22 August 2016

Australian Markets Weekly

National Australia Bank

AUD forecast update: Stronger for longer; Fed dependent

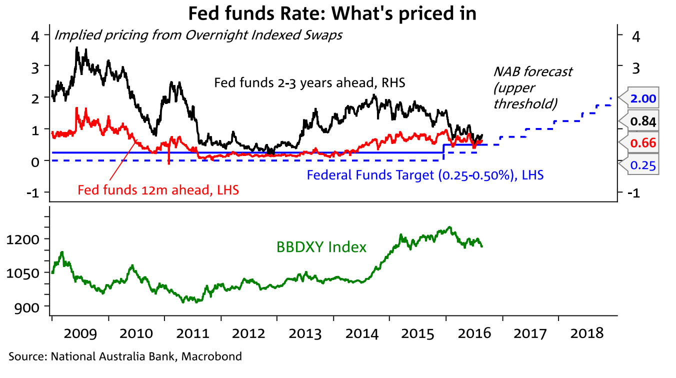
- The Australian dollar has opened this week close to 0.76 US cents, having lost some ground last week amid warnings from several key Fed speakers that the market is under-pricing the chances of a Fed rate hike this year
- NAB's forecast calls for a Fed rate rise before the end of the year; very recent senior Fed commentary suggests a rate rise could come as early as the September 22 FOMC meeting
- Fed Vice Chair Stanley Fischer said yesterday that core inflation is "within hailing distance" of the 2% target and that employment had increased "impressively" since its nadir in 2010. Last week, Fed President Bill Dudley warned the market was too complacent on Fed pricing, agreeing to a question that a September rate rise is "possible" while Fed President Williams called for a rate hike "sooner rather than later"
- This week we highlight our new "stronger for longer" AUD forecasts, outlined in two recent reports released last week from our FX Strategy team (also attached. Please let us know if you'd like to be included on these distribution lists: email David.deGaris@nab.com.au)
- The US dollar will struggle to gain the traction we have been looking for while the Fed continues to hold fire on proceeding with policy normalization. (This week will likely be important for USD sentiment after last week's pointed comments and with Fed Chair Yellen speaking on Friday)
- With no further RBA cuts expected this year, the AUD now looks unlikely to fall much if at all before late 2016 and assuming the Fed moves in December as NAB expects
- We still project a significant fall in 2017, aided by further RBA easing, falls in Australia's Terms of Trade and a modestly stronger US dollar
- Given NAB's forecast for a growth slowdown come 2018 and a delayed tightening cycle, the eventual low in the AUD is still seen sub-0.70
- The week ahead: The annual Jackson Hole Fed/global central bankers' economic symposium starts Thursday night and runs over next weekend with Fed Chair Yellen speaking on Friday on "The Federal Reserve's Monetary Policy Toolkit". It's a light data week here and offshore. Locally, the biggest report is Wednesday's June quarter investment partial Construction Work Done ahead of Q2 GDP a fortnight later.

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7588	-1.1	RBA cash	1.50	0
AUD/CNY	5.06	-0.5	3y swap	1.65	0
AUD/JPY	76.5	-1.3	ASX 200	5,533	-0.1
AUD/EUR	0.672	-2.0	Iron ore	61.0	1.0
AUD/NZD	1.051	-1.2	WTI oil	48.0	4.8

