

Australian Markets Weekly

Focus on consumer balance sheet trends

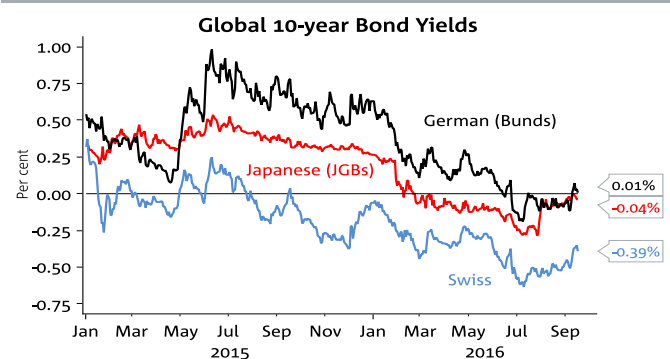
- For this week's weekly we take a closer look at Australian household balance sheets. We find that household deposits have grown strongly, with deposits now equivalent to 43% of household liabilities. A growing deposit share has implications for the cash flow transmission mechanism – likely reducing its effectiveness slightly. Consumer surveys suggest a growing deposit share should continue for some time. Strong deposit growth also means net debt (liabilities less deposits) of the household sector have been unchanged as a share of income since 2009, reducing concern about a renewed upward trend in gross debt ratios.
- The new RBA Governor and the Treasurer have signed an updated Statement on the Conduct of Monetary Policy. The formulation of the inflation target remains the same at 2-3% on average, but the length of time for the target has been tweaked from “over the cycle” to “over time”. Financial stability considerations have also been explicitly brought into the monetary policy objectives paragraph along with an inference to inflation expectations. Overall it is suggestive of little change in direction; perhaps a little more flexibility at the margin.
- The past week in markets has been a volatile one led by an uptick in government bond yields (Chart 1). There appears to be a growing consensus that central bankers are becoming less enamoured with further monetary stimulus, negative interest rates and flat yield curves which has seen long-term yields rise with Japanese and German yields now re-approaching positive rates! This week will be a key test of this thesis with the Bank of Japan meeting Wednesday. The US Fed also meets Wednesday (decision Thursday 4.00am AEST), and while it is expected the Fed will keep rates unchanged, there could be 2-3 dissenters to an unchanged decision that would likely see markets price further toward rate hike at the December meeting.
- The other major event in markets this week was a sharp fall in oil prices after the International Energy Agency stated “global oil demand growth is slowing at a faster pace”, while OPEC oil supply remains at a “near-record” with Iranian oil production at post-sanctions highs.
- For domestic markets, the main focus will be on the RBA Minutes on Tuesday and the new RBA Governor's first Parliamentary Testimony on Thursday; the RBA's Alex Heath also speaks Wednesday. Datawise it is a very quiet week with ABS House Prices Tuesday and the latest Australian Population estimates for March 2016 out Thursday.

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7482	-1.1	RBA cash	1.50	0
AUD/CNY	4.99	-1.2	3y swap	1.71	2
AUD/JPY	76.5	-0.7	ASX 200	5,457	-0.8
AUD/EUR	0.671	-0.4	Iron ore	56.0	-3.1
AUD/NZD	1.031	0.2	WTI oil	43.0	-6.2

Source: Bloomberg

Chart 1: Are bond yields moving out of negative?



Source: National Australia Bank, Bloomberg

Authors:

Tapas Strickland, Economist, Markets

The past week

The past week has been dominated by volatility in the bond and oil markets. A consensus has started to emerge from global investors that central banks are becoming less enamoured with further monetary stimulus.

Those sentiments started emerging from the G20 meeting in early September, which pushed the case for the use of greater fiscal policy (whether stimulus or economic reforms) and hence inferred placing less reliance on the use of monetary policy. Draghi followed that up by failing to signal an extension of the ECB's quantitative easing program at its latest meeting (though still noted the ECB stands "ready to act with all available instruments if needed"). The Bank of Japan has also been conducting a review of its policy instruments since it underwhelmed markets in July and is likely to discuss the results of that review at its upcoming meeting on Wednesday. It will be important for yields if the BoJ reduces its focus on negative interest rates.

