed to announce balance sheet reduction in September and deliver its third rate hike in December (with another three hikes in 2018) and the ECB to signal tapering (for 2018) in September. The BoC has begun tightening and is expected to deliver another before year end, while the BoE and RBNZ are expected to raise rates next year (in February and May, respectively). This theme will maintain upward pressure on global bond yields.

The RBA is expected to lag global central bank action due to low inflation, wage pressures, sticky unemployment rate and risk of easing in growth. This should see the front end of the Australian yield curve anchored. This leaves us (at least for now) looking to trade the range in short end Aussie rates with a preference to look for opportunities to establish long/received positions when yields are testing the higher end of this range.

Historically, 1y1y has been well supported at 70-80bp above cash while the RBA has been on-hold. This is a key area of support and a level we will consider entering a receive AU 1y1y fwd trade. Having briefly broken below the lower end of expected range (ie 1.80%) in early June, the 1y1y is back near 2.10%. Above 2.20% we will consider entering a received position. In the absence of soft domestic data prints and/or lower global bond yields it is unlikely that we will see AU 1y1y testing 1.80% but a move to 2% is possible.

Front end back AU rates back in upper band of range



NZ rates: front end range-bound for now
While the RBNZ will be among the central banks tightening policy in 2018, for NZ front end rates, we see an important distinction between the short term outlook (range-bound price action) and the medium term outlook (upside risk).

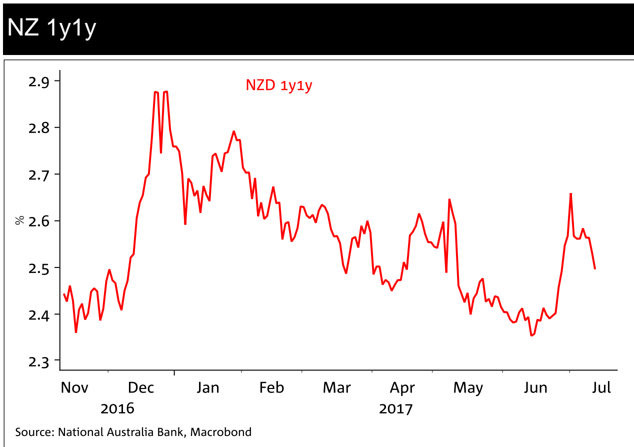
In the short term, the following factors are supportive of the NZ front end:

- positioning now appears more balanced (less long) after the late June/early July sell-off;
- the NZ 1y1y roll-down is higher than most global peers (albeit diminished relative to AU over the last few days);
- proximity of a change in the RBNZ Governor and NZ election in Q3;
- BNZ forecasts Q2 CPI (released July 18th) to be just 0.1%q/q, taking the annual rate to the lower half of the band at 1.8% y/y;
- RBNZ at risk of remaining dovish while their preferred measure of core inflation is below official measures (1.5% vs 2.0%), the NZ TWI is strong and the oil price has fallen.

In terms of levels, the NZ 1y1y swap rate has been in a 2.35-65% range since February. The top side was briefly tested amid an unwinding of long positions in the last few weeks and before that ahead of the May MPS when the market was positioning for a shift to a hawkish bias (but was subsequently disappointed). We think the aforementioned factors will see the NZ 1y1y largely capped around 2.65% in the next few months. Tactical received positions offer value if the global sell-off again

stretches the NZ 1y1y to 2.65%. The NZ market has certainly been popular among global investors in 2017 for its carry pickup.

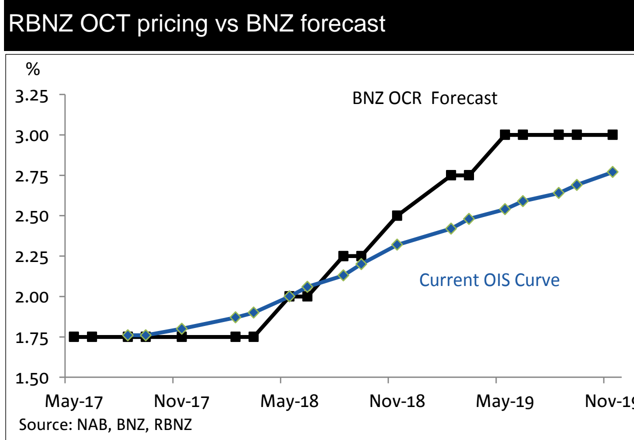
NZ 1y1y



Source: National Australia Bank, Macrobond

While in the short term, we see a similar range-bound outlook for NZ as the AU front end, medium term higher ranges for NZ rates are likely. The NZ OIS curve is almost fully priced for the start of the tightening cycle that our BNZ colleagues expect in May 2018. However, the market is under-priced for the full extent of BNZ's terminal rate forecast – e.g. Jun-19 OIS is priced for 2.6% vs a 3% BNZ forecast. We see a re-pricing to this cycle view as delayed, but are convicted that capacity pressures and the longer term inflation outlook in NZ point to much higher rates in the medium to long term. This outlook and the fact there are fewer natural receivers in NZ swap is a key reason for the relative steepness in the NZ front end curve compared to many global peers. So, while there's short term value in receiving 1y1y at the top of the range for the roll-down, one needs to be nimble - it's a late cycle trade! Late 2017 and early 2018 could see the NZ front end rates mark new higher ranges.

