

# AUSTRALIAN MARKETS WEEKLY



## Solid US labour market but no inflation alarm bells

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- The US June Payrolls report was another strong one with 222k payrolls in June against expectations of 178k. Wages growth though remains subdued at 2.5% y/y, still shy of the 3% pace that's been nominated by the Fed as consistent with 2% inflation. Despite subdued wages growth, the trend remains modestly positive over recent years, but still not setting off any new inflation alarm bells.
- The Fed is likely to read Friday's payrolls report as "very solid". The unemployment rate at 4.4% remains a touch below what the Fed estimates to be the full employment level, while further payrolls growth in excess of 170k a month would also be enough to drop it 0.4% points to 4.0% over a 12m horizon.
- The Fed is likely to remain on its path of gradual policy normalization towards a more neutral rate, and is also likely to begin the process of running down the Fed's balance sheet in September.
- How far will US rates go? A conventional Taylor rule previously used by Fed chair Yellen suggests another four rate hikes is consistent with the data to date. Nevertheless, to get that outcome, it's likely the Fed would want to see signs of wages or inflation starting to lift.
- Canada's employment report in June was another strong one as was its IVEY Manufacturing PMI, these reports "sealing the deal" for a BoC rate hike this week, lifting rates from emergency levels.
- This week, along with Fed Chair Yellen's double Congressional testimony Wednesday and Thursday, global markets will be centred on Wednesday's Bank of Canada meeting. US CPI and retail sales at the end of the week also key.
- Locally, the main interest will be tomorrow's NAB Business Survey and Housing Finance Approvals, followed by the Westpac-MI Consumer Sentiment release on Wednesday, recent results pointing to the somewhat deflated consumer sentiment compared to more upbeat Business Confidence.

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### Another solid reading on the US labour market

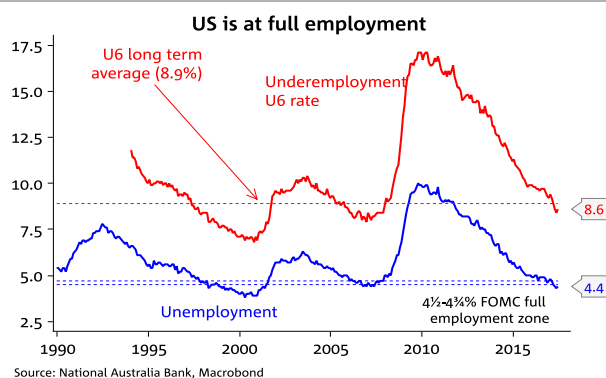
With global bond yields pushing higher in recent months, Friday's US Non-farm payrolls report was even more "front and centre" with its update on jobs growth as well as earnings growth and hence prospects for inflation to lift. The report was another strong one as far as economic activity is concerned with the employment headcount still rising by 1.6% y/y. The unemployment rate has also continued to trend lower this past year; while up a tenth in June to 4.4%, last June it was 4.9% and a year before that it was 5.3%. The economy is clearly continuing to make gains.

### Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7613	-0.6	RBA cash	1.50	0
AUD/CNY	5.18	-0.4	3y swap	2.12	3
AUD/JPY	86.9	0.4	ASX 200	5,738	0.9
AUD/EUR	0.668	-0.8	Iron ore	62.8	-3.3
AUD/NZD	1.047	-0.3	WTI oil	44.6	-3.1

Source: Bloomberg

### Chart of the week: Still more jobs and steady earnings



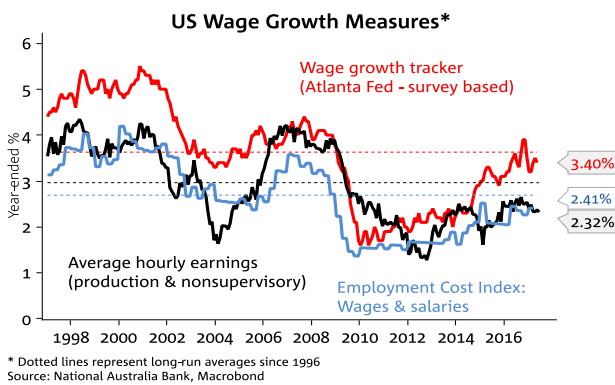
With the FOMC estimating a long term level of full employment at 4½-4¾%, the Fed can now claim that it has met its employment mandate. And the Fed Board of Governors noted in its Monetary Policy Report to Congress Friday that “employment (is) expected to remain near its maximum sustainable level”.

Even the broader measure of US unemployment, the U6 “underemployment” rate (that includes unemployed, those working part-time for economic reasons and those with a marginal attachment to the labour force) was 8.6% in June, also below its longer term average (10.6%) and below its pre-GFC average of 9.0%. It’s also now within shooting distance of the low of 7.0% reached briefly in late 2000.

