



Australian Markets Weekly

A weekly outlook for Australia, key global economies and markets

National
Australia
Bank

11 January 2016

Glass half full start to year – it's not that bad

- **Mr Market is gloomy and asking three interrelated questions early in 2016: 1) China – what the heck is going on (Me, I'm also asking that question); 2) Is the US economy slowing and did the US Fed make a mistake tightening in December (Me, No); and 3) Does the ongoing plunge in commodities mean the global economy is weakening further (Me, not necessarily)?**
- **Australian economy – No news in falling commodity prices. Big questions for 2016 are residential construction cycle and the non-mining economy. We expect RBA to be on hold right through 2016.**
- **AUD – four year decline probably over and AUD to be between US 65 to 75 cents in 2016**
- **Bond Yields – Yields falling now but to grind higher through 2016 as Fed tightens**
- **We also review the Australian data released over the holiday period and preview the week ahead**

A fairly crazy start to 2016 although uniformity in that the directional moves in key global markets has been negative. Major stockmarket indices are down 12% in China and 8% in Australia and the US; Oil is down \$4 to US\$33; US and Australian 10-year Government bond yields are down 15bps and are now lower than when the Fed hiked in December; and the AUD/USD has slid 3.5 cents to just under US 70 cents.

As I see it, Mr Market is asking three somewhat interrelated questions: 1) China – what the heck is going on; 2) Is the US economy slowing and did the US Fed made a mistake tightening in December; and 3) Does the ongoing plunge in commodities mean the global economy is weakening further?

I'll first deal with the second and third issues, as these seem more straightforward to me. The outlook for China is more complicated and uncertain.

Commodities – Nothing too much new here and it's still a supply story.

For me, the ongoing plunge in oil is a furphy when thinking about global growth and even inflation through 2016. The big story hasn't changed and while the multi-year slide in

commodity prices has a chapter on slower demand it remains overwhelmingly a story of overcapacity and oversupply.

Recent oil volatility is mostly about supply - Saudi Arabia and Iran political tension lifted prices at the same time Iran potentially increasing output by up to 1 million barrels per day (when sanctions are removed) pushed prices down. Further evidence that supply mattered is that as oil made a new cycle low last week iron ore actually recovered to USD44 a tonne early last week from its mid-December low of USD38.

Through 2016 it still seems reasonable to expect commodity prices to stabilise as supply is rationalised and reduced - prices for oil, iron ore and other commodities are below the cost of production for many producers.

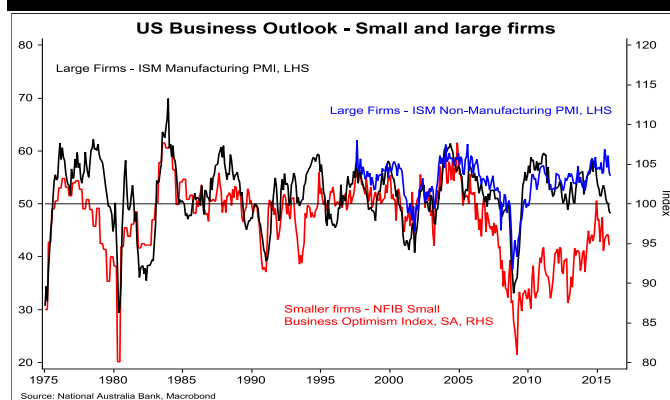
There are two other aspects worth considering: 1) as most of the globe are consumers of commodities, lower prices will be a boost for global growth and this perhaps explains the better recent performances of commodity consuming Japan and Europe and 2) once commodity prices stop falling before long they will cease to be a downward force on inflation rates.

United States – despite angst, economy fine and Fed to keep removing accommodation.

The data flow in early 2016 confirms the ongoing slowing in US manufacturing. Some of this slowdown, as well as the stronger USD's negative impact on revenues and profits, will likely be seen in the US corporate report season that starts this week.

This slowing bears watching. Even though indicators suggest the larger non-manufacturing sectors remain robust, it's noticeable that small business sentiment (small business account for 55% of all employment) has started to turn down as well – see chart 1 below.

Chart 1: Small business sentiment is starting to moderate



For all that, I'm still inclined to the view that the US economy remains robust and that NAB's forecast for the Fed to hike three times in 2016, the next one in March, remains on track. This also remains the view of key Fed speakers early in 2016 – Vice Chairman Fischer said last week that four Fed hikes in 2016 is his ball-park – more than the two markets are pricing.