Time will tell whether this emerging thesis by investors holds – if it does yields could move higher still. An increase in global bond yields has important implications for other asset markets and it is no surprise that equities were lower with the domestic share market down 0.8% over the week as a result.

New RBA Memorandum

Today the new RBA Governor Philip Lowe and the Treasurer signed off on a new memorandum of understanding between the RBA and the government (this is usual following a change in the Government or RBA Governor). There were very few changes apart from the paragraph that explicitly defines the objectives of monetary policy (Table 2). The three key changes were:

- 1) The replacement of "low" inflation with "low and stable" inflation;
- 2) The tweaking of the period used to define medium-term price stability from "over the cycle" to "over time";
- 3) The promotion of "financial stability" to the formulation of policy section when meeting its 2-3% inflation target; and
- 4) The inference to inflation expectations as guiding inflation.

Extract 1: New RBA Framework Changes

Both the Reserve Bank and the Government agree on the importance of low and stable inflation. ¶

¶
Low inflation Effective management of inflation to provide greater certainty and to guide expectations assists businesses and households in making sound investment decisions. Moreover, low Low and stable inflation underpins the creation of jobs, protects the savings of Australians and preserves the value of the currency. ¶

¶
In pursuing the goal of medium-term price stability, both the Reserve Bank and the Government agree on the objective of Both the Reserve Bank and the Government agree that a flexible medium-term inflation target is the appropriate framework for achieving medium-term price stability. They agree that an appropriate goal is to keeping consumer price inflation between 2 and 3 per cent, on average, over the cycle time. This formulation allows for the natural short-run variation in inflation over the cycle

while preserving economic cycle and the medium-term focus provides the flexibility for the Reserve Bank to set its policy so as best to achieve its broad objectives, including financial stability. The 2-3 per cent medium-term goal provides a clearly identifiable performance benchmark over time. ¶

¶
The Governor expresses his continuing commitment to the inflation objective, consistent with his duties under the Act. For its part the Government endorses the inflation objective and emphasises the role that disciplined fiscal policy must play in achieving medium-term price stability. ¶

None of these changes should have a major impact on the implementation of monetary policy. At the margin it may add a little more flexibility when balancing financial stability and macroeconomic risks – though that flexibility already existed (e.g. the RBA and APRA working together on investor lending) as well as more flexibility time-wise in reaching the 2-3% inflation target.

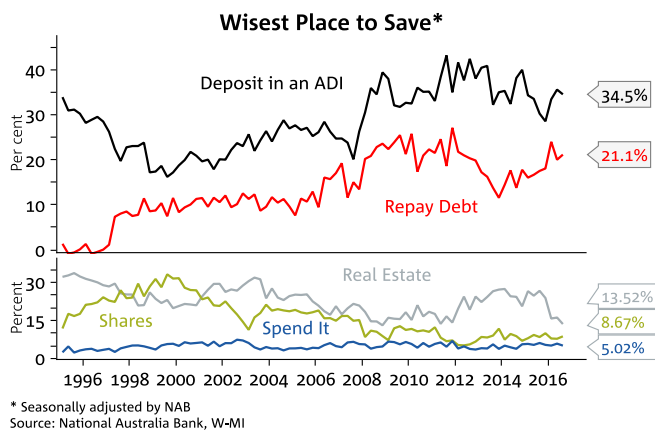
Household balance sheets show strong deposit growth

This week's Weekly article looks at household balance sheets given one of the key transmission mechanisms of monetary policy is through the household cash flow channel and as investors remain concerned about high levels of indebtedness in Australia. Former RBA Governor Stevens in his final AFR interview suggested that this transmission mechanism was becoming less effective: "I'm personally of the view that may be not as strong as they used to, because I think the evidence is that the borrower households....are actually using the low rates to accelerate the repayment rather than going to Bunnings".

That vibe was also picked up in last week's Westpac-Melbourne Institute Survey of Consumer Sentiment. The survey contains a question on the wisest place to put savings with options ranging from equities, super and even spending savings. Since 2014 there has been a marked increase in the percentage of respondents citing debt repayment as the best place to put savings with around 21% citing repaying debt as the best place for savings, well up from 12% in 2013 (Chart 2).