Source: Bloomberg

Chart 1: Market pricing too little from the Fed



Source: National Australia Bank, Macrobond

Authors:
FX Strategy team

David de Garis, Senior Economist, Markets

AUD (and NZD) – Stronger for longer (refrain) but still seen much lower later

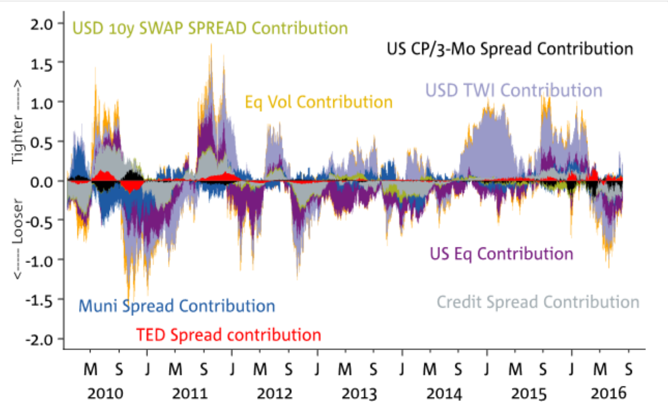
The failure of the AUD/USD to show more than a momentary negative reaction to the 3 August RBA cash rate cut and for NZD/USD to exhibit any sustained negative reaction to the six OCR cuts in the last 14 months throws up serious challenges to our previous forecasts for significant falls in both currencies by the end of 2016 (to 0.70 and 0.66 respectively).

At a bare minimum the RBNZ would likely need to deliver more than the one further cut effectively priced into the NZ OIS curve, and the RBA another cut by November (not fully priced) to make any negative impression on their respective currencies.

More pertinent, the Fed is going to have to deliver at least one tightening by year-end if the USD is going to be any stronger than now by year end. We currently forecast one 25bps tightening in December. If instead the Fed stands pat this year, AUD and NZD could as easily end 2016 higher than current levels. (Conversely, a move by the Fed in September would likely see USD strength return earlier.)

While other influences – big swings in global risk sentiment in particular - could have material influence in coming months, we are adjusting our near term forecasts for both AUD/USD and NZD/USD higher, to 0.75 and 0.70 by end 2016, along with further modest upgrades in early 2017. We maintain our view that the AUD will still drop back below 0.70 next year (and NZD to 0.67) but given our recently revised RBA view of two more rates cuts in 2017 and then a prolonged trough at 1% (but with some chance of QE thereafter), AUD/USD is then seen struggling to get back above 0.70 during our (3-year) forecast time horizon.

Chart 2: Drivers of change in US financial conditions



Source: National Australia Bank, Macrobond

Have rate spreads stopped working?

That the AUD is higher than it was in May when the RBA undertook the first of this year's two cash rate cuts, and the NZD is above the level prevailing when the RBNZ started cutting rates from 3.5% back in June 2015, begs the question whether interest rate differentials still matter for currencies? Our answer is that they do, but that the sensitivity to a given shift in interest rates has been blunted by a combination of factors:

(i) An ongoing grab for yield in a world where the universe of negative yielding bonds has swelled to USD13.4tn (and not all of them sovereign) amidst ongoing QE in the Eurozone and Japan and recently restarted QE in the UK, alongside expectations that monetary policy makers almost everywhere outside the United States retain an easing bias.

(ii) A grind lower in market volatility measures now back to close to post-GFC lows. In the case of currency volatility this enhances the volatility-adjusted returns on higher yielding currencies. In the case of lower equity volatility, it supports demand for riskier assets in general (including the likes of EM and where the correlation between EM currencies, AUD and NZD remains strong).

(iii) Declines in Australian and New Zealand inflation - whether actual or inflation expectations - meaning that real yields (and real yield differentials) have not declined as fast as nominal yields and yield spreads.

If these views are valid, the suggestion is that the RBA and RBNZ will need to slash their respective policy rates to much closer to zero before rates differentials cease offering support to their currencies. Or in the case of AUD/USD and NZD/USD, the Fed needs to recommence the job of policy normalisation, lifting rates well beyond those implied by the rates market, which doesn't fully price even one quarter-point Fed tightening before Q3 2017.

Since NAB has a total of three Fed tightenings through to end 2017 in our forecasts (and the same again through end 2018), if delivered, these should provide meaningful support for the USD.

The caveat to this view is that given the Fed's evident concern over the economic and (dis)inflationary impact of the dollar's 25% appreciation since mid-2014, rises in the Fed Funds rate of this magnitude might only be delivered if the dollar is not materially higher than now. In short, the Fed will likely be making policy with reference to overall financial conditions, of which the dollar has become an increasingly important component in recent years.