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.6970	-3.1	RBA cash	2.00	0
AUD/CNY	4.59	-2.3	3y sw ap	2.16	-2
AUD/JPY	81.7	-4.8	ASX 200	4,897	-7.1
AUD/EUR	0.638	-3.9	Iron ore	42.1	-3.3
AUD/NZD	1.063	0.2	WTI oil	33.2	-11.6

Source: Bloomberg

A strong December non-farm payrolls report out on Friday night validated this view - jobs growth in December was well above expectations and the unemployment rate stayed at 5.0%.

China – Outlook more complicated and being exacerbated by policymaker uncertainty.

China looks messy early in 2016 – as it was in 2015.

First, recent data confirm the economy remains soft – although no more soft than it was through 2015 and hardly crashing. Second, authorities are reluctant to support the economy with more credit stimulus - rightly so given the corporate sector is already one of the most leveraged in the world – and seem to have opted instead to allow some devaluation in the currency, down 1½% in 2016. Third, the large plunge in China’s FX Reserves through December suggest that locals and foreigners are still headed for the exit door and that the Chinese currency would have fallen further if it wasn’t for FX intervention. Finally, locals and foreigners clearly want to exit the stockmarket, which is down 12% already in 2016 and would have likely be down more if it wasn’t for authorities curbing trading and buying stocks.

I would add that the Chinese stock market remains truly crazy and if possible best ignored - while it is down 40% from its mid-2015 high it’s basically unchanged from a year ago.

Stepping back a bit, it seems clear that the Chinese economy needs more stimulus and that the currency and stockmarket should fall further. A lower currency would also support growth. But recent months have confirmed authorities are reluctant to let market forces rule, which along with their indecisiveness and lack of transparency is exacerbating market uncertainty.

Understandably, amidst this global markets are “selling Chinese policymaker’s ability” to control their economy and market outcomes.

I’m also wary of Chinese policymaker’s ability to control a now much larger and complicated economy. Even so I’m also not so negative – if they get it right, Chinese policymakers have ample room in terms of market reform scope, low Government debt, and vast FX reserves to remove downside economic risks.

Overall, there are some big questions around the global economy that will need to be resolved in the months/quarters ahead. For now markets are thinking negatively but my/NAB’s base case is a bit better than this.

We expect: 1) commodity prices to flatten out this half; 2) for the US Fed to keep lifting the funds rate slowly and 3) more Chinese policy stimulus/reform.

Australia – Economy ok, but mixed, and the RBA likely on hold in 2016.

Turning locally, I don’t see any substantive implications for our forecasts from global developments in early 2016.

Yes, commodity prices and China have a softer tone, but there’s no news here. Since peaking in 2011, commodity prices have been falling for four years. No surprise that the resource sector is weak and mining investment is falling. Yet during this four year decline in commodity prices the Australian economy has continued to grow. Growth is disparate – with the NSW economy rarely stronger meanwhile Western and South Australia are soft or even in recession. But there is growth and indeed employment growth was sufficiently strong in 2015 for the unemployment rate to stabilise near 6% and perhaps even fall a bit.

How the Australian economy performs in 2016 will NOT be determined by commodity prices. I expect the two key questions that need to be answered in 2016 are: 1) when will the residential construction cycle peak (building approvals peaking in 2015 suggests the construction cycle will peak in early 2017); and 2) can the non-mining economy keep doing well (we are assuming, yes).

Overall, NAB sees GDP growth in 2016 of 2.7%, a little better than a likely 2.4% in 2015. By December 2016, we expect the unemployment rate to be unchanged at 5.8%. This outlook suggests the RBA will remain on hold at 2% through 2016.