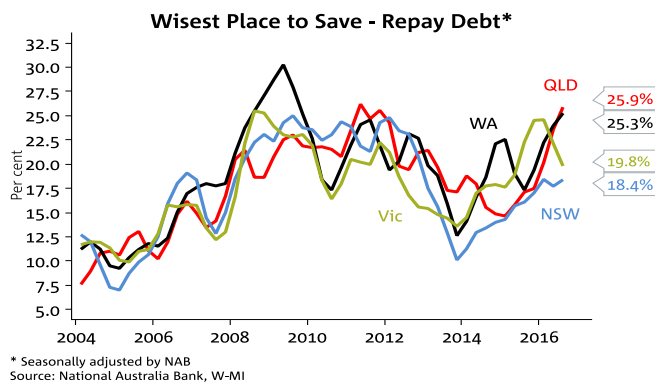
There has also been a consistently elevated number citing depositing funds at an ADI as the best place for savings, with this option having averaged around 35% of respondents since the GFC. There is likely to be some overlap between those nominating repaying debt and holding deposits due to the widespread use of offset facilities (these are cash deposit accounts which offset a proportion of the mortgage balance when calculating the interest owed on a loan – an effective tax-free net savings option).

Chart 2: Households prefer to repay debt or hold in cash



While these trends are more evident in the mining states of QLD and WA, they are also evident to some degree in the non-mining states of NSW and Vic and suggests such preferences are not due to just individual financial circumstances but are more reflective of a general shift (Chart 3). Around 25% of people surveyed nominate repaying debt as the best use of savings in QLD and WA compared to 18.4% in NSW and 19.8% in Vic. All were higher than decade earlier levels

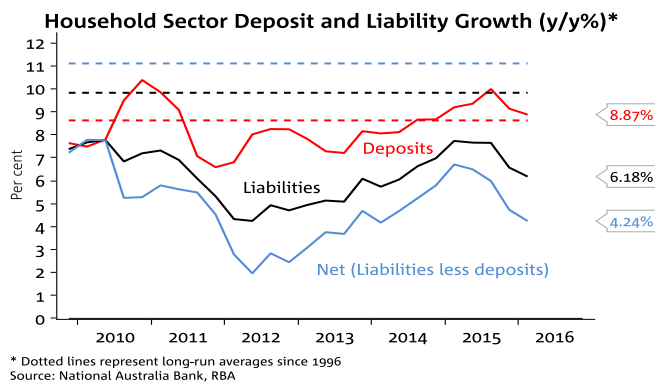
Chart 3: Mining states higher preference in repaying debt



Household preferences showing up in deposit growth

Reflecting these changes, household deposit growth has picked up strongly to be almost 9% y/y, well above the 6% y/y rate recorded for liabilities. Netting the two results in net liabilities growing at 4.2% y/y, well below the historical long-run average of 11% (Chart 4).

Chart 4: Household deposits growing strongly



When analysing household debt, it is common to look at debt as a percentage of income. The latest statistics on debt are as at the March quarter 2016 when household sector debt hit a record high of 187% of household income (Chart 5). The substantial lift in household debt largely reflects housing debt incurred to acquire dwellings.

However, some of that debt is being offset by the strong growth in deposits mentioned above – with some of those deposits held in mortgage offset accounts. The RBA noted in the April Financial Stability Review that such “mortgage buffers – balances in offset accounts and redraw facilities – have increased ...to now be around 17% of outstanding loan balances, which is equivalent to more than 2½ years of scheduled repayments at current interest rates”.

Unfortunately the RBA does not report that data publicly. One proxy is to look at total household deposits which are now worth some 80% of income. The growth in deposits has been profound and balances sitting in deposit accounts are now equivalent to 43% of household liabilities – well up from the pre GFC levels of 32%.