RBNZ OCT pricing vs BNZ forcast



Source: NAB, BNZ, RBNZ

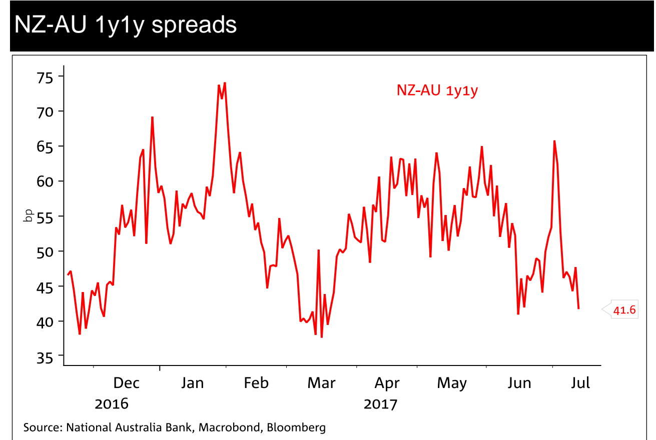
AU vs NZ rates: where to position?

Our view for both the RBA and RBNZ to delay tightening rates and remain dovish in the short term suggests both markets offer value to be long at the front end of the curve, at the right levels. For both markets, global rates will need to rise to create the entry opportunities we envisage. However, as outlined, we see RBNZ pricing as less anchored than RBA pricing. The NZ economy shows clearer evidence of tighter capacity relative to Australia, where spare capacity - particularly in the labour market - is ample.

The extent of recent AU rates underperformance also suggests AU rates have more room to outperform. NZ-AU front end spreads are at the bottom of year-to-date ranges and near levels to consider widening trades. The NZ-AU 1y1y spread has struggled to move much under 40bp this year (current spread 42bp).

Our view that NZ Q2 CPI will be soft next week leaves us thinking the NZ-AU spread could tighten a bit further in the coming days. We would consider NZ-AU spread widening positions if the NZ market were to become too stretched to the downside. An NZ-AU 1y1y spread of around 35bp offers value for spread widening trades. We will re-assess post NZ CPI on Tuesday.

NZ-AU 1y1y spreads



Source: National Australia Bank, Macrobond, Bloomberg

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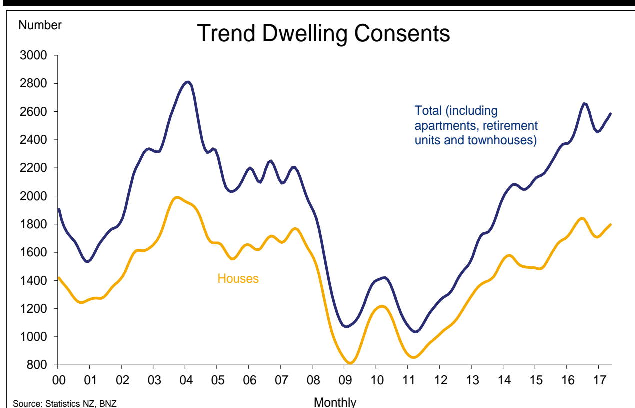
NZ Economic Review

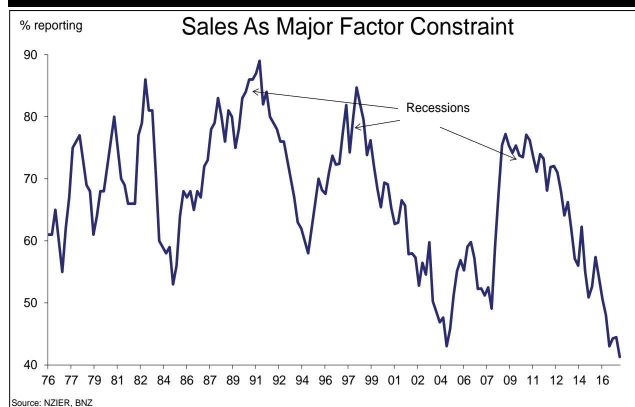
Building Consents (May) – 30 June
Residential building consents rose a seasonally adjusted 7.0%, having dipped 7.4% in April. Compared to a year ago they were up 11%. The trend measures were also back into positive mode. Non-residential consents also bounced back in May. They posted annual growth, in value terms, of 23%, whereas in April they fell 11% y/y.