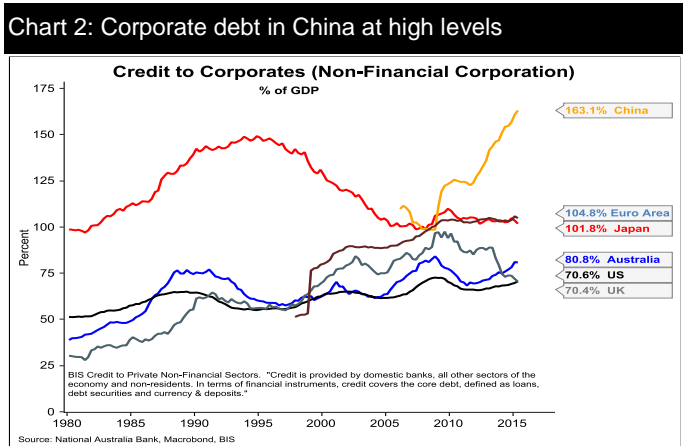
AUD – four year decline probably over and AUD to be between US 65 to 75 cents in 2016

The RBA on hold and commodity prices bottoming in the first half suggest the four year decline in the \$A is basically over and that it is likely to remain around current levels of US 70 cents.

NAB’s forecast has AUD US 68 cents by March 2016 and US 70 cents by year-end. Be aware that in a normal year AUD/USD trades a US 15 cent range, so tightening this up a bit its more realistic to say our forecast is for the AUD to remain between US 65 and 75 cents though 2016.

Bond Yields – Yields falling now but to grind higher through 2016

The early 2016 fall US and Australian bond yields might seem at odds with the likelihood of the RBA being on hold and the Fed tightening more in 2016. In fact, it’s very similar to how bonds have reacted to prior Fed rate hike cycles – remember that bonds are driven not just by fundamental factors like inflation and the likely paths for the Fed/RBA but also by market specific factors, like investor positioning.

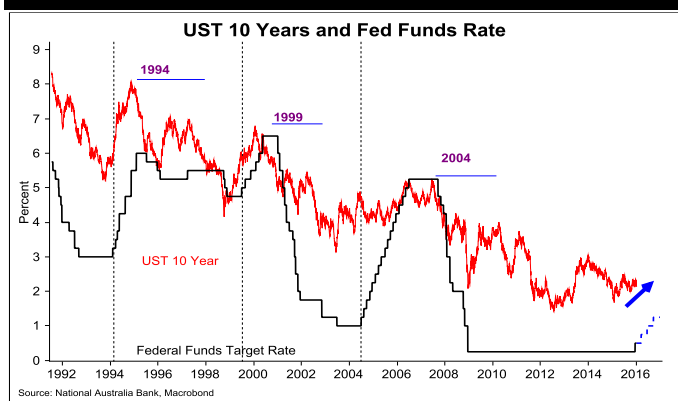


The roadmap I am using for 2016 is the Fed’s 1999 tightening cycle – I see few parallels between this cycle and the 1994 or 2004 Fed tightening cycles¹.

The chart shows 1999’s experience with Fed and UST10’s. Bonds were weak into the first Fed hike but then rallied 40bps in the subsequent month – the market was too short going into the first hike and some said the Fed was making a mistake by hiking (as is again happening now). In the end, the economy was fine, the Fed kept hiking, and US/Australian bond yields pushed higher.

If we re-run 1999, the UST 10-year bond yield should rally towards 2% over the next month (now 2.11%) before rising towards 2¾% by mid-2016. With the RBA on hold, Australian bond and swap yields should follow US bond yields in 2016, if not one for one. NAB’s forecast has Australian bond and swap yields pushing somewhat higher as the 2016 goes by.

Chart 3: USTs to rally before rising to 2¾% by mid-2016



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Recent Australian data and the week ahead

In the holiday period there were only two significant data releases, being Retail Sales and the Trade Balance. Both of these were bang in line with expectations with Retail Sales increasing 0.4% m/m in November and the Trade Balance recording a deficit of \$2.9bn. Overall the data continues to show a pick-up in the non-mining economy which is more than offsetting weakness from the mining sector.

Second tier data on the housing market was also released in the period and continues to point to some cooling in activity. House price data showed no growth in December after declining in November, while auction clearance rates are lower than those in 2014. Building approvals have also moderated and recorded a sharp 12.7% m/m decline in November driven by a correction in the volatile apartment category. Some moderation in dwelling approvals has been expected for some time, and while approvals are likely to be lower in 2016 than in 2015, the trend towards apartment construction and the longer lags involved should see residential building continuing to add to GDP growth in 2016.