Chart 5: Deposit growth means net debt has been flat

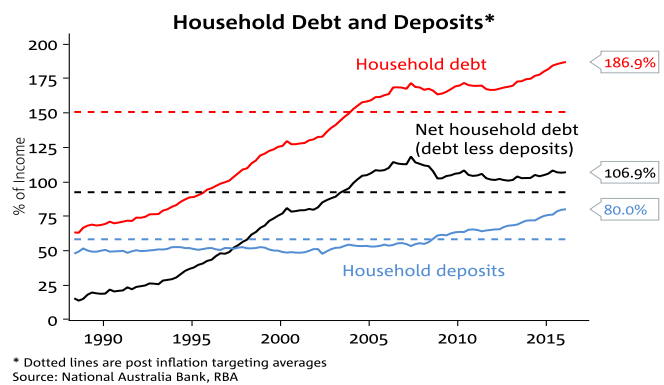
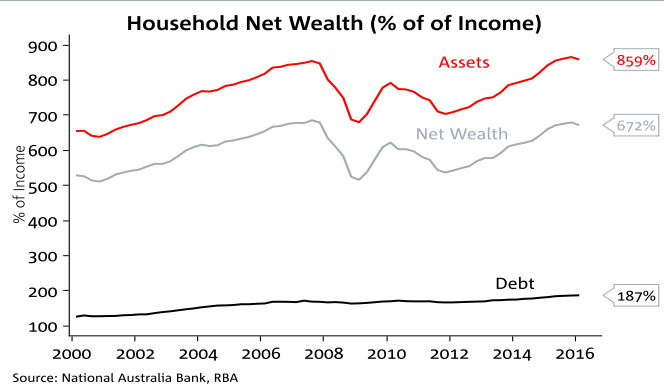


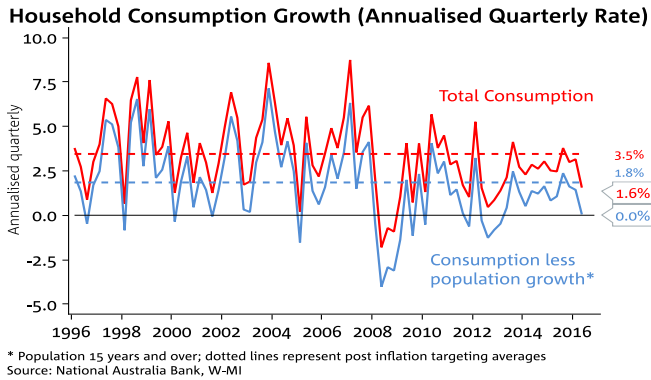
Chart 6: Household net worth now back to pre-GFC levels



The growth in household deposits, whether held as outright deposits or in offset accounts, has important implications for the cash flow transmission mechanism of monetary policy. While household debt still exceeds household deposits, the growth in household deposits arguably slightly reduces the effectiveness of the cash flow transmission mechanism, and more so when borrowers are looking to accelerate the pay down in mortgages as rates fall. These effects may be starting to be picked up in the National Accounts with per capita consumption growth flat in Q2, and well below

historical averages; of course that does reflect a multitude of other factors too (Chart 8).

Chart 8: Per capita consumption growth was flat in Q2

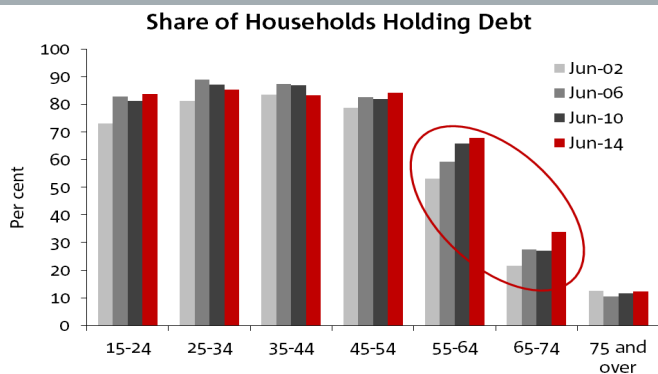


Older households holding greater debt levels

One question that remains is why are households preferring to allocate a greater proportion of savings towards repaying debt or holding deposits? While some of the effect is likely due to subdued income growth, data from HILDA also suggests older baby-boomer households are approaching retirement age holding higher outstanding loan balances than previous retirees.

