



Australian Markets Weekly

A weekly outlook for Australia, key global economies and markets

18 January 2016

Employment growth keeps defying the doomsayers

- **The crazy start to 2016 continues with equities lower, commodities lower, commodity currencies lower**
- **NAB has nudged its AUD FX forecasts down slightly, now seeing A\$/US\$ 0.67 by end Q1 and 0.66 by mid-year, before a mild recovery in H2 2016**
- **Australian jobs data continues to surprise, even if the underlying pace of growth is likely to be slightly softer than the official figures suggest**
- **Despite volatility in the jobs data, the jobs data do align with other indicators of the labour market, supporting the RBA's recent optimism on the economy**
- **The unemployment rate probably gives a better read of the labour market – and is not impacted as much by sampling issues**
- **A quiet week ahead for Australian data with only monthly Consumer sentiment likely to draw interest**

The wild start to 2016 has continued in the past week. Equities, commodities, commodity currencies, and yields are all lower. Against this backdrop the Australian dollar has fallen 1.8% against the US dollar, the ASX200 has fallen 1.7% and the market is now pricing 35 basis points of RBA cuts over the next 12 months.

Despite this gloomy international outlook, the Australian economy to date continues to perform well as shown in the solid employment data last week (the focus of this Weekly), which should see the RBA firmly on hold in coming months barring further appreciable deterioration in global equity markets.

The concerns rippling through markets are still largely the same as we noted last week: 1) China – what the heck is going on; 2) Is the US economy slowing and did the US Fed make a mistake tightening in December; and 3) Does the ongoing plunge in commodities mean the global economy is weakening further?

| Key markets over the past week | | | | | |
|--------------------------------|--------|------------|----------|-------|-----------------|
| | Last | % chg week | | Last | bp / % chg week |
| AUD | 0.6869 | -1.8 | RBA cash | 2.00 | 0 |
| AUD/CNY | 4.54 | -1.1 | 3y sw ap | 2.07 | -13 |
| AUD/JPY | 80.5 | -2.3 | ASX 200 | 4,850 | -1.7 |
| AUD/EUR | 0.630 | -2.3 | Iron ore | 41.1 | -2.4 |
| AUD/NZD | 1.067 | 0.0 | WTI oil | 28.8 | -8.2 |

Source: Bloomberg

On the first question, better than expected Chinese trade data helped alleviate fears that recent sharp declines on its financial markets were spilling over to the real economy. For the US Fed, the market still doubts the ability of the US Fed to hike

interest rates to the extent envisaged by the Fed in December given this background and is now only fully pricing one rate hike in 2016.

Lastly, on the oil price there is no letup to the decline, with oil prices falling 8% over the past week. Sanctions on Iran were lifted on Saturday, with the prospects for such a lift and general oversupply having led to lower oil prices. The decline in the oil price was also the primary catalyst for Friday's global risk asset sell off.

AUD FX forecasts have been lowered slightly

Ongoing negative terms of trade pressures and higher market volatility levels associated with the very poor start to the year for equities, have been pressing down on the Australian dollar which has fallen by around 5% so far in 2016. Commodity prices falls either side of year-end mean that the currency has still year to fully adjust for the size of the latest terms of trade shock and leads us to now expect still lower level in coming months. We have revised our end Q1 AUD/USD forecast down to 67 cents from 68 cents previously, and Q2 to 0.66 from 0.68. We continue to expect a mild recovery in H2 2016 and move back above 70 cents in 2016, based in part on the view that markets will start to anticipate a 2017 RBA tightening cycle later this year.

Special focus: Employment – what can we believe?

The most important Australian data event last week was the better-than-expected December employment figures. Employment fell marginally in the month (by -1k), against expectations of a sharp decline following two months of what looked like implausibly strong employment prints which our research shows was mostly driven by sample rotation effects.

With better than expected employment outcomes over the past six months at the centre of the RBA's more optimistic views of the economy, and ongoing doubts over the reliability of the data, in this weekly we compare the official ABS employment and unemployment numbers to alternative indicators of the labour market.