NY Fed President Bill Dudley made this point eloquently in his 31 July speech on The U.S. Economic Outlook and the Implications for Monetary Policy:

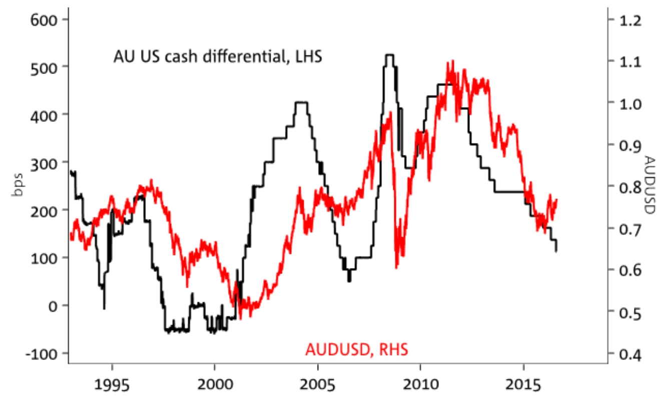
"The Federal Reserve is not targeting the exchange value of the U.S. dollar. What the FOMC considers are financial conditions broadly defined, because they affect the saving and investment decisions of households and firms. The dollar is but one component of these financial conditions. The levels of short- and long-term rates, credit spreads, and equity prices are also important components of the financial conditions that we closely monitor. If international developments shift U.S. financial market conditions - including the dollar - then we need to take this into consideration in our U.S. monetary policy decisions".

The influence of dollar strength in tightening US financial conditions since mid-2014 – and softening them in recent months – is illustrated in the Chart 2 above which shows our estimate of the drivers of change in US Financial Conditions.

This Fed/RBA rate cross-over can be different

The dilemma the foregoing poses for our AUD forecasts is that RBA rates falling below Fed rates – that we now have in the forecast – have historically been associated with much weaker AUD levels on many occasions, including the record low levels sub-0.50 in 2001 (Chart 3 below):

Chart 3: AU-US Cash Differential and AUD/USD



Source: National Australia Bank, Macrobond

However, rather that extrapolating our implied rate spread forecast to the currency in a mechanical way, we'd note:

(i) Some of these past periods of a very weak AUD and disadvantageous rates spreads have come during episodes of extreme USD strength (as examples, the early 1980s in the lead up to the 'Plaza' accord aimed at reversing USD/JPY strength in particular, and the height of the dotcom boom when capital was flooding into the new world economy from the old - the latter including Australia).

(ii) And apropos the above, if the dollar is strengthening significantly because of expectations of much more aggressive Fed tightening than currently priced in, chances are the dollar will then be seen as doing much of the Fed's job for it (wash, rinse, repeat).

We do contend that in an environment where the US economy is growing at or above trend and inflation is at or above Fed mandated levels, the Fed will become gradually more tolerant of dollar strength – just not the sort of strength that would likely be associated with a 50 or 60 cent AUD. Our forecast for 0.68 come 2018 does assume some USD support from higher US rates (including modestly higher bond yields) and little likelihood of the RBA tightening through 2018. Also driving this is our expectation of further declines in Australia's terms of trade, by as much as 10% between now and mid-2018.

For the AUD to recover back to or above USD 0.70 toward the end of our three year forecast horizon will then likely require that the RBA doesn't go down the route of unconventional policy, and that the US dollar appreciation cycle matures well ahead of the Fed cycle. The historical evidence supporting the latter view is quite compelling.

Implications for AUD crosses

Alongside our forecast revisions for AUD/USD, we have revised some forecasts for other G10 currency pairs which then feed into our forecast for key AUD crosses summarised on the Forecasts page, page 6 below.

Specifically we also have a 'stronger for longer, then lower' profile for the NZD, but since the RBNZ is expected to commence a tightening cycle some way ahead of the RBA, the AUD/NZD cross now falls (just) through parity in 2018.