The week ahead

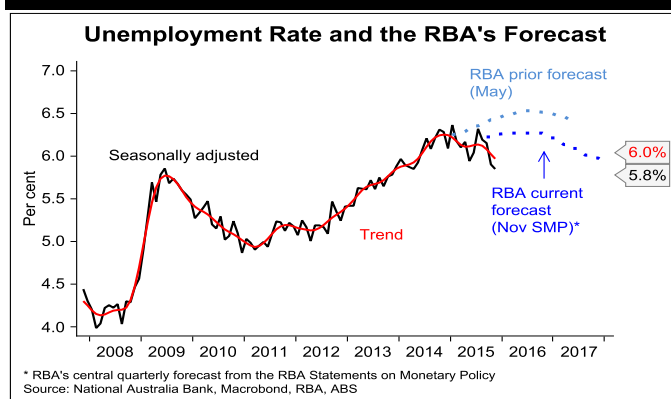
It is a light week for Australian data generally with the most significant being the employment/unemployment report Thursday. There are also second tier reports of: ANZ Monthly Job Ads Today; Weekly Consumer Confidence Tuesday; and Housing Finance Friday.

All eyes will be on Thursday’s employment report which will feed into the RBA’s quarterly forecasts of the economy to be released in February’s Statement on Monetary Policy. Despite the data’s volatility, the report remains a very significant publication for monetary policy and not long ago the RBA Governor suggested “there’s genuine signal[s] there”.

The volatility associated with the employment data recently has been driven by sampling quirks. In compiling the numbers, the ABS surveys only 26,000 households (equivalent to 0.32% of the population) which are meant to represent all of Australia with one-eighth of its sample rotated each month – meaning 12.5% of the survey is actually new each month and if they have differing employment characteristics to the existing sample they can distort the employment number in that month. This occurred in October and November, with November’s outsized +71.4k jobs gain almost entirely driven by sample rotation issues. In fact, excluding sample rotation issues the actual employment number was a mere 5.3k!

This month we look for some statistical retracement due to a reversal of the previous months sampling issues and forecast jobs growth at -25k for December, a bit weaker than the market consensus of -10k. Importantly, this does not change our view of a trend improvement in the labour market, but just reflects a reversal of statistical quirks in the sample. For the unemployment rate, we also look for some retracement to 5.9%, from 5.8%, with this outcome still better than the RBA had forecast at its November forecasting round (Chart 4). For the participation rate we expect this to fall to 65.1% from last month’s 65.3%.

Chart 4: The pick-up has continually surprised the RBA



Outside of the important employment report we get Housing Finance on Friday. We expect a continued retracement in the number of owner-occupier housing finance approvals and would also expect investor approvals to continue to moderate.

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¹ NAB Rates Strategist – 2016 Outlook, 21 December 2015

Calendar of Economic Releases (two weeks commencing 21 December)