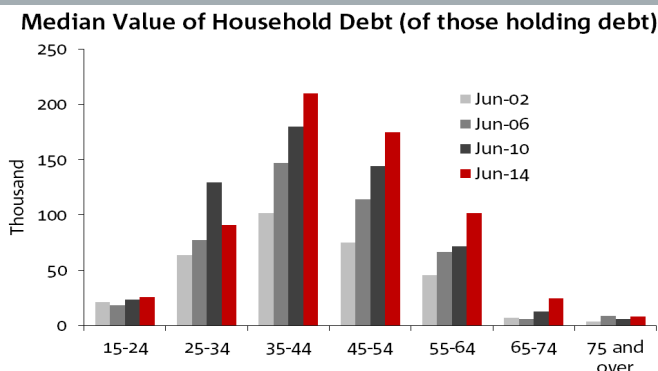
Around 68% of those aged 55-64 were holding debt in 2014, well up from 53% in 2002. The median value of debt held by these groups was 100k up from 46k in 2002. As these persons approach retirement ages, it is likely they would start allocating funds towards repaying debt given constrained income flow following retirement.

Chart 9: Older households tending to hold more debt



Source: RBA (using HILDA data)

Chart 10: Debt levels of older households also higher



Source: RBA (using HILDA data)

The week ahead

The two big events this week are global, the Bank of Japan and the US Fed hold meetings; the Bank of New Zealand also meets Thursday but is unlikely to change rates.

The big domestic events this week are all RBA related in a mostly quiet data week. The most market sensitive events are the RBA Board Minutes Tuesday and the first Parliamentary Testimony by newly appointed Governor Philip Lowe on Thursday. The second-tier data flow includes ABS House Prices and weekly Consumer Confidence Tuesday, Skilled Vacancies Wednesday, another RBA event – this one a speech by Alex Health at a CEDA Conference on “Future Skills” which is unlikely to be market moving, with the week rounded out by the latest Population Data on Thursday.

For the Bank of Japan meeting Wednesday the uncertainty over what or if anything the BoJ will do suggests markets will be in for a period volatility. Our best guess – and it is frankly little more than that – is that the BoJ will elect to take measures that underpin the recent steepening of the yield curve. This could be achieved by finessing its QE bond buying programme (more flexible adherence to the ¥80tn annual target and a skew in purchases towards shorter dated bonds) and quite possibly taking its policy rate deeper into negative territory. If they succeed in this without sending equities into a spin, it may help the cause of a (modestly) weaker yen.

The US Fed meeting announcement also Wednesday will include a new set of economic and ‘dot point’ interest rate projections and a Janet Yellen press conference. This and the immediate post-FOMC statement will be what drives markets – assuming no change in the Fed Funds rate target (NAB’s view). Assuming no change, one immediate point of interest will be the number of dissenters – Esther George for sure, Loretta Mester almost certainly and - possibly - Eric Rosengren, all of whom have made the case for moving ahead with gradual rate rises in recent weeks. In short, some attempt at a ‘hawkish no change’ may be the order of the day.