The EUR/USD rate is seen falling in 2017 but from higher levels and a little more slowly that previously (still to a low of 1.05-1.06), which still allows for some market angst from various EU political event (election) risks between March and late 2017. This still leaves AUD/EUR somewhat lower in 2017.

On GBP, we've already hit our 2017 target on EUR/GBP. Given the seemingly prolonged uncertainty if, following the Brexit decision, Article 50 is not to be triggered for another year, then together with more Bank of England easing to come and ongoing current account financing concerns, having EUR/GBP spend time above 0.90 (as it did in the immediate post-GFC years) doesn't seem like a particularly aggressive call.

We now believe GBP/USD could spend time below $1.20, the low we had in our previous forecast which means we have some further upside in AUD/GBP, albeit the bulk of the Brexit-related move higher is likely behind us if our expectation for significant AUD weakening in 2017 plays out.

FX Strategy team

Week ahead: Fed Jackson Hole event at week's end the main global focus; Construction Work Done on Wednesday

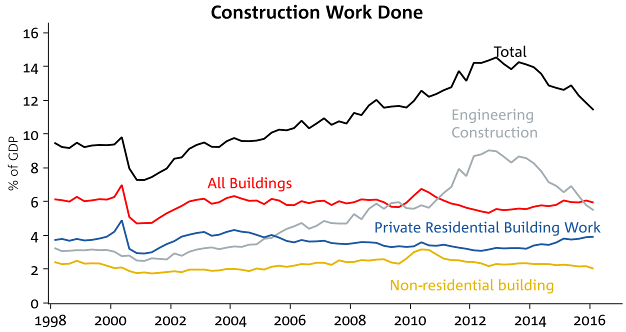
The annual Jackson Hole Fed/central bankers' economic symposium – starting Thursday night and running over the weekend is the main risk event for this week, especially what Fed Chair Yellen has to say about the US economy and monetary policy in her speech on Friday, "The Federal Reserve's Monetary Policy Toolkit". The theme for the papers and speeches this year is "Designing resilient monetary policy frameworks for the future".

Elsewhere, it's a light week for key data here and offshore, the highlights being Australia's Construction Work Done out on Wednesday while in the US the New and Existing home sales reports will be under some focus as will durable goods orders.

Construction Work Done has been negative in all but two of the past 13 quarters since major resource project construction peaked at the end of 2012. While spending can be very lumpy from quarter to quarter, the commissioning of the three Queensland LNG plants this year is likely to have seen project engineering construction spending decline further. As for the other components of spending in this report, non-residential building investment has recently been declining in trend terms, though there is tentative evidence that non-residential building approvals are beginning to flatten out again if not growing moderately.

Dwelling construction spending has now been rising strongly for the best part of 2½ years with further growth in the development pipeline accumulated over the past year likely to keep dwelling investment high for the time being, providing some support for Construction Work in the June quarter.

Chart 4: Declining engineering spending still dominating



Source: National Australia Bank, Macrobond

Underpinning NAB's model forecast of GDP growth for the June quarter of 0.3% is a continued assumed contraction in underlying business investment of around 2%, but rising residential investment, competing forces that will likely continue as a theme in the Construction Work Done report.

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Calendar of Economic Releases