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Sunday, 10 January 2016								
CH	New Yuan Loans CNY	Dec		700		708.9	anytime from Sun-Fri	
CH	Aggregate Financing CNY	Dec		1150		1020	anytime from Sun-Fri	
Monday, 11 January 2016								
NZ	Building Permits MoM	Nov				5.1	21.45	8.45
AU	ANZ Job Advertisements MoM	Dec				1.3	0.30	11.30
EC	Sentix Investor Confidence	Jan		11.4		15.7	9.30	20.30
CA	Housing Starts	Dec		200		211.916	13.15	0.15
CA	Bloomberg Nanos Confidence	Jan 8				53.8	15.00	2.00
US	Labor Market Conditions Index Change	Dec		0		0.5	15.00	2.00
CA	Business Outlook Survey and Senior Loan Officer Survey						15.30	2.30
US	Fed's Lockhart Speaks on U.S. Economic Outlook in Atlanta						17.40	4.40
US	Fed's Kaplan speaks on Economy and Monetary Policy in Dallas						22.50	9.50
Tuesday, 12 January 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jan 10				116.3	22.30	9.30
JN	BoP Current Account Adjusted	Nov		1512.8		1493.7	23.50	10.50
JN	Trade Balance BoP Basis	Nov		-158.7		200.2	23.50	10.50
NZ	ANZ Commodity Price	Dec				-5.6	0.00	11.00
UK	BRC Sales Like-For-Like YoY	Dec		0.5		-0.4	0.10	11.10
JN	Consumer Confidence Index	Dec		42.4		42.6	5.00	16.00
UK	Industrial Production MoM	Nov		0		0.1	9.30	20.30
UK	Industrial Production YoY	Nov		1.7		1.7	9.30	20.30
US	Fed's Fischer Speaks in Paris (speech is a repeat of the one given last week)						10.30	21.30
EC	ECB's Praet speaks in Paris							21.30
US	NFIB Small Business Optimism	Dec		95		94.8	11.00	22.00
JN	Eco Watchers Survey Current	Dec		46.6		46.1	6.00	17.00
JN	Eco Watchers Survey Outlook	Dec		48		48.2	6.00	17.00
UK	BoE's Carney speaks in Paris						14.15	1.15
US	JOLTS Job Openings	Nov		5400		5383	15.00	2.00
EC	ECB's Lautenschlaeger speaks in Frankfurt						19.00	6.00
US	Fed's Lacker speak on Outlook in Columbia						20.15	7.15
Wednesday, 13 January 2016								
AU	Job vacancies	Nov				2.7	0.30	11.30
CH	Trade Balance	Dec		\$52.3b				unknown
CH	Exports/Imports YoY	Dec		-7.5%/-10.9%		-6.8%/-8.7%		unknown
EC	Industrial Production SA MoM	Nov		-0.3		0.6	10.00	21.00
EC	Industrial Production WDA YoY	Nov		1.3		1.9	10.00	21.00
UK	BoE's Bailey speaks in London							22.00
US	Monthly Budget Statement	Dec		-7.1		-64.6	19.00	6.00
US	Biege Book						19.00	6.00
US	Fed's Rosengren speaks on Economic Outlook to Boston Chamber						13.00	0.00
US	Fed's Evans speaks on Economy and Monetary Policy in Iowa						17.30	4.30
Thursday, 14 January 2016								
NZ	Card Spending Retail MoM	Dec		0.5		0.3	21.45	8.45
UK	RICS House Price Balance	Dec				49	0.10	11.10
AU	Employment Change	Dec	-25	-10		71.4	0.30	11.30
AU	Unemployment Rate	Dec	5.9	5.9		5.8	0.30	11.30
AU	Participation Rate	Dec	65.1	65.2		65.3	0.30	11.30
JN	Machine Tool Orders YoY	Dec P				-17.70%	6.00	17.00
GE	GDP NSA YoY	2015		1.7			9.00	20.00
GE	Budget Maastricht % of GDP	2015		0.5			9.00	20.00
EC	ECB account of the monetary policy meeting						9.00	20.00
UK	Bank of England Bank Rate	Jan 14		0.5		0.5	12.00	23.00
US	Initial Jobless Claims	Jan 9		275		277	13.30	0.30
US	Bloomberg Consumer Comfort	Jan 10				44.2	14.45	1.45
US	Fed's Bullard speaks to economic club of Memphis						13.30	0.30
Friday, 15 January 2016								
NZ	Food Prices MoM	Dec				-0.2	21.45	8.45
AU	Home Loans MoM	Nov		-0.5		-0.5	0.30	11.30
AU	Investment Lending	Nov				-6.1	0.30	11.30
AU	Owner-Occupier Loan Value MoM	Nov	-0.6%	-0.5%		0.4	0.30	11.30
EC	Trade Balance SA	Nov		21		19.9	10.00	21.00
US	Retail Sales Advance MoM	Dec		-0.1		0.2	13.30	0.30
US	PPI Final Demand MoM	Dec		-0.2		0.3	13.30	0.30
US	PPI Ex Food and Energy MoM	Dec		0.1		0.3	13.30	0.30
US	Empire Manufacturing	Jan		-4		-4.59	13.30	0.30
US	Capacity Utilization	Dec		76.8		77	14.15	1.15
US	Industrial Production MoM	Dec		-0.2		-0.6	14.15	1.15
US	Business Inventories	Nov		-0.1		0	15.00	2.00
US	U. of Mich. Current Conditions	Jan P				108.1	15.00	2.00
Monday, 18 January 2016								
AU	TD Securities Inflation MoM	Dec				0.1	23.30	10.30
AU	TD Securities Inflation YoY	Dec				1.8	23.30	10.30
AU	New Motor Vehicle Sales MoM	Dec				1	0.30	11.30
AU	New Motor Vehicle Sales YoY	Dec				6	0.30	11.30
NZ	Non Resident Bond Holdings	Dec				67.9	2.00	13.00
JN	Industrial Production MoM	Nov F				-1	4.30	15.30
JN	Industrial Production YoY	Nov F				1.6	4.30	15.30
JN	Tertiary Industry Index MoM	Nov				0.9	4.30	15.30
CA	Bloomberg Nanos Confidence	Jan 8				53.8	15.00	2.00
Upcoming Central Bank Interest Rate Announcements								
UK BOE		14-Jan				0.50%		
Canada, BoC		20-Jan				0.50%		
Europe ECB		21-Jan				0.05%		
US Federal Reserve		27-Jan	0.25-0.50%			0.25-0.50%		
New Zealand, RBNZ		28-Jan	2.50%	2.50%		2.50%		
Japan, BoJ		29-Jan	0.0%-0.1%	0.0%-0.1%		0.0%-0.1%		
Australia, RBA		2-Feb	2.00%	2.00%		2.00%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Saving Time