Back on the Up



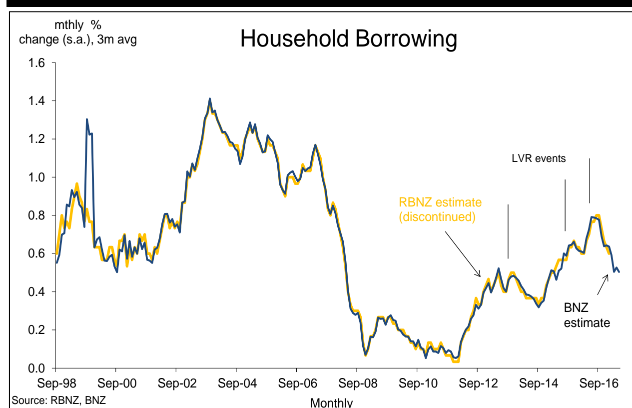
NZIER QSBO (Q2) – 4 July
Broadly speaking, this Quarterly Survey of Business Opinion kept telling of above-trend rates of growth, capacity constraints, and firmness in inflation. The regional complexion was also notable, in that confidence was strongest in areas outside of Auckland. We would go on to point out the NZIER survey, for all its many fine attributes, doesn't well cover public sector entities and certainly not farmers. It will thus be missing some part of the fiscal stimulus in store and a lot of the commodity income boost in train. In consideration of this, and the impending general election, the Q2 QSBO could be interpreted as under-representing overall momentum.

Insufficient Demand?...Quite The Opposite



Credit Aggregates (May) – 4 July
There were varying trends in May's banking-system credit data. Housing credit slowed further, on an annual basis, with 8.0%, from 8.4% in April. Consumer credit remained at 5.6% y/y. Combined, household credit was running at 7.8% in May, compared to 8.2% in April.

Down But Not Out



When we seasonally adjusted this household credit series it shows that, while monthly growth has abated since the latest LVR tightening (late last year), it is far from dead in the water. The 3-month average monthly growth rate is around 0.5%. So it's annualising at about 6%, if you like.

Meanwhile, business credit was still chugging along at 7.2% y/y in May, but agriculture credit continued to fade, with 2.2%, compared to 2.7%. Both are arguably good stories, in the circumstances.

GDT Dairy Auction – 5 July
The GDT Price Index eased 0.4%; the second consecutive marginal fall and broadly what we expected for this auction. Even with their slip, current product prices are tracking higher than what is required to achieve our $6 milk price forecast for the 2017/18, hence there remains upside risk to that.

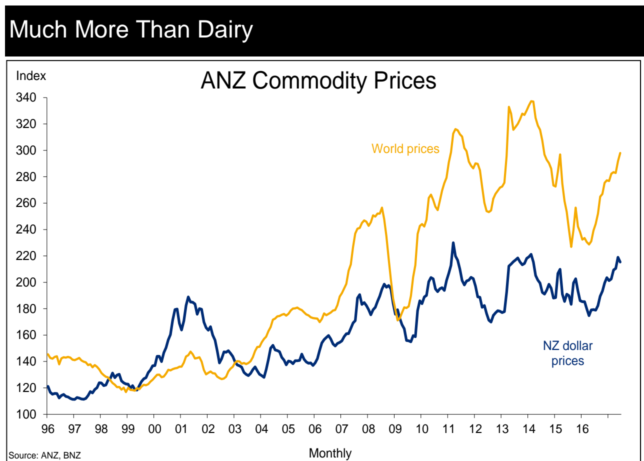
QVNZ Housing Report (Jun) – 5 July
The Quotable Value measure of annual house price inflation slowed to 8.1% in June, from 9.7% in May. The Auckland region itself moderated to 7.1%, from 9.0%. But this looks sets to abate to near zero over coming months, given the lags implicit in this price measure.

Barfoot and Thompson Housing Report (Jun) – 5 July
The average sale price, while still exceptionally high, was up only 0.6% on June 2016. Similarly, the median sale price was a bare 0.1% higher y/y. Let's call it zero. Sales were down 27% on this basis (with the latest LVR tightening not doubt influencing this). But with new listings continuing to strengthen – up 46% y/y in June – the total stock of listings continues move up. This stock is now well and truly waving goodbye to the extreme low (tightness) that it hit over 2016 H2.

ANZ Job Ads (Jun) – 5 July
With their 1.3% lift in June, job ads have now increased in 16 of the last 18 months, making for annual growth in excess of 13%. That's especially upbeat with an election due in September.