We find that employment growth is strong, though not as outstanding as the official 27.5k monthly trend pace, and is probably running more around the 15-18k a month. This slightly lower pace of growth is still more than sufficient to put downward pressure on the unemployment rate. We also find that while employment growth has been affected by sample rotation, the unemployment rate is less susceptible to these effects.

How does the employment data align with other indicators?

The official employment numbers have been running ahead of alternative indicators of the labour market. We have previously noted that sample rotation effects have driven recent headline employment gains and are overstating the pace of jobs growth

– see [“Employment preview – implausible jobs growth from sampling quirks”](#).

To estimate what the underlying pace of jobs growth is, we compare the employment numbers to the NAB quarterly survey question on the number of persons employed over the past three months (Chart 1). The two series normally have a tight relationship, with this diverging substantially in recent months.

Current employment growth is running at 312k over the past year – equivalent to 1.6% of the population. In contrast, the NAB measure suggests annual employment growth is running at a softer but still respectable pace at around 1.1% of the population or around 200k jobs a year - equivalent to 15-18k jobs a month. This pace of growth, while slower than the headline measures suggests, is more than enough to put downward pressure on the unemployment rate with only around 14-15k jobs a month a needed to keep the unemployment rate stable (Chart 2).

Chart 1: Employment running well ahead of the NAB survey

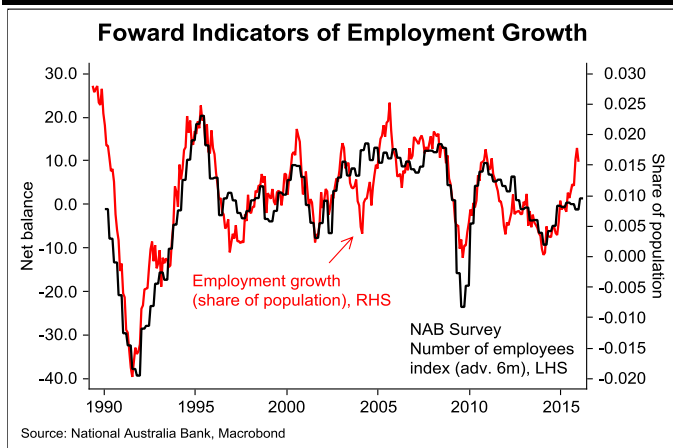
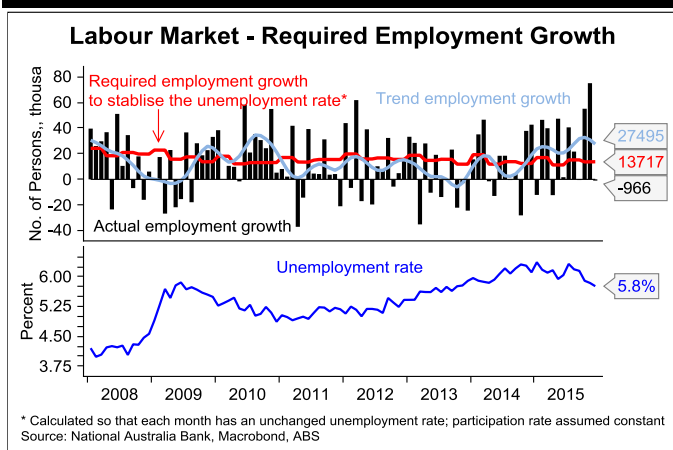


Chart 2: 14-15k jobs a month is needed to keep UR stable



Going forward, as the recent rotation groups that have caused the headline spikes in employment start dropping out of the survey frame from May 2016, there is the potential for some softer headline employment prints in the second half of 2016. This will be important to keep in mind when interpreting monthly employment numbers in later 2016.

Is the unemployment rate affected?

Unlike employment growth, headline unemployment numbers have been broadly in line with alternative indicators. We compare the unemployment rate to those claiming government benefits and also to the number of job applicants per job advertised (Chart 3 and 4).