Tapas.Strickland@nab.com.au

Calendar of Economic Releases

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Monday, 19 September 2016								
NZ	Westpac Consumer Confidence	3Q				106.0	22.00	8.00
NZ	Performance Services Index	Aug				54.2	22.30	8.30
UK	Rightmove House Prices MoM/YoY	Sep				-1.2/4.1	23.10	9.10
CH	Property Prices	Aug					1.30	11.30
EC	ECB Current Account SA	Jul				28.2	8.00	18.00
EC	Construction Output MoM/YoY	Jul				0.0/0.6	9.00	19.00
CA	Bloomberg Nanos Confidence	Sep 16				57.7	14.00	0.00
US	NAHB Housing Market Index	Sep		60		60.0	14.00	0.00
Tuesday, 20 September 2016								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Sep 18				118.1	23.30	9.30
AU	RBA Sept. Meeting Minutes						1.30	11.30
AU	House Price Index QoQ/YoY	2Q	3.0/5.2	2.8/5.1		-0.2/6.8	1.30	11.30
US	Housing Starts, #/MoM	Aug		1190/-1.7		1211/2.1	12.30	22.30
US	Building Permits, #/MoM	Aug		1164/1.8		1152/-0.1	12.30	22.30
NZ	GDT auction, early AM NZT							
Wednesday, 21 September 2016								
NZ	Net Migration SA	Aug				5600	22.45	8.45
JN	Trade Balance Adjusted	Aug		500		317.6	23.50	9.50
JN	Exports/Imports YoY	Aug		-4.5/-16.5		-14.0/-24.7	23.50	9.50
AU	Westpac Leading Index MoM	Aug				0.1	0.30	10.30
AU	Skilled Vacancies MoM	Aug				-0.6	1.00	11.00
AU	RBA's Alexandra Heath, Head of Economic Analysis speaks at CEDA Conference - Future Skills: The Education and Training Pipeline, Brisbane						2.00	12.00
JN	BOJ Policy Rate	Sep 21		-0.1		-0.1	3.00	13.00
NZ	Credit Card Spending MoM/YoY	Aug				2.3/5.6	3.00	13.00
JN	Machine Tool Orders YoY	Aug F				-8.4	6.00	16.00
UK	PSNB ex Banking Groups	Aug		10.05		-1.0	8.30	18.30
CA	Wholesale Trade Sales MoM	Jul		0.2		0.7	12.30	22.30
CH	Conference Board Leading Economic Index	Aug					13.00	23.00
US	FOMC Rate Decision (Lower/Upper Bound)	Sep 21		0.25/0.5		0.25/0.50	18.00	4.00
US	Fed Summary of Economic Projections and Yellen Press Conference						18.00	4.00
Thursday, 22 September 2016								
NZ	Fonterra 2015/16 results announcement (likely before the OCR)							
NZ	RBNZ Official Cash Rate	Sep 22		2		2.0	21.00	7.00
AU	RBA Parliament Testimony - first by new Governor Lowe						0.00	10.00
EC	ECB Publishes Economic Bulletin						8.00	18.00
UK	CBI Trends Total Orders/Selling Prices	Sep		-5		-5.0/8.0	10.00	20.00
US	Chicago Fed Nat Activity Index	Aug		0.125		0.3	12.30	22.30
US	Initial Jobless Claims	Sep 17		261		260.0	12.30	22.30
US	FHFA House Price Index MoM	Jul		0.3		0.2	13.00	23.00
EC	ECB's Dragi Speaks at ESRB Conference in Frankfurt						13.00	23.00
US	Bloomberg Consumer Comfort	Sep 18				42.2	13.45	23.45
EC	Consumer Confidence	Sep A		-8.2		-8.5	14.00	0.00
US	Existing Home Sales, #/MoM	Aug		5.45/1.11		5.4/-3.2	14.00	0.00
US	Leading Index	Aug		0		0.4	14.00	0.00
US	Kansas City Fed Manf. Activity	Sep				-4.0	15.00	1.00
UK	BOE's Carney Speaks in Berlin - giving a lecture						17.00	3.00
Friday, 23 September 2016								
JN	Nikkei Japan PMI Mfg	Sep P				49.5	0.30	10.30
CH	MNI September Business Indicator						1.45	11.45
JN	All Industry Activity Index MoM	Jul		0.2		1.0	4.30	14.30
GE	Markit/BME Manufacturing PMI	Sep P		53.1		53.6	7.30	17.30
GE	Markit Services/Composite PMI	Sep P		52.2/53.6		51.7/53.3	7.30	17.30
EC	Markit Manufacturing PMI	Sep P		51.5		51.7	8.00	18.00
EC	Markit Eurozone Services/Composite PMI	Sep P		52.8/52.8		52.8/52.9	8.00	18.00
CA	Retail Sales MoM	Jul		0.2		-0.1	12.30	22.30
CA	CPI NSA MoM/YoY	Aug		0.1/1.4		-0.2/1.3	12.30	22.30
CA	CPI Core MoM/YoY	Aug		0.2/2		0.0/2.1	12.30	22.30
US	Markit US Manufacturing PMI	Sep P		52		52.0	13.45	23.45
GE	German, French Finance Chiefs Meet for Regular Talks, Berlin						14.00	0.00
US	Fed's Harker, Mester, Lockhart on Panel at Philly Fed Conf						16.00	2.00
Upcoming Central Bank Interest Rate Announcements								
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%		
Australia, RBA		4-Oct	1.50%	1.50%		1.50%		
Europe ECB		20-Oct				0.00%		
Canada, BoC		20-Oct				0.50%		
UK BOE		3-Nov				0.25%		