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Monday, 22 August 2016								
JN	Supermarket/Convenience store Sales YoY	Jul				-0.5/0.8	5.00	15.00
US	Chicago Fed Nat Activity Index	Jul		0.2		0.2	12.30	22.30
CA	Wholesale Trade Sales MoM	Jun		0.1		1.8	12.30	22.30
CA	Bloomberg Nanos Confidence	Aug 19				59.3	14.00	0.00
Tuesday, 23 August 2016								
NZ	RBNZ Governor speaks at private event on "Monetary Policy Challenges in Turbulent Time" (speech being released at 9am NZT)						21.00	7.00
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 21				117.6	23.30	9.30
CH	MNI Business Indicator	Aug					1.45	11.45
JN	Nikkei Japan PMI Mfg	Aug P				49.3	2.00	12.00
JN	BoJ's Kuroda speaks at BoJ's Fintech Conference						4.00	14.00
EC	Markit Eurozone Manufacturing PMI	Aug P		52		52.0	8.00	18.00
EC	Markit Eurozone Services/Composite PMI	Aug P		52.8/53.1		52.9/53.2	8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Aug		-10/		-4.0/5.0	10.00	20.00
CH	Conference Board Leading Economic Index	Jul					13.00	23.00
US	Markit US Manufacturing PMI	Aug P		52.7		52.9	13.45	23.45
US	Richmond Fed Manufact. Index	Aug		6		10.0	14.00	0.00
EC	Consumer Confidence	Aug A		-7.7		-7.9	14.00	0.00
US	New Home Sales, #/MoM	Jul		580/-2		592.0/3.5	14.00	0.00
Wednesday, 24 August 2016								
NZ	Trade Balance	Jul	-611	-325		127	22.45	8.45
AU	Skilled Vacancies MoM	Jul				0.8	1.00	11.00
AU	Construction Work Done	2Q	-2	-2		-2.6	1.30	11.30
NZ	New Residential Lending, YoY	Jul				.18.2	3.00	13.00
JN	Leading Index CI	Jun F				98.4	5.00	15.00
GE	GDP SA QoQ/YoY	2Q F		0.4/1.8		0.4/1.8	6.00	16.00
GE	Markit/BME Germany Manufacturing PMI	Aug P		53.6		53.8	7.30	17.30
GE	Markit Germany Services/Composite PMI	Aug P		54.3/55.1		54.4/55.3	7.30	17.30
UK	BBA Loans for House Purchase	Jul		38500		40103	8.30	18.30
US	House Price Purchase Index QoQ	2Q				1.3	13.00	23.00
US	FHFA House Price Index MoM	Jun		0.3		0.2	13.00	23.00
US	Existing Home Sales, #/MoM	Jul		5.51/-1.08		5.6/1.1	14.00	0.00
Thursday, 25 August 2016								
JN	PPI Services YoY	Jul		0.1		0.2	23.50	9.50
CH	Swift Global Payments CNY	Jul				1.7	1.00	11.00
GE	IFO Business Climate	Aug		108.5		108.3	8.00	18.00
GE	IFO Current Assessment/Expectations	Aug		114.9/102.4		114.7/102.2	8.00	18.00
UK	CBI Retailing Reported Sales	Aug		0		-14.0	10.00	20.00
UK	CBI Total Dist. Reported Sales	Aug				-11.0	10.00	20.00
US	Initial Jobless Claims	Aug 20		265		262.0	12.30	22.30
US	Durable Goods Orders/Core Orders	Jul P		3.5/0.1		-3.9/0.4	12.30	22.30
US	Markit US Services PMI	Aug P		51.8		51.4	13.45	23.45
US	Markit US Composite PMI	Aug P				51.8	13.45	23.45
US	Bloomberg Consumer Comfort	Aug 21				43.6	13.45	23.45
US	Kansas City Fed Manf. Activity	Aug		-2		-6.0	15.00	1.00
Friday, 26 August 2016								
JN	Natl CPI YoY	Jul		-0.4		-0.4	23.30	9.30
JN	Natl CPI Ex Fresh Food YoY	Jul		-0.4		-0.5	23.30	9.30
GE	GfK Consumer Confidence	Sep		10		10.0	6.00	16.00
EC	M3 Money Supply YoY	Jul		5		5.0	8.00	18.00
UK	GDP QoQ/YoY	2Q P		0.6/2.2		0.6/2.2	8.30	18.30
UK	Index of Services MoM	Jun		0.1		-0.1	8.30	18.30
UK	Total Business Investment QoQ/YoY	2Q P		-0.9/		-0.6/-0.8	8.30	18.30
US	Advance Goods Trade Balance	Jul		-63		-64.5r	12.30	22.30
US	GDP Annualized QoQ	2Q S		1.1		1.2	12.30	22.30
US	Fed Chair Yellen Speaks at Jackson Hole Policy Symposium: "The Federal Reserve's Monetary Policy Toolkit"						14.00	0.00
US	U. of Mich. Sentiment/5-10yr inflationary expectations	Aug F		90.7		90.4	14.00	0.00
CH	Industrial Profits YoY	Jul				5.1	1.30	11.30
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		7-Sep				0.50%		
Australia, RBA		6-Sep	1.50%			1.50%		
Europe ECB		8-Sep				0.00%		
UK BOE		15-Sep				0.25%		
Japan, BoJ		21-Sep				-0.1% to +0.1%		
US Federal Reserve		22-Sep				0.25-0.50%		
New Zealand, RBNZ		22-Sep	2.00%	2.00%		2.00%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