The numbers claiming government benefits (New Start and Youth Allowance) have fallen since June 2015, alongside the general fall in the unemployment rate. The unemployment rate also has a generally close relationship to the number of job applications per job advertised on SEEK.com.au, with this measure having been trending down since 2014.

Chart 3: Unemployment rate aligning with benefits data

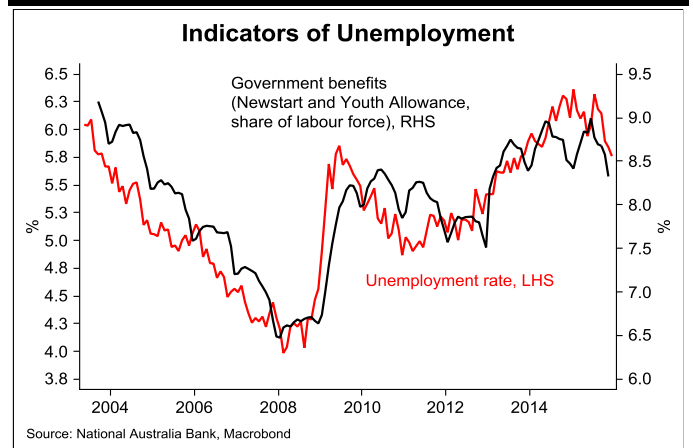
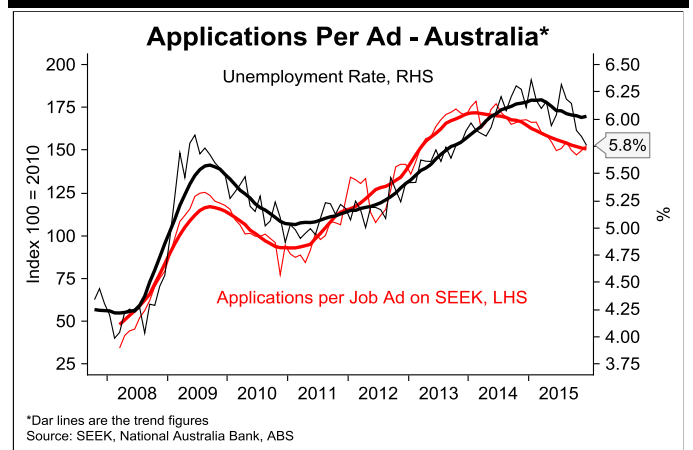
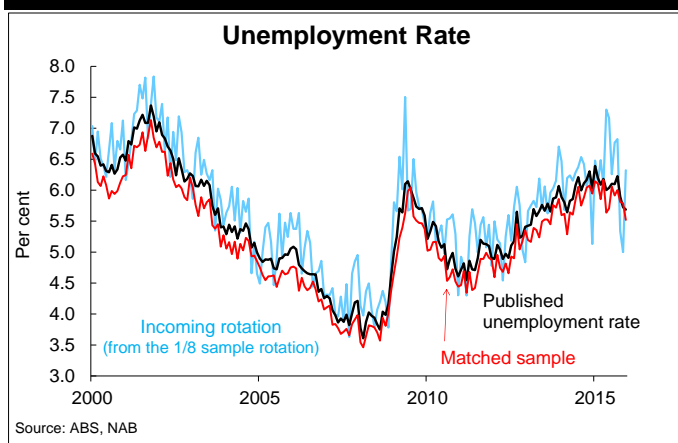


Chart 4: Unemployment rate aligns with actual job applications



These indicators suggest the unemployment rate is not being as affected by the sample rotation effects that have impacted the headline employment numbers. To confirm this, we calculate what the unemployment rate is for the matched labour force sample and that of the incoming 1/8 rotation group. We find that the official published unemployment rate follows the movements in the matched sample closely, and thus is not affected by sample rotation issues as much.