ANZ Commodity Export Prices (Jun) – 5 July
World prices for New Zealand's major commodity export products rose 2.1% in June, according to the ANZ index. Strength in the NZD through the month saw prices expressed in NZ dollar terms decline 1.6%. All met our expectations. While the normalisation of dairy prices has been important, the strength in NZ's primary product prices is now fairly broad-based.

Much More Than Dairy



Crown Financial Statements (May) – 6 July
For the 11 months ending May 2017, the government's core (OBEGAL) operating balance was running a chunky $1.5b ahead of Budget forecasts, as tax revenue runs ahead of forecasts and expenses behind. Core tax revenue was nearly $1.1b ahead of plan and up 7.4% on the same period a year ago. It's another sign that the nominal economy is growing robustly.

Electronic Card Transactions (Jun) – 11 July
June's electronic card transactions increased a seasonally adjusted 0.1%, after a 0.1% fall in May (revised from -0.2%). We expected a gain of 0.4%. The retail component of the ECT was flat, after a 0.4% decline in May. The market was looking for a rebound of 0.8%.

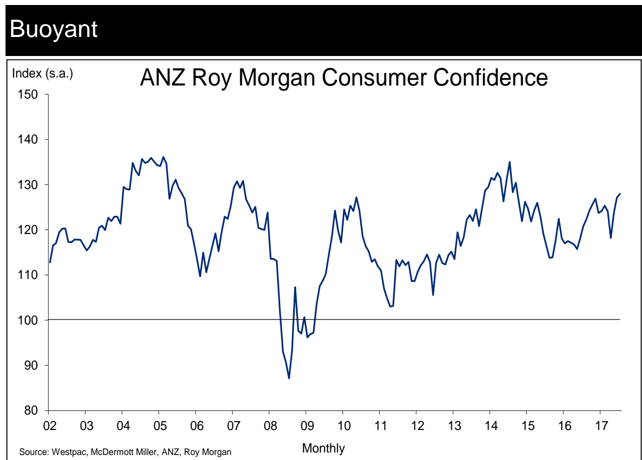
As disappointing as these were, June's ECT results should be seen as mainly slowing the real-growth story rather than knocking it on its head. We expect Q2 retail trade to expand 0.5%, after its 1.5% spike in Q1.

REINZ Housing Report (Jun) – 13 July
These housing figures were about as soft/flat as we expected regards Auckland, but with respect to the rest of the country perhaps not quite as robust as we figured on. Still, we probably have to wait until after winter, and after September's general election, to be a proper fix on the housing market's undercurrents. Please see our lead article in today's BNZ Strategist for more on this.

Food Price Index (Jun) – 13 July
June's Food Price Index increased 0.2% (for annual inflation of 3.0%). This was very close to our expectation (+0.3%) and so we can confirm our expectation for the Q2 CPI as being a 0.1% quarterly rise. This would drag annual CPI inflation down to 1.8% in Q2, from the 2.2% it got up to in Q1.

ANZ-RM Consumer Confidence (Jul) – 13 July
This ANZ Roy Morgan index eased to 125.4 in July, from 127.8 in June. Seasonally adjusted we estimate a slight increase to 128.0, from 127.2. Either way, it's still comfortably above average, and so a good augury for consumer expenditure.

Buoyant



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NZ Upcoming Data/Events

BNZ PMI (Jun) – 14 July
As we wrote in Monday's BNZ Markets Outlook, the PMI's "May reading of 58.5 was a 16-month high and we will be very surprised if this level can be sustained through June…A reading closer to 55.0 on the PMI might thus be a reasonable expectation".

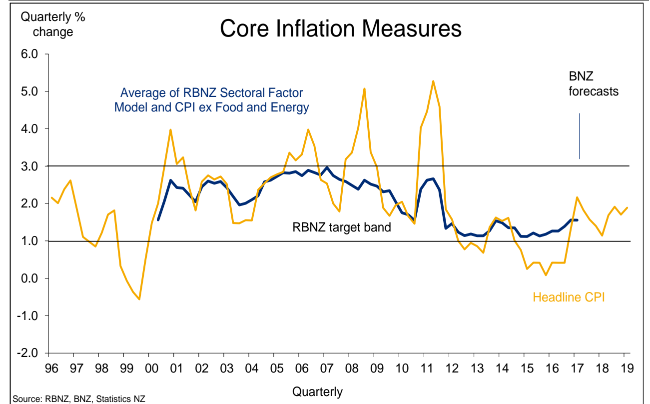
BNZ PSI (Jun) – 17 July
Recall that the Performance of Services Index rebounded all the way up to 58.8 in May, after swooning to 53.2 in April. So it will be interesting to see where it settles for June.