Forecasts

Economic Forecasts

Australia Forecasts	Annual % change 2015	2016	2017	2018	Quarterly % change 2015 Q1	Q2	Q3	Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3	Q4
Household Consumption	*2.8*	*2.9*	*2.4*	*2.4*	*0.6*	*0.6*	*0.9*	*0.8*	*0.7*	*0.7*	*0.7*	*0.5*	*0.6*	*0.6*	*0.7*	*0.5*
Underlying Business Investment	*-10.5*	*-13.1*	*-7.8*	*1.4*	*-3.3*	*-2.4*	*-6.0*	*-2.7*	*-3.4*	*-2.0*	*-3.0*	*-3.0*	*-2.1*	*-1.5*	*-1.3*	*0.1*
Residential Construction	*9.8*	*5.5*	*0.4*	*-3.3*	*4.3*	*1.0*	*1.5*	*2.8*	*1.4*	*0.6*	*0.6*	*0.1*	*0.2*	*0.2*	*-0.7*	*-0.6*
Underlying Public Spending	*2.1*	*2.5*	*2.6*	*2.6*	*1.0*	*2.4*	*-0.9*	*1.4*	*0.4*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*
Exports	*5.9*	*9.4*	*9.4*	*5.5*	*3.2*	*-3.4*	*5.3*	*0.4*	*4.4*	*1.1*	*2.4*	*2.6*	*2.4*	*2.3*	*2.3*	*1.5*
Imports	*1.5*	*-0.2*	*1.9*	*3.3*	*3.4*	*0.0*	*-1.7*	*0.5*	*-0.8*	*1.6*	*-0.1*	*0.1*	*0.4*	*0.7*	*0.6*	*0.7*
Net Exports (a)	*1.0*	*2.1*	*1.8*	*0.7*	*0.0*	*-0.8*	*1.5*	*0.0*	*1.1*	*-0.1*	*0.6*	*0.6*	*0.5*	*0.4*	*0.5*	*0.2*
Inventories (a)	*0.1*	*0.0*	*-0.1*	*0.0*	*0.4*	*0.0*	*-0.2*	*0.0*	*0.1*	*0.0*	*-0.1*	*-0.1*	*0.0*	*0.0*	*0.0*	*0.1*
Domestic Demand - qtr%					*0.3*	*0.6*	*-0.3*	*0.5*	*0.1*	*0.4*	*0.3*	*0.1*	*0.3*	*0.4*	*0.4*	*0.4*
Dom Demand - ann %	*1.1*	*0.9*	*1.2*	*1.9*	*0.7*	*1.4*	*1.1*	*1.1*	*0.9*	*0.6*	*1.2*	*0.9*	*1.1*	*1.1*	*1.2*	*1.5*
Real GDP - qtr %					***0.8***	***0.3***	***1.0***	***0.7***	***1.1***	***0.3***	***0.7***	***0.7***	***0.8***	***0.8***	***0.8***	***0.7***
Real GDP - ann %	*2.5*	*2.9*	*2.9*	*2.6*	***2.3***	***2.1***	***2.7***	***2.9***	***3.1***	***3.1***	***2.8***	***2.7***	***2.4***	***3.0***	***3.1***	***3.1***
CPI headline - qtr %					*0.2*	*0.7*	*0.5*	*0.4*	*-0.2*	*0.3*	*0.9*	*0.7*	*0.9*	*0.5*	*0.8*	*0.5*
CPI headline - ann %	*1.5*	*1.3*	*2.8*	*2.6*	*1.3*	*1.5*	*1.5*	*1.7*	*1.3*	*1.0*	*1.4*	*1.7*	*2.7*	*2.9*	*2.8*	*2.6*
CPI underlying - qtr %					*0.6*	*0.5*	*0.3*	*0.5*	*0.2*	*0.5*	*0.5*	*0.5*	*0.5*	*0.4*	*0.4*	*0.4*
CPI underlying - ann %	*2.2*	*1.6*	*1.9*	*1.9*	*2.3*	*2.2*	*2.1*	*2.0*	*1.5*	*1.5*	*1.7*	*1.7*	*2.0*	*1.9*	*1.9*	*1.8*
Wages (Pvte WPI - ann %)	*2.1*	*1.9*	*1.9*	*2.5*	*2.3*	*2.2*	*2.1*	*2.0*	*1.9*	*1.9*	*1.9*	*1.9*	*1.9*	*1.9*	*1.9*	*1.9*
Unemployment Rate (%)	*6.0*	*5.8*	*5.7*	*5.6*	*6.2*	*6.0*	*6.2*	*5.9*	*5.9*	*5.7*	*5.7*	*5.8*	*5.7*	*5.7*	*5.7*	*5.6*
Terms of trade	*-11.5*	*-6.6*	*-4.5*	*-0.6*	*-2.7*	*-4.1*	*-2.8*	*-3.2*	*-1.9*	*2.4*	*-2.3*	*-2.2*	*-1.4*	*-0.2*	*-0.5*	*-2.0*
G&S trade balance, $Abn	*-35.9*	*-28.0*	*-20.7*	*-25.0*	*-5.3*	*-11.4*	*-8.3*	*-10.9*	*-8.1*	*-6.7*	*-6.6*	*-6.5*	*-6.2*	*-5.1*	*-4.2*	*-5.2*
% of GDP	*-2.2*	*-1.7*	*-1.2*	*-1.4*	*-1.3*	*-2.8*	*-2.0*	*-2.7*	*-2.0*	*-1.6*	*-1.6*	*-1.5*	*-1.4*	*-1.2*	*-0.9*	*-1.2*
Current Account (% GDP)	*-4.8*	*-4.7*	*-4.2*	*-4.4*	*-3.5*	*-5.3*	*-4.8*	*-5.5*	*-5.0*	*-4.6*	*-4.6*	*-4.6*	*-4.5*	*-4.2*	*-4.0*	*-4.2*