Chart 5: Unemployment rate less affected by sample rotation



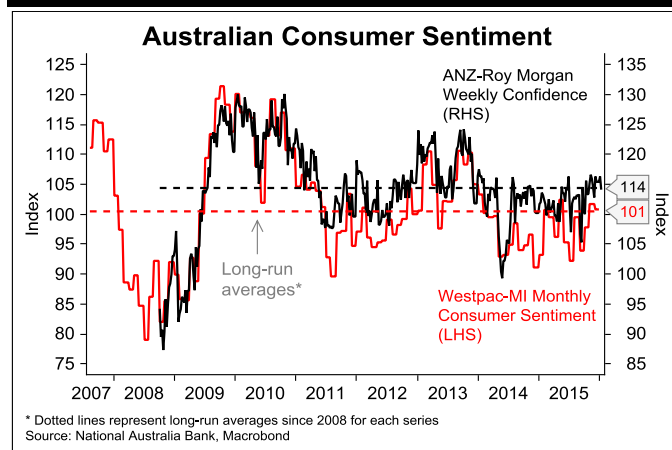
The week ahead

A very quiet week ahead for Australian data which should give analysts time to reflect on the data to date and the extent to which lower commodity prices and developments in global equity markets are impacting on the domestic economy.

In second tier data we received the TD Securities Inflation measure today which has a fairly good relationship with official headline inflation. The measure suggests headline inflation for the December quarter could be 1.8% y/y – a similar pace to that expected by the RBA in the November Statement of Monetary Policy. NAB will be finalising its CPI forecasts early this week.

We also get the weekly Consumer Confidence measure Tuesday and the monthly measure on Wednesday. Both of these measures are at their long-run average levels and last week's weekly measure fell slightly on recent ructions in global markets (Chart 6). Westpac noted that its fieldwork was done over the week ended Jan 16 and given continuing global volatility and concerns over China, another fall is likely.

Chart 6: Will consumer sentiment be affected by global events?



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Calendar of Economic Releases