CPI (Q2) – 18 July
The recent drop in petrol prices has choked back our near-term CPI expectations. For the June quarter it means we are now picking an increase of 0.1%, which would slow the annual rate of CPI inflation to 1.8%, from 2.2% in Q1. The RBNZ, in its May Monetary Policy Statement, expected a 0.3% increase in the quarter, for 2.1% y/y. But any "disappointment" on this front might yet be countered by an ongoing firming in the suite of core inflation measures.

Dairy Auction – 19 July
Being almost a week out, we don't have a strong view on what prices will do at this event. But to the extent they keep holding about still, there will remain upside to our $6 forecast for the 2017/18 milk price.

Int'l Travel and Migration (Jun) – 21 July
Net inward migration was still extremely high in May, with a seasonally adjusted 5,910. Most forecasters are still picking some pullback, but, to date, compelling evidence of such remains scant. As for short-term visitor arrivals in June, they will probably print annual percentage growth in the early teens, aided by the Lions rugby tour that traipsed the country the entire month.

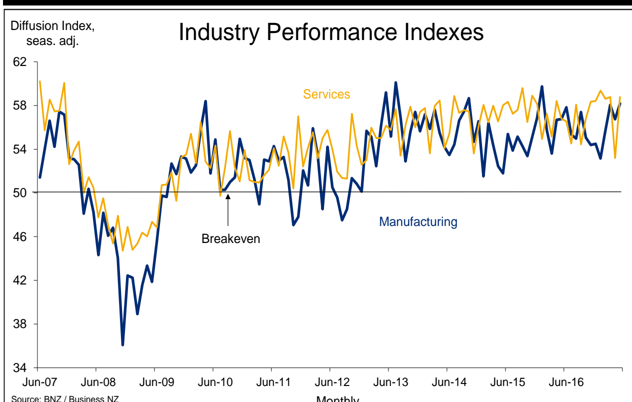
Getting There



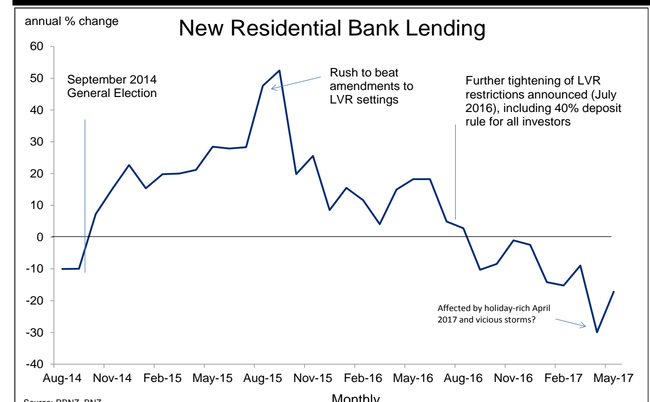
Merchandise Trade (Jun) – 26 June
For goods export values, we are looking for annual growth to strengthen to 12%, from 9% in May. This is based on the commodity price lifts we've seen, along with improved farming output this year. We expect goods imports to slow all the way back to 5% y/y, however. This is after a May result (+15%) that was spiked by oil and vehicles. In rounding out Q2, the June trade figures will establish a cross-check on our view of trade volumes and prices in the June quarter.

New Residential Lending (Jun) – 26 July
New residential lending in May was down 17.2% on the same month a year ago. This was arguably a cleaner read on the underlying slowdown (and LVR imposts) – given March (-8.9% y/y) and April (-29.9% y/y) were in turns flattered/compromised by holiday timings.

Bouncy Castles



Credit Check



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Quarterly Forecasts

As at 13 July 2017

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts: Jun-17 to Jun-18

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
GDP (production s.a.)	0.7	0.8	0.8	0.4	0.5	0.8	0.6	0.7	0.6	1.0
Retail trade (real s.a.)	0.8	2.2	0.7	0.9	1.5	0.5	0.7	0.8	0.7	1.6
Current account (ytd, % GDP)	-3.1	-2.9	-3.0	-2.8	-3.1	-2.9	-2.6	-2.3	-2.1	-2.5
CPI (q/q)	0.2	0.4	0.3	0.4	1.0	0.1	0.1	0.2	0.7	0.6
Employment	1.2	2.3	1.4	0.7	1.2	0.7	0.7	0.6	0.6	0.5
Unemployment rate %	5.2	5.0	4.9	5.2	4.9	4.9	4.9	4.9	4.8	4.8
Avg hourly earnings (ann %)	2.5	2.1	1.6	1.1	1.1	1.1	1.9	2.6	2.7	2.6
Trading partner GDP (ann %)	3.2	3.4	3.2	3.5	3.4	3.3	3.5	3.4	3.4	3.5
CPI (y/y)	0.4	0.4	0.4	1.3	2.2	1.8	1.6	1.4	1.1	1.7
GDP (production s.a., y/y))	2.9	3.6	3.4	2.7	2.5	2.5	2.3	2.7	2.8	3.0