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

Exchange Rate Forecasts

	22-Aug	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Majors						
AUD/USD	**0.7587**	*0.77*	*0.75*	*0.73*	*0.72*	*0.70*
NZD/USD	**0.7220**	*0.72*	*0.70*	*0.68*	*0.68*	*0.67*
USD/JPY	**100.77**	*102*	*105*	*103*	*103*	*102*
EUR/USD	**1.1285**	*1.13*	*1.12*	*1.10*	*1.09*	*1.07*
GBP/USD	**1.3045**	*1.29*	*1.26*	*1.22*	*1.20*	*1.17*
USD/CNY	**6.6745**	*6.73*	*6.80*	*6.78*	*6.76*	*6.74*
USD/CAD	**1.2917**	*1.27*	*1.29*	*1.33*	*1.35*	*1.37*
Australian Cross Rates						
AUD/JPY	**76.5**	*79*	*79*	*75*	*74*	*71*
AUD/EUR	**0.6723**	*0.68*	*0.67*	*0.66*	*0.66*	*0.65*
AUD/GBP	**0.5816**	*0.60*	*0.60*	*0.60*	*0.60*	*0.60*
AUD/NZD	**1.0508**	*1.07*	*1.07*	*1.07*	*1.06*	*1.04*
AUD/CNY	**5.0639**	*5.18*	*5.10*	*4.95*	*4.87*	*4.72*
AUD/CAD	**0.9800**	*0.98*	*0.97*	*0.97*	*0.97*	*0.96*
AUD/CHF	**0.7308**	*0.77*	*0.73*	*0.72*	*0.73*	*0.70*