| Country | Economic Indicator | Period | Forecast | Consensus | Actual | Previous | GMT | AEDT |
|--|---|--------|------------|-----------|--------|------------|-------|-------|
| Monday, 18 January 2016 | | | | | | | | |
| AU | TD Securities Inflation MoM/YoY | Dec | | | | 0.1/1.8 | 23.30 | 10.30 |
| AU | New Motor Vehicle Sales YoY | Dec | | | | 6 | 0.30 | 11.30 |
| CH | China December Property Prices | | | | | | 1.30 | 12.30 |
| NZ | Non Resident Bond Holdings | Dec | | | | 67.9 | 2.00 | 13.00 |
| JN | Industrial Production MoM/YoY | Nov F | | | | -1/1.6 | 4.30 | 15.30 |
| JN | Capacity Utilization MoM | Nov | | | | 1.3 | 4.30 | 15.30 |
| JN | Tertiary Industry Index MoM | Nov | | -0.7 | | 0.9 | 4.30 | 15.30 |
| UK | BoE's Gertjan speaks in London | | | | | | 18.30 | 5.30 |
| Tuesday, 19 January 2016 | | | | | | | | |
| AU | ANZ Roy Morgan Weekly Consumer Confidence Index | Jan 17 | | | | 114.1 | 22.30 | 9.30 |
| CH | China GDP SA QoQ/YoY | 4Q | | 1.8%/6.9% | | 1.8%/6.9% | 2.00 | 13.00 |
| CH | Industrial Production YoY | Dec | | 6.1 | | 6.2% | 2.00 | 13.00 |
| CH | Retail Sales | Dec | | 11.3 | | 11.2% | 2.00 | 13.00 |
| CH | Fixed Assets Ex Rural YTD YoY | Dec | | 10.2 | | 10.2% | 2.00 | 13.00 |
| GE | CPI MoM/YoY | Dec F | | -0.1/0.3 | | -0.1/0.3 | 7.00 | 18.00 |
| EC | ECB Current Account SA | Nov | | | | 20.4 | 9.00 | 20.00 |
| UK | CPI MoM | Dec | | 0 | | 0 | 9.30 | 20.30 |
| UK | CPI Core YoY | Dec | | 1.2 | | 1.2 | 9.30 | 20.30 |
| UK | ONS House Price YoY | Nov | | | | 7 | 9.30 | 20.30 |
| GE | ZEW Survey Current Situation | Jan | | 53.1 | | 55 | 10.00 | 21.00 |
| GE | ZEW Survey Expectations | Jan | | 7.9 | | 16.1 | 10.00 | 21.00 |
| UK | BoE Governor Carney speaks in London | | | | | | 12.00 | 23.00 |
| US | Total Net TIC Flows | Nov | | | | 68.9 | 21.00 | 8.00 |
| Wednesday, 20 January 2016 | | | | | | | | |
| NZ | CPI QoQ%/YoY% | 4Q | -0.2/0.3 | -0.2/0.3 | | 0.3/0.4 | 21.45 | 8.45 |
| AU | Westpac Consumer Conf Index | Jan | | | | 100.8 | 23.30 | 10.30 |
| AU | Westpac Consumer Conf SA MoM | Jan | | | | -0.8 | 23.30 | 10.30 |
| UK | ILO Unemployment Rate 3Mths | Nov | | 5.2 | | 5.2 | 9.30 | 20.30 |
| UK | Employment Change 3M/3M | Nov | | 235 | | 207 | 9.30 | 20.30 |
| CA | Wholesale Trade Sales MoM | Nov | | 0.5 | | -0.6 | 13.30 | 0.30 |
| CA | Manufacturing Sales MoM | Nov | | 0.5 | | -1.1 | 13.30 | 0.30 |
| US | Building Permits | Dec | | 1200 | | 1289 | 13.30 | 0.30 |
| US | Building Permits MoM | Dec | | -6.4 | | 11 | 13.30 | 0.30 |
| US | Housing Starts MoM | Dec | | 2.3 | | 10.5 | 13.30 | 0.30 |
| US | Housing Starts | Dec | | 1200 | | 1173 | 13.30 | 0.30 |
| US | CPI MoM | Dec | | 0 | | 0 | 13.30 | 0.30 |
| US | CPI YoY | Dec | | 0.8 | | 0.5 | 13.30 | 0.30 |
| US | CPI Ex Food and Energy MoM | Dec | | 0.2 | | 0.2 | 13.30 | 0.30 |
| US | CPI Ex Food and Energy YoY | Dec | | 2.1 | | 2 | 13.30 | 0.30 |
| CA | Bank of Canada Rate Decision | Jan 20 | | 0.5 | | 0.5 | 15.00 | 2.00 |
| CA | Bank of Canada Releases Monetary Policy Report | | | | | | 15.00 | 2.00 |
| Thursday, 21 January 2016 | | | | | | | | |
| NZ | ANZ Job Advertisements MoM | Dec | | | | 2 | 21.00 | 8.00 |
| NZ | BusinessNZ Manufacturing PMI | Dec | | | | 54.7 | 21.30 | 8.30 |
| AU | Consumer Inflation Expectation | Jan | | | | 4 | 0.00 | 11.00 |
| AU | HIA New Home Sales MoM | Nov | | | | -1.8 | 0.00 | 11.00 |
| NZ | ANZ Consumer Confidence Index | Jan | | | | 118.7 | 0.00 | 11.00 |
| NZ | ANZ Consumer Confidence MoM | Jan | | | | -3.3 | 0.00 | 11.00 |
| AU | RBA FX Transactions Market | Dec | | | | 485 | 0.30 | 11.30 |
| JN | All Industry Activity Index MoM | Nov | | -0.7 | | 1 | 4.30 | 15.30 |