While the economy has continued to generate new jobs, this has yet to generate a new acceleration in average hourly earnings growth this year, according to the payrolls survey. Judged by year-ended growth, earnings were up 2.5% to June, no higher than its level of last June of 2.6% but up from growth of around 2% in prior years. It had been as high as 2.8% in February, but growth has since receded.

We should keep in mind that the payrolls estimate of average hourly warnings can reflect compositional change in the workforce as opposed to underlying changes in labour costs. Alternative measures of labour costs such as the national accounts-based measure of unit labour costs and the Atlanta Fed’s wage tracker that seeks to compare changes in like-for-like wages have been a little more lively. They are also consistent with a labour market showing more signs of tightening, from a labour cost viewpoint without ringing immediate alarm bells.

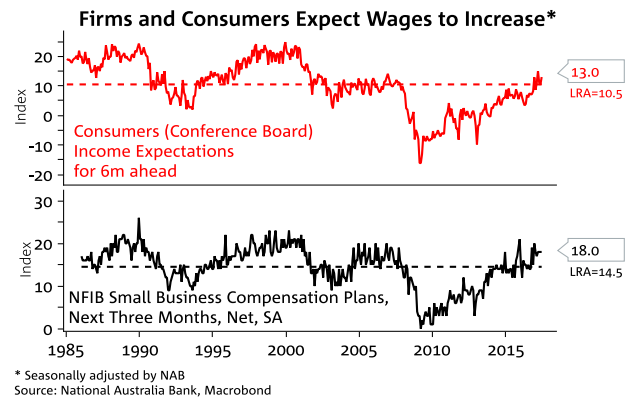
Chart 1: US labour costs trending gradually higher



Unit labour costs grew at a 2.2% annualised rate in Q1, after an average of 2.0% in 2016. The Atlanta’s Fed’s “wage growth tracker” ticked down in May to 3.4% y/y, not far short of its long term average. The Employment Cost Index has also been trending higher in recent years, to 2.4% by Q1 this year. These measures continue to reflect some further gradual tightening of the labour market as the payrolls results on jobs growth and labour demand attests to. For the moment at least, they are not accelerating overtly to the point that the Fed need not diverge from its current path of gradually removing policy accommodation.

With labour costs trending somewhat higher, the prospects are rising that inflation over the next year

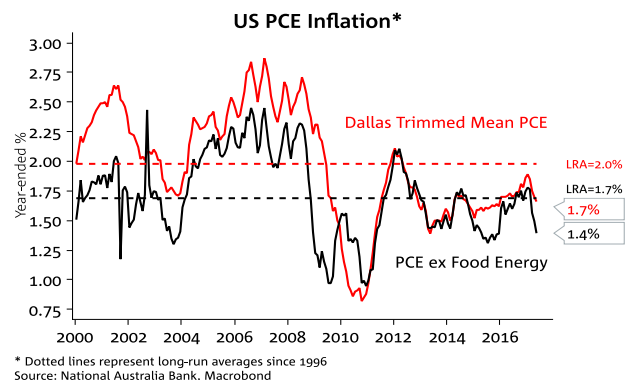
Chart 2: Firms and consumers expect higher wages



or so will make some further gains. The FOMC is expecting the PCE deflator to be 1¾-2¼% at the end of 2018, a more than reasonable forecast given the outlook for the economy. Your scribe still has ringing in his ears comments both from the Fed Chair at her 21 June press conference and from visiting San Francisco Fed President John Williams cautioning over-reading too much into the two low consumer inflation readings given the idiosyncratic nature of “one offs”. A similar reflection on last year’s larger gains could also be made, another reminder of not to over-play the most recent readings.

We would also note in this context that alternative measures of underlying PCE inflation, such as the Dallas Fed Trimmed Mean, suggest that the trend of higher inflation has stabilised, rather than falling back as the PCE measure implies. That suggests the recent weakness in PCE inflation has been driven by one-off factors – a conclusion the Fed Governors have come to: “measure of inflation have recently been held down by steep and likely idiosyncratic price declines for a few specific categories, including wireless telephone services and prescription drugs, which do not appear to be related to the overall trends in consumer prices”.

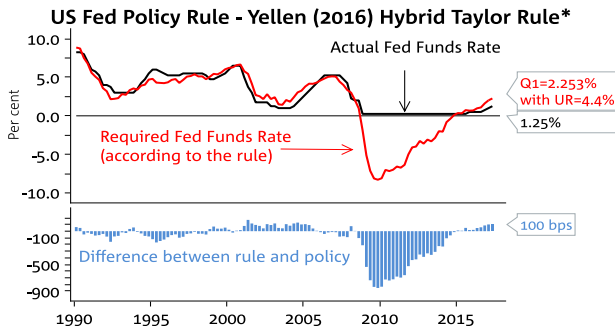
Chart 3: Trimmed mean PCE more stable



NAB’s forecasts call for the Fed to continue to gradually remove policy accommodation in the period ahead. Late this year, the Fed is expected to again lift its Fed Funds target, another 25bps, to 1.25-1.50%. That would be after the Fed begins the process of normalising its balance sheet this year, expected to be announced at the 21 September meeting and flagged by the Fed as expected “this year”.