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

Forecasts

Economic Forecasts

	Annual % change				Quarterly % change															
	2015	2016	2017	2018	2015				2016				2017				2018			
	2015	2016	2017	2018	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Australia Forecasts																				
Household Consumption	2.8	2.7	2.1	2.3	0.6	0.6	0.9	0.7	0.8	0.4	0.5	0.6	0.5	0.5	0.6	0.7	0.5	0.6	0.5	0.6
Underlying Business Investment	-10.4	-9.3	-5.4	-3.2	-4.0	-1.5	-6.3	-2.0	-3.4	-2.2	-0.4	-0.5	-2.9	-1.9	-0.4	0.8	1.5	1.2	0.7	1.8
Residential Construction	9.7	7.4	2.3	-3.8	4.6	0.6	1.5	2.8	2.1	1.6	1.3	0.9	0.7	0.5	-0.9	-0.4	-1.3	-1.7	-1.0	-0.7
Underlying Public Spending	2.1	4.1	2.9	2.6	1.0	1.9	-0.7	1.6	0.6	2.4	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Exports	6.0	7.8	9.7	6.8	3.5	-3.1	4.8	0.2	3.1	1.3	2.4	2.4	2.4	2.4	2.5	2.2	1.6	1.2	0.8	0.9
Imports	1.7	0.4	4.0	5.1	3.3	0.4	-1.6	0.3	-0.8	2.7	1.0	1.1	0.5	0.7	1.0	1.5	1.3	1.3	1.2	1.6
Net Exports (a)	0.9	1.6	1.4	0.6	0.1	-0.8	1.4	0.0	1.1	-0.2	0.3	0.3	0.5	0.4	0.4	0.3	0.1	0.0	-0.1	-0.1
Inventories (a)	0.1	-0.1	0.0	0.1	0.6	-0.3	0.1	-0.1	-0.1	0.2	-0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Domestic Demand - qtr%					0.3	0.6	-0.4	0.6	0.1	0.6	0.4	0.5	0.2	0.3	0.4	0.6	0.5	0.5	0.5	0.6
Dom Demand - ann %	1.1	1.6	1.5	2.0	0.7	1.3	1.1	1.1	1.3	1.2	2.0	1.9	1.7	1.4	1.4	1.4	1.8	2.0	2.1	2.2
Real GDP - qtr %	0.9	0.2	1.0	0.7	0.9	0.2	1.0	0.7	1.0	0.5	0.5	0.8	0.6	0.8	0.8	0.8	0.6	0.5	0.4	0.5
Real GDP - ann %	2.4	3.0	2.8	2.6	2.3	2.0	2.6	2.8	3.0	3.3	2.8	2.9	2.5	2.7	3.0	3.0	3.0	2.8	2.4	2.1
CPI headline - qtr %					0.2	0.7	0.5	0.4	-0.2	0.4	0.7	0.9	0.5	0.5	0.7	0.8	0.5	0.6	0.7	0.9
CPI headline - ann %	1.5	1.3	2.6	2.6	1.3	1.5	1.5	1.7	1.3	1.0	1.3	1.8	2.5	2.6	2.6	2.6	2.5	2.6	2.6	2.6
CPI underlying - qtr %					0.7	0.5	0.3	0.5	0.2	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.5
CPI underlying - ann %	2.2	1.6	1.8	1.8	2.4	2.2	2.1	2.0	1.5	1.5	1.7	1.6	1.9	1.9	1.8	1.8	1.7	1.8	1.8	2.0
Wages (Pvte WPI - ann %)	2.1	2.0	2.0	2.5	2.3	2.2	2.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.2	2.4	2.6	2.8
Unemployment Rate (%)	6.0	5.7	5.6	5.6	6.2	6.0	6.1	5.9	5.9	5.7	5.7	5.6	5.6	5.6	5.7	5.7	5.6	5.6	5.6	5.6
Terms of trade	-11.5	-2.1	-5.7	-1.3	-2.6	-4.5	-2.3	-3.3	-1.9	2.2	6.2	-0.6	-4.3	-4.1	-2.1	-2.7	-1.3	-1.5	-1.8	-0.6
G&S trade balance, \$Abn	-36.3	-20.4	-23.9	-47.2	-5.0	-11.5	-8.6	-11.3	-8.6	-8.0	-2.1	-1.6	-3.6	-5.7	-6.4	-8.2	-9.3	-10.8	-12.9	-14.2
% of GDP	-2.2	-1.2	-1.4	-2.6	-1.2	-2.8	-2.1	-2.8	-2.1	-1.9	-0.5	-0.4	-0.8	-1.3	-1.5	-1.9	-2.1	-2.4	-2.9	-3.1
Current Account (% GDP)	-4.7	-2.9	-3.1	-4.4	-3.4	-5.2	-4.8	-5.5	-3.6	-3.7	-2.3	-2.1	-2.6	-3.1	-3.2	-3.6	-3.8	-4.2	-4.6	-4.9