| EC | CPI MoM | Dec | | 0 | | -0.1 | 10.00 | 21.00 |
| EC | CPI Core YoY | Dec F | | 0.9 | | 0.9 | 10.00 | 21.00 |
| EC | ECB Main Refinancing Rate | Jan 21 | | 0.05 | | 0.05 | 12.45 | 23.45 |
| UK | CBI Trends Total Orders | Jan | | | | -7 | 11.00 | 22.00 |
| US | Philadelphia Fed Business Outlook | Jan | | -5 | | -5.9 | 13.30 | 0.30 |
| US | Initial Jobless Claims | Jan 16 | | 280 | | 284 | 13.30 | 0.30 |
| Friday, 22 January 2016 | | | | | | | | |
| JN | Nikkei Japan PMI Mfg | Jan P | | 52.8 | | 52.6 | 2.00 | 13.00 |
| GE | Markit/BME Germany Manufacturing PMI | Jan P | | 53 | | 53.2 | 8.30 | 19.30 |
| GE | Markit/BME Germany Composite PMI | Jan P | | 55.1 | | 55.5 | 8.30 | 19.30 |
| EC | ECB Survey of Professional Forecasters | | | | | | 9.00 | 20.00 |
| EC | Markit Eurozone Manufacturing PMI | Jan P | | 53 | | 53.2 | 9.00 | 20.00 |
| EC | Markit Eurozone Composite PMI | Jan P | | 54.1 | | 54.3 | 9.00 | 20.00 |
| UK | Retail Sales ex Auto Fuel MoM/YoY | Dec | | -0.3/3.5 | | 1.7/3.9 | 9.30 | 20.30 |
| EC | Euro Area Third Quarter Government Debt | | | | | | 10.00 | 21.00 |
| UK | BoE's Cunliffe speaks in Brussels | | | | | | 12.00 | 23.00 |
| US | Chicago Fed Nat Activity Index | Dec | | -0.075 | | -0.3 | 13.30 | 0.30 |
| CA | Retail Sales MoM | Nov | | 0.3 | | 0.1 | 13.30 | 0.30 |
| CA | Retail Sales Ex Auto MoM | Nov | | 0.4 | | 0 | 13.30 | 0.30 |
| CA | CPI Core MoM | Dec | | -0.3 | | -0.3 | 13.30 | 0.30 |
| CA | CPI Core YoY | Dec | | 2 | | 2 | 13.30 | 0.30 |
| US | Markit US PMI | Jan P | | 51.3 | | 51.20% | 14.45 | 1.45 |
| US | Existing Home Sales MoM | Dec | | 9.24 | | -10.5 | 15.00 | 2.00 |
| US | Existing Home Sales | Dec | | 5.2 | | 4.76 | 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 | | | 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 | 0.7 | 0.7 | 0.6 |
| 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 | -1.6 | -2.1 | -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 | 0.9 | 0.8 | 0.9 |
| 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 | 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 | 2.0 | 2.0 | 2.3 |
| 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 | 0.9 | 0.3 | 0.9 |
| 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 | 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 | 0.0 | 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 | 0.9 | 0.2 | 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 | 1.2 | 1.1 | 1.0 |
| 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 | 0.7 | 0.6 | 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 | 2.8 | 2.5 | 2.9 |
| CPI headline - qtr % | | | | 0.6 | 0.5 | 0.5 | 0.2 | 0.2 | 0.7 | 0.5 | 0.9 | 0.8 | 0.7 | 0.8 | 0.9 | 0.9 | 0.8 | 0.7 |
| CPI headline - ann % | 2.5 | 1.6 | 3.0 | 2.9 | 3.0 | 2.3 | 1.7 | 1.3 | 1.5 | 1.5 | 2.2 | 2.8 | 2.9 | 3.2 | 3.1 | 2.2 | 2.8 | 2.9 |
| CPI underlying - qtr % | | | | 0.6 | 0.6 | 0.4 | 0.6 | 0.7 | 0.5 | 0.3 | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 0.7 | 0.7 | 0.7 |
| CPI underlying - ann % | 2.5 | 2.3 | 2.6 | 2.7 | 2.7 | 2.5 | 2.3 | 2.4 | 2.3 | 2.2 | 2.3 | 2.3 | 2.5 | 2.9 | 2.8 | 2.3 | 2.3 | 2.5 |
| 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 | 2.1 | 2.2 | 2.4 |
| 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 | 6.0 | 5.9 | 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 | -4.9 | -5.1 | -0.7 |
| 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 | -10.9 | -13.9 | -13.8 |
| % 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 | -2.7 | -3.4 | -3.3 |
| 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 | -5.3 | -6.0 | -6.0 |