Interest Rate Forecasts

	22-Aug	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Aust rates							
RBA Cash rate	**1.50**	*1.50*	*1.50*	*1.50*	*1.25*	*1.00*	*1.00*
3 month bill rate	**1.73**	*1.75*	*1.75*	*1.75*	*1.50*	*1.25*	*1.25*
3 Year Swap Rate	**1.65**	*1.6*	*1.6*	*1.4*	*1.3*	*1.5*	*1.6*
10 Year Swap Rate	**2.12**	*2.1*	*2.2*	*2.1*	*2.2*	*2.2*	*2.4*
Offshore Policy Rates							
US Fed funds	**0.50**	*0.50*	*0.75*	*0.75*	*1.00*	*1.00*	*1.25*
ECB deposit rate	**-0.40**	*-0.40*	*-0.40*	*-0.40*	*-0.40*	*-0.40*	*-0.40*
BoE repo rate	**0.25**	*0.25*	*0.10*	*0.10*	*0.10*	*0.10*	*0.10*
BoJ excess reserves rate	**-0.10**	*-0.10*	*-0.10*	*-0.10*	*-0.10*	*-0.10*	*-0.10*
RBNZ OCR	**2.00**	*2.00*	*1.75*	*1.50*	*1.50*	*1.50*	*1.50*
China 1yr lending rate	**4.35**	*4.35*	*4.35*	*4.10*	*4.10*	*4.10*	*4.10*
China Reserve Ratio	**17.0**	*15.5*	*15.0*	*15.0*	*15.0*	*15.0*	*15.0*
10 Year Benchmark Bond Yields							
Australia	**1.91**	*1.90*	*2.05*	*1.95*	*2.00*	*2.00*	*2.15*
United States	**1.59**	*1.50*	*1.75*	*1.75*	*2.00*	*2.00*	*2.25*
New Zealand	**2.28**	*2.10*	*2.15*	*2.35*	*2.55*	*2.55*	*2.75*

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

Dec year	2013	2014	2015	2016	2017	2018	20 Yr Avge
Australia	2.0	2.7	2.5	2.9	2.9	2.6	3.4
US	1.7	2.4	2.6	1.5	2.1	1.9	2.6
Eurozone	-0.3	0.9	1.6	1.4	1.1	1.5	1.5
UK	1.9	3.1	2.2	1.6	0.6	1.6	2.4
Japan	1.4	-0.1	0.6	0.5	0.6	0.6	0.8
China	7.7	7.3	6.9	6.6	6.5	6.3	9.2
India	6.4	7.0	7.2	7.7	7.7	7.5	6.6
New Zealand	2.4	3.7	2.5	2.9	2.9	1.9	3.0
World	3.3	3.3	3.0	2.8	3.0	3.1	3.5
MTP Top 5	3.9	3.8	3.9	3.5	3.5	3.4	5.0

Commodity prices ($US)

	22-Aug	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
WTI oil	47.95	*45*	*52*	*54*	*56*	*58*	*60*
Gold	1337	*1320*	*1300*	*1250*	*1210*	*1170*	*1120*
Iron ore	61	*44*	*41*	*40*	*41*	*41*	*40*
Hard cok. coal	89	*93*	*85*	*83*	*84*	*85*	*85*
Thermal coal	67	*62*	*62*	*62*	*58*	*58*	*58*
Copper	4789	4650	4750	4790	4840	4890	4940
Japan LNG	5.9	*6.8*	*7.1*	*8.0*	*8.3*	*8.5*	*8.6*

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