Forecasts

Economic Forecasts

	Annual % change			Quarterly % change											
	2014	2015	2016	2014			2015			2016					
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Australia Forecasts															
Household Consumption	2.7	2.6	2.8	0.5	0.7	0.6	0.8	0.5	0.6	0.7	0.7	0.7	0.7	0.6	0.7
Underlying Business Investment	-5.0	-10.4	-8.3	-1.8	-2.7	0.1	-1.5	-4.3	-2.0	-5.5	-1.6	-2.1	-1.2	-1.3	-1.2
Residential Construction	7.4	9.1	5.6	4.1	1.8	-1.5	4.0	4.6	0.4	0.9	3.3	1.5	0.8	0.9	-0.4
Underlying Public Spending	-0.7	2.1	2.0	0.2	-1.3	-1.1	0.2	1.1	2.2	-0.9	1.8	-0.4	0.6	0.6	0.6
Exports	6.7	6.4	8.4	3.3	-0.4	2.6	1.5	3.7	-3.3	4.6	2.0	2.0	2.0	2.3	2.4
Imports	-1.6	1.0	1.1	-2.5	3.1	-1.0	-1.7	3.0	0.1	-2.4	0.9	0.3	0.9	0.8	0.7
Net Exports (a)	1.7	1.2	1.6	1.2	-0.7	0.8	0.7	0.2	-0.8	1.5	0.3	0.4	0.3	0.4	0.4
Inventories (a)	0.1	0.1	-0.1	-0.1	0.7	0.3	-0.9	0.5	0.0	0.0	0.0	0.0	-0.1	0.0	0.0
Domestic Demand - qtr%				0.3	0.0	-0.2	0.5	0.2	0.6	-0.5	0.9	0.2	0.4	0.4	0.4
Dom Demand - ann %	1.1	0.9	1.4	1.8	1.4	0.5	0.6	0.5	1.1	0.8	1.2	1.1	1.0	1.9	1.4
Real GDP - qtr %				0.9	0.5	0.4	0.4	0.9	0.3	0.9	0.7	0.6	0.6	0.7	0.7
Real GDP - ann %	2.6	2.4	2.7	3.0	2.7	2.5	2.2	2.1	1.9	2.5	2.8	2.5	2.9	2.6	2.7
CPI headline - qtr %				0.6	0.5	0.5	0.2	0.2	0.7	0.5	0.5	0.5	0.5	0.5	0.5
CPI headline - ann %	2.5	1.5	1.5	2.9	3.0	2.3	1.7	1.3	1.5	1.5	1.5	1.5	1.5	1.5	1.5
CPI underlying - qtr %				0.6	0.6	0.4	0.6	0.7	0.5	0.3	0.3	0.3	0.3	0.3	0.3
CPI underlying - ann %	2.5	2.3	2.2	2.7	2.7	2.5	2.3	2.4	2.3	2.2	2.2	2.2	2.2	2.2	2.2
Wages (Pvte WPI - ann %)	2.5	2.2	2.5	2.5	2.4	2.5	2.5	2.3	2.2	2.1	2.1	2.2	2.4	2.6	2.7
Unemployment Rate (%)	6.0	6.1	5.8	5.8	6.0	6.2	6.2	6.2	5.9	6.2	6.0	5.9	5.8	5.8	5.8
Terms of trade	-7.4	-11.7	-11.3	-1.7	-4.5	-3.3	-1.5	-2.8	-4.3	-2.3	-4.9	-5.1	-0.7	-0.4	-0.6
G&S trade balance, \$Abn	-9.4	-34.0	-52.9	2.2	-4.5	-4.3	-2.8	-4.7	-10.9	-7.4	-10.9	-13.9	-13.8	-13.0	-12.2
% of GDP	-0.6	-2.1	-3.2	0.5	-1.1	-1.1	-0.7	-1.2	-2.7	-1.8	-2.7	-3.4	-3.3	-3.1	-2.9
Current Account (% GDP)	-3.0	-4.5	-5.8	-2.4	-3.5	-3.3	-2.9	-3.3	-5.1	-4.4	-5.3	-6.0	-6.0	-5.7	-5.5