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

Exchange Rate Forecasts

	19-Sep	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Majors							
AUD/USD	0.7474	0.77	0.75	0.73	0.72	0.70	0.70
NZD/USD	0.7275	0.72	0.70	0.68	0.68	0.67	0.67
USD/JPY	103.23	102	105	103	103	102	101
EUR/USD	1.1222	1.13	1.12	1.10	1.09	1.07	1.06
GBP/USD	1.3211	1.29	1.26	1.22	1.20	1.17	1.16
USD/CNY	6.6719	6.73	6.80	6.78	6.76	6.74	6.73
USD/CAD	1.3154	1.27	1.29	1.33	1.35	1.37	1.37

Australian Cross Rates

	19-Sep	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
AUD/JPY	77.2	79	79	75	74	71	71
AUD/EUR	0.6660	0.68	0.67	0.66	0.66	0.65	0.66
AUD/GBP	0.5657	0.60	0.60	0.60	0.60	0.60	0.60
AUD/NZD	1.0274	1.07	1.07	1.07	1.06	1.04	1.04
AUD/CNY	4.9866	5.18	5.10	4.95	4.87	4.72	4.71
AUD/CAD	0.9831	0.98	0.97	0.97	0.97	0.96	0.96
AUD/CHF	0.7304	0.77	0.73	0.70	0.69	0.68	0.68

Interest Rate Forecasts

	19-Sep	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	1.75	1.6	1.6	1.4	1.3	1.5	1.6
10 Year Swap Rate	2.29	2.1	2.2	2.1	2.2	2.2	2.4

Offshore Policy Rates

	19-Sep	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
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

	19-Sep	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Australia	2.13	1.90	2.05	1.95	2.00	2.00	2.15
United States	1.69	1.50	1.75	1.75	2.00	2.00	2.25
New Zealand	2.57	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	2.4	3.0	2.8	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)

	19-Sep	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
WTI oil	43.83	45	52	54	56	58	60
Gold	1314	1320	1300	1250	1210	1170	1120
Iron ore	56	44	41	40	41	41	40
Hard cok. coal	89	93	85	83	84	85	85
Thermal coal	71	62	62	62	58	58	58
Copper	4772	4650	4750	4790	4840	4890	4940
Japan LNG	5.9	6.8	7.1	8.0	8.3	8.5	8.6

Contact Details

Market Economics

Ivan Colhoun
Chief Economist, Markets
+61 2 9237 1836
ivan.colhoun@nab.com.au

David de Garis
Senior Economist
+61 3 8641 3045
david.degaris@nab.com.au

Tapas Strickland
Economist
+61 2 9237 1980
tapas.strickland@nab.com.au

Markets Research

Peter Jolly
Global Head of Research
+61 2 9237 1406
peter.jolly@nab.com.au

Group Economics

Alan Oster
Chief Economist
+61 3 8634 2927
alan_oster@national.com.au

Riki Polygenis
Head of Australian Economics
+61 3 8697 9534
riki.polygenis@nab.com.au

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.