Interest Rates

Historical data - qtr average
Forecast data - end quarter

	Cash	Government Stock 90 Day Bank Bills	Government Stock 5 Year	Government Stock 10 Year	Swaps 2 Year	Swaps 5 Year	Swaps 10 Year	US Rates Libor 3 month	US Rates US 10 yr	Spread NZ-US Ten year
2016 Jun	2.25	2.35	2.20	2.60	2.25	2.45	2.90	0.65	1.75	0.85
Sep	2.10	2.30	1.95	2.25	2.05	2.15	2.50	0.80	1.55	0.70
Dec	1.85	2.10	2.45	2.95	2.25	2.65	3.10	0.90	2.10	0.80
2017 Mar	1.75	2.00	2.70	3.25	2.35	3.00	3.50	1.15	2.50	0.80
Jun	1.75	1.95	2.35	2.80	2.20	2.70	3.15	1.25	2.20	0.60
Forecasts										
Sep	1.75	1.95	2.55	3.00	2.35	2.95	3.45	1.30	2.50	0.50
Dec	1.75	1.95	2.60	3.00	2.45	3.00	3.45	1.45	2.50	0.50
2018 Mar	1.75	2.05	2.65	3.05	2.55	3.00	3.45	1.55	2.50	0.55
Jun	2.00	2.30	3.00	3.40	2.80	3.30	3.75	1.70	2.75	0.65
Sep	2.25	2.55	3.15	3.45	3.00	3.45	3.80	1.95	2.75	0.70
Dec	2.50	2.80	3.25	3.50	3.25	3.55	3.85	2.20	2.75	0.75
2019 Mar	2.75	3.05	3.35	3.60	3.35	3.65	3.95	2.55	2.75	0.85
Jun	3.00	3.20	3.45	3.65	3.50	3.65	3.95	2.80	2.75	0.95
Sep	3.00	3.20	3.50	3.75	3.50	3.65	3.95	2.80	2.75	1.00

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.73	0.77	1.14	1.29	113
Sep-17	0.71	0.73	1.17	1.28	114
Dec-17	0.68	0.70	1.15	1.27	118
Mar-18	0.68	0.70	1.17	1.28	120
Jun-18	0.68	0.70	1.18	1.28	120
Sep-18	0.69	0.70	1.20	1.26	122
Dec-18	0.69	0.70	1.23	1.25	122
Mar-19	0.71	0.70	1.23	1.28	120
Jun-19	0.71	0.71	1.25	1.30	118
Sep-19	0.72	0.72	1.25	1.32	116
Dec-19	0.73	0.73	1.27	1.31	114

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.73	0.94	0.64	0.56	82.4	77.9
Sep-17	0.71	0.97	0.61	0.56	80.9	77.0
Dec-17	0.68	0.97	0.59	0.54	80.2	75.0
Mar-18	0.68	0.96	0.58	0.53	81.0	74.4
Jun-18	0.68	0.97	0.58	0.53	81.6	74.7
Sep-18	0.69	0.98	0.57	0.54	83.6	75.2
Dec-18	0.69	0.99	0.56	0.55	84.2	75.5
Mar-19	0.71	1.01	0.57	0.55	84.6	76.8
Jun-19	0.71	1.00	0.57	0.55	83.8	76.7
Sep-19	0.72	1.00	0.58	0.55	83.5	77.2
Dec-19	0.73	1.00	0.58	0.56	83.2	77.7
TWI Weights	14.0%	20.7%	11.3%	4.6%	6.4%	