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

Exchange Rate Forecasts

| | 18-Jan | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 |
|---------------|--------|--------|--------|--------|--------|--------|
| Majors | | | | | | |
| AUD/USD | 0.6884 | 0.67 | 0.66 | 0.68 | 0.69 | 0.69 |
| NZD/USD | 0.6458 | 0.62 | 0.60 | 0.61 | 0.61 | 0.61 |
| USD/JPY | 117.22 | 115 | 116 | 118 | 121 | 123 |
| EUR/USD | 1.0905 | 1.09 | 1.07 | 1.06 | 1.07 | 1.07 |
| GBP/USD | 1.4269 | 1.42 | 1.39 | 1.36 | 1.39 | 1.39 |
| USD/CNY | 6.5814 | 6.60 | 6.70 | 6.75 | 6.80 | 6.80 |
| USD/CAD | 1.4545 | 1.47 | 1.47 | 1.46 | 1.46 | 1.44 |

Australian Cross Rates

| | | | | | | |
|---------|--------|------|------|------|------|------|
| AUD/JPY | 80.7 | 77 | 77 | 80 | 83 | 85 |
| AUD/EUR | 0.6313 | 0.61 | 0.62 | 0.64 | 0.64 | 0.64 |
| AUD/GBP | 0.4824 | 0.47 | 0.47 | 0.50 | 0.50 | 0.50 |
| AUD/NZD | 1.0660 | 1.08 | 1.10 | 1.11 | 1.13 | 1.13 |
| AUD/CNY | 4.5306 | 4.42 | 4.42 | 4.59 | 4.69 | 4.69 |
| AUD/CAD | 1.0013 | 0.98 | 0.97 | 0.99 | 1.01 | 0.99 |
| AUD/CHF | 0.6909 | 0.65 | 0.66 | 0.69 | 0.72 | 0.74 |

Interest Rate Forecasts

| | 18-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 | 2.29 | 2.25 | 2.25 | 2.25 | 2.25 | 2.50 |
| 3 Year Swap Rate | 2.08 | 2.2 | 2.3 | 2.4 | 2.6 | 3.0 |
| 10 Year Swap Rate | 2.79 | 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 | 0.08 | 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 | 2.66 | 3.1 | 3.3 | 3.3 | 3.4 | 3.6 |
| United States | 2.03 | 2.5 | 2.8 | 2.8 | 2.8 | 3.0 |
| Europe/Germany | 0.47 | 0.9 | 1.0 | 1.2 | 1.2 | 0.0 |
| UK | 1.66 | 2.2 | 2.3 | 2.4 | 2.4 | 2.8 |
| New Zealand | 3.26 | 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 Ave |
|-------------|------|------|------|------|------|-----------|
| 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)

| | 18-Jan | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 |
|----------------|--------|--------|--------|--------|--------|--------|
| WTI oil | 28.82 | 46 | 49 | 52 | 55 | 58 |
| Gold | 1090 | 1030 | 1010 | 980 | 960 | 930 |
| Iron ore | 41 | 42 | 44 | 42 | 41 | 40 |
| Hard cok. coal | 89 | 82 | 84 | 85 | 83 | 85 |
| Thermal coal | 49 | 68 | 62 | 62 | 62 | 62 |
| Copper | 4328 | 4670 | 4690 | 4700 | 4720 | 4770 |
| Japan LNG | 9.4 | 10.1 | 10.6 | 11.0 | 11.4 | 11.2 |

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