Source: NAB Group Economics; (a) Contributions to GDP growth

Exchange Rate Forecasts

	11-Jan	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Majors						
AUD/USD	0.6946	0.68	0.69	0.70	0.70	0.71
NZD/USD	0.6522	0.61	0.61	0.61	0.60	0.60
USD/JPY	117.11	122	123	124	125	127
EUR/USD	1.0935	1.05	1.05	1.06	1.07	1.07
GBP/USD	1.4518	1.51	1.48	1.45	1.44	1.43
USD/CNY	6.5948	6.50	6.60	6.65	6.70	6.72
USD/CAD	1.4184	1.47	1.47	1.46	1.46	1.44

Australian Cross Rates

	11-Jan	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
AUD/JPY	81.3	83	85	87	88	90
AUD/EUR	0.6352	0.65	0.66	0.66	0.65	0.66
AUD/GBP	0.4784	0.45	0.47	0.48	0.49	0.50
AUD/NZD	1.0650	1.12	1.14	1.16	1.17	1.18
AUD/CNY	4.5807	4.42	4.55	4.66	4.69	4.77
AUD/CAD	0.9852	1.00	1.01	1.02	1.02	1.02
AUD/CHF	0.6895	0.66	0.69	0.71	0.74	0.76

Interest Rate Forecasts

	11-Jan	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Aust rates						
RBA Cash rate	2.00	2.00	2.00	2.00	2.00	2.00
3 month bill rate	2.32	2.25	2.25	2.25	2.25	2.50
3 Year Swap Rate	2.17	2.2	2.3	2.4	2.6	3.0
10 Year Swap Rate	2.89	3.2	3.4	3.4	3.4	3.8
Offshore Policy Rates						
US Fed funds	0.50	0.75	1.00	1.25	1.25	1.50
ECB refi rate	0.05	0.05	0.05	0.05	0.05	0.05
BoE repo rate	0.50	0.50	0.50	0.75	0.75	1.00
BoJ overnight call rate	0.10	0.10	0.10	0.10	0.10	0.10
RBNZ OCR	2.50	2.50	2.50	2.50	2.50	2.50
China 1yr lending rate	4.35	4.10	3.85	3.85	3.85	0.00
China Reserve Ratio	17.5	17.0	16.5	16.0	16.0	--
10 Year Benchmark Bond Yields						
Australia	2.78	3.1	3.3	3.3	3.4	3.6
United States	2.12	2.5	2.8	2.8	2.8	3.0
Europe/Germany	0.51	0.9	1.0	1.2	1.2	0.0
UK	1.77	2.2	2.3	2.4	2.4	2.8
New Zealand	3.40	3.6	3.9	3.8	3.8	4.0

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

Dec year	2013	2014	2015	2016	2017	20 Yr Avge
Australia	2.0	2.6	2.4	2.7	3.0	3.4
US	1.5	2.4	2.5	2.4	2.3	2.6
Eurozone	-0.2	0.9	1.4	1.7	1.9	1.5
UK	2.2	2.9	2.4	2.3	2.2	2.4
Japan	1.6	-0.1	0.6	1.1	0.9	0.8
China	7.7	7.3	6.9	6.7	6.5	9.2
India	6.4	7.1	7.5	7.6	7.4	6.6
New Zealand	2.3	3.3	2.2	1.8	2.0	3.0
World	3.3	3.3	3.0	3.2	3.3	3.5

Commodity prices (\$US)

	11-Jan	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
WTI oil	33.16	46	49	52	55	58
Gold	1098	1030	1010	980	960	930
Iron ore	42	42	44	42	41	40
Hard cok. coal	89	82	84	85	83	85
Thermal coal	50	68	62	62	62	62
Copper	4486	4670	4690	4700	4720	4770
Japan LNG	9.4	10.1	10.6	11.0	11.4	11.2

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