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

Annual Forecasts

As at 13 July 2017

	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2016	2017	2018	2019	2020	2015	2016	2017	2018	2019
GDP - annual average % change										
Private Consumption	2.8	4.6	3.3	3.5	2.0	2.9	4.1	3.8	3.4	2.5
Government Consumption	2.7	2.6	2.7	1.7	1.3	2.6	2.4	3.1	1.8	1.4
Total Investment	2.5	5.6	4.2	3.6	1.5	2.1	5.5	4.3	4.1	1.9
Stocks - ppts cont'n to growth	-0.2	-0.2	0.2	0.0	0.0	-0.3	0.0	0.2	-0.1	0.0
GNE	2.5	4.2	3.4	3.2	1.7	2.3	4.0	3.8	3.1	2.1
Exports	5.5	1.0	2.4	3.7	4.0	6.8	1.9	0.5	4.1	4.0
Imports	2.1	5.1	4.5	3.6	3.0	3.7	3.4	5.3	3.7	3.1
Real Expenditure GDP	3.4	3.1	2.5	3.2	2.0	3.2	3.6	2.2	3.2	2.4
GDP (production)	**2.4**	**3.0**	**2.6**	**3.3**	**2.0**	**2.5**	**3.1**	**2.5**	**3.1**	**2.4**
GDP - annual % change (q/q)	*2.9*	*2.5*	*2.8*	*3.2*	*1.6*	*2.2*	*2.7*	*2.7*	*3.4*	*1.8*
Output Gap (ann avg, % dev)	0.9	1.0	0.9	1.3	0.9	0.8	1.0	0.9	1.2	1.1
Household Savings (gross, % disp. income)	1.2	0.4	0.5	0.4	0.5					
Nominal Expenditure GDP - $bn	250.6	264.7	281.5	295.9	307.4	247.5	260.8	277.8	292.2	304.7
Prices and Employment - annual % change										
CPI	0.4	2.2	1.1	1.9	1.8	0.1	1.3	1.4	1.7	1.8
Employment	2.0	5.7	2.6	1.7	1.1	1.4	5.8	3.2	2.0	1.2
Unemployment Rate %	5.2	4.9	4.8	4.9	5.1	4.9	5.2	4.9	4.9	5.1
Wages - ahote	2.5	1.1	2.7	2.8	2.7	2.5	1.1	2.6	2.6	2.8
Productivity (ann av %)	0.3	-2.6	-0.6	1.1	0.7	0.1	-1.7	-1.4	0.8	1.0
Unit Labour Costs (ann av %)	2.5	4.6	3.2	1.9	2.3	2.6	3.6	3.9	2.3	2.1
External Balance										
Current Account - $bn	-7.8	-8.1	-5.9	-9.2	-9.0	-8.3	-7.2	-6.3	-9.1	-9.2
Current Account - % of GDP	-3.1	-3.1	-2.1	-3.1	-2.9	-3.4	-2.8	-2.3	-3.1	-3.0
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	0.7	1.0	1.2	1.6	2.0					
Net Core Crown Debt (excl NZS Fund Assets)	24.4	22.8	22.2	21.3	19.8					
Bond Programme - $bn	7.0	8.0	7.0	7.0	7.0					
Bond Programme - % of GDP	2.8	3.0	2.5	2.4	2.3					
Financial Variables (1)										
NZD/USD	0.67	0.70	0.68	0.71	0.72	0.68	0.70	0.68	0.69	0.73
USD/JPY	113	113	120	120	114	122	116	118	122	114
EUR/USD	1.11	1.07	1.17	1.23	1.27	1.09	1.05	1.15	1.23	1.27
NZD/AUD	0.90	0.92	0.96	1.01	0.99	0.93	0.96	0.97	0.99	1.00
NZD/GBP	0.47	0.57	0.53	0.55	0.55	0.45	0.56	0.54	0.55	0.56
NZD/EUR	0.61	0.66	0.58	0.57	0.57	0.62	0.67	0.59	0.56	0.58
NZD/YEN	76.2	79.1	81.0	84.6	82.1	82.1	81.6	80.2	84.2	83.2
TWI	72.2	76.5	74.4	76.8	76.7	73.4	78.1	75.0	75.5	77.7
Overnight Cash Rate (end qtr)	2.25	1.75	1.75	2.75	3.00	2.50	1.75	1.75	2.50	3.00
90-day Bank Bill Rate	2.41	1.98	2.03	3.03	3.12	2.78	2.02	1.95	2.78	3.20
5-year Govt Bond	2.40	2.70	2.65	3.35	3.50	2.95	2.75	2.60	3.25	3.55
10-year Govt Bond	2.90	3.25	3.05	3.60	3.85	3.45	3.30	3.00	3.50	3.85
2-year Swap	2.30	2.30	2.55	3.35	3.25	2.80	2.40	2.45	3.25	3.35
5-year Swap	2.60	3.00	3.00	3.65	3.75	3.15	3.00	3.00	3.55	3.80
US 10-year Bonds	1.90	2.50	2.50	2.75	2.75	2.25	2.50	2.50	2.75	2.75
NZ-US 10-year Spread	1.00	0.75	0.55	0.85	1.10	1.20	0.80	0.50	0.75	1.10

(1) *Average for the last month in the quarter*

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

Calendar

	Forecast	Median	Last
Friday 14 July			
NZ, BNZ PMI (Manufacturing), June			58.5
US, Retail Sales, June		+0.1%	-0.3%
US, Mich Cons Confidence, July 1st est		95.0	95.1
US, CPI ex food/energy, June y/y		+1.7%	+1.7%
US, Industrial Production, June		+0.3%	flat
US, Business Inventories, May		+0.3%	-0.2%
Monday 17 July			
NZ, BNZ PSI (Services), June			58.8
NZ, RBNZ's Bascand Speaks			
China, Industrial Production, May y/y		+6.5%	+6.5%
China, GDP, Q2 y/y		+6.8%	+6.9%
US, Empire Manufacturing, July		+15.0	+19.8
Tuesday 18 July			
NZ, CPI, Q2 y/y	+1.8%		+2.2%
Aus, RBA Minutes, 4 July Meeting			
China, Property Prices, June			
Germ, ZEW Sentiment, July			+18.6
UK, CPI, June y/y			+2.9%
Wednesday 19 July			
NZ, Dairy Auction, GDT Price Index			-0.4%
US, Housing Starts, May		1,170k	1,092k
Thursday 20 July			
Aus, Employment, June			+42k
Aus, NAB Business Survey, Q2			+6
Jpn, Merchandise Trade Balance, June			-Y203b
Jpn, BOJ Policy Announcement, Policy Rate		-0.1%	-0.1%
Euro, ECB Policy Announcement, Refi	0.00%	0.00%	0.00%
UK, Retail Sales vol., June			-1.2%
US, Philly Fed Index, July		+20.0	+27.6
US, Leading Indicator, June		+0.4%	+0.3%
Friday 21 July			
NZ, External Migration, June s.a.			+5,900
Monday 24 July			
China, Leading Index (Conference Bd), June			+1.3%
Euro, PMI Manufacturing/Services, July 1st est			57.4/55.4
US, Markit PMI/PSI, July 1st est			52.0/54.2
US, Existing Home Sales, June		5.65m	5.62m
Tuesday 25 July			
Jpn, BOJ Minutes, 15/16 Jun Meeting			
Germ, IFO Index, July			115.1
US, Consumer Confidence, July		118.0	118.9
US, Shiller Home Price Index, May y/y			+5.5%
Wednesday 26 July			
NZ, Residential Lending, June y/y			-17.2%
NZ, Merchandise Trade, June	+$409m		+$103m
Aus, CPI, Q2			+0.5%
UK, GDP, Q2 1st est			+0.2%
US, New Home Sales, June		615k	610k
US, FOMC Policy Announcement, Upper Bound		1.25%	1.25%
Thursday 27 July			
Aus, Terms of Trade, Q2			+8.2%

	Forecast	Median	Last
Thursday 27 July Cont'd…			
US, Durables Orders, June 1st est		+2.5%	-0.8%
US, International Goods Trade, June advance		-$66.0b	-$66.3b
Friday 28 July			
Aus, Producer Prices, Q2 y/y			+1.3%
Jpn, Retail Sales, June y/y			+2.0%
Jpn, BOJ Summary of Latest Meeting, 19/20 July Meeting			
Jpn, CPI, June y/y			+0.4%
Euro, Economic Confidence, July			111.1
US, GDP, Q2 1st est		+2.5%	+1.4%
US, Employment Cost Index, Q2		+0.7%	+0.8%
Monday 31 July			
NZ, Credit Aggregates (new format/series),			
NZ, ANZ Business Survey, July			+24.8
NZ, Building Consents, June (res, #)			+7.0%
Aus, Inflation Gauge (Melbourne Institute), July y/y			+2.3%
Aus, Private Sector Credit, June			+0.4%
China, PMI (NBS), July			51.7
China, Non-manufacturing PMI, July			54.9
US, Chicago PMI, July			65.7
Tuesday 1 August			
Aus, CoreLogic HPI, July			+1.8%
Aus, RBA Policy Announcement	1.50%	1.50%	1.50%
China, PMI (Caixin), July			50.4
Euro, GDP, Q2 1st estimate			+0.6%
UK, Markit/CIPS Manuf Survey, July			54.3
US, ISM Manufacturing, July			57.8
US, Construction Spending, June			flat
US, Personal Spending, June			+0.1%
Wednesday 2 August			
NZ, LCI Priv Ord Wages, Q2 y/y	+1.6%		+1.5%
NZ, HLFS Unemployment Rate, Q2	4.9%		4.9%
Aus, Building Approvals, June			-5.6%
US, ADP Employment, July			+158k
Thursday 3 August			
NZ, ANZ Comdty Prices (world), July			+2.1%
Aus, International Trade, June			+$2.47b
China, Services PMI (Caixin), July			51.6
Euro, Retail Sales, June			+0.4%
Euro, ECB Economic Bulletin			
UK, Markit/CIPS Services, July			53.4
UK, BOE Policy Announcement/IR	0.25%	0.25%	0.25%
US, Factory Orders, June			-0.8%
US, ISM Non-Manuf, July			57.4
Friday 4 August			
Aus, Retail Trade, June			+0.6%
Aus, Qtly Monetary Statement			
Germ, Factory Orders, June			+1.0%
US, International Trade, June			-$46.5b
US, Non-Farm Payrolls, July			+222k

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