For 2018 we forecast three more rate hikes as likely. Our profile is broadly consistent with a recent Taylor rule used by Fed Chair Yellen, though it is likely wages and inflation will need to lift to deliver this outcome. On this note, the Fed has said it “will carefully monitor actual and expected inflation developments relative to its symmetric inflation goal. The committee currently expects that the ongoing strength in the economy will warrant gradual increases in the federal funds rate...”

Chart 4: Current conditions suggests 4 more hikes

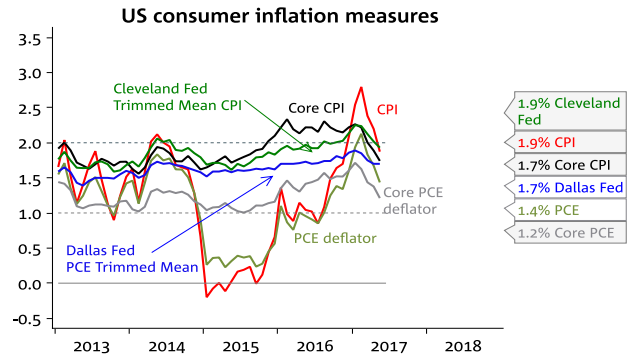


\* Yellen (2016) example policy rule incorporating Laubach & Williams neutral rate of interest (R\*) and the CBO's estimate of the natural rate of unemployment (U\*)  
Source: National Australia Bank, Macrobond

## BoC, Yellen, NAB Business Survey this week

Canada will be under focus this week too with the market having now priced in 24 basis points of a 25 bps hike when the BoC meets on Wednesday. Bank of Canada Governor Poloz signalled on 28 June a rate rise is in the offing when he noted that that cuts have “done their job”, the central bank having held its cash rate steady at 0.5% for the past two years. Friday’s stronger than expected growth in employment and its IVEY Purchasing Manager’s Index did nothing to deflect the market from this priced-in expectation. A little more was added.

Chart 5: Retracing from last year’s “highs”



Source: National Australia Bank, Macrobond

The other big watch point for the market this week will be Fed Chair Yellen’s testimony to Congress on monetary policy and the economy this week, speaking to the House on Wednesday and the Senate Thursday. On Friday come the US CPI and Retail Sales reports for June.

Locally, markets will be paying attention to tomorrow’s NAB Business Survey for June, Housing Finance Approvals for May, followed by Wednesday’s WMI monthly measure of consumer sentiment. It’s been apparent that consumer confidence has over recent months been lagging business spirits, the NAB Business Survey a barometer of the economy into the middle of the year.

David.deGaris@nab.com.au

# CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
<b>Monday, 10 July 2017</b>								
CH	Foreign Direct Investment YoY CNY	Jun				-3.7		
JN	Machine Orders MoM/YoY	May		1.7		-3.1	0.50	9.50
JN	BoP Current Account Adjusted	May		1629.4		1807.4	0.50	9.50
JN	Trade Balance BoP Basis	May		-45		553.6	0.50	9.50
JN	BOJ Kuroda speaks at Branch Managers' meeting						1.30	10.30
CH	CPI/PPI YoY	Jun		1.6		1.5	2.30	11.30
JN	Eco Watchers Survey Current SA	Jun		49		48.6	6.00	15.00
JN	Eco Watchers Survey Outlook SA	Jun		50.3		49.6	6.00	15.00
GE	Current Account Balance	May		15.4		15.1	7.00	16.00
EC	Sentix Investor Confidence	Jul		28.05		28.4	9.30	18.30
CH	New Yuan Loans/Aggregate Financing CNY	Jun		1300		1110	10-15 July release	
EC	ECB's Draghi, Coeure, and Nouy participate in a Eurogroup meeting in Brussels. Timing to be determined							
TU	World Petroleum Congress In Istanbul, though July 13							
CA	Bloomberg Nanos Confidence	Jul 7				58.4	15.00	0.00
US	Labor Market Conditions Index Change	Jun				2.3		
US	Consumer Credit	May		13.5		8.2	20.00	5.00
<b>Tuesday, 11 July 2017</b>								
NZ	Card Spending Total MoM	Jun	0.4			-0.2	23.45	8.45
UK	BRC Sales Like-For-Like YoY	Jun		0.5		-0.4	0.10	9.10
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Jul 9				114.5	0.30	9.30
AU	NAB Business Conditions/Confidence	Jun				12.0	2.30	11.30
AU	Home Loans/Investment Lending MoM	May	1.2	1.5		-1.9	2.30	11.30
US	Fed's Williams Speaks in Sydney; reprises Jun 26 speech "Speed Limits and Stall Speeds: Fostering Sustainable Growth in the United States"	Jun P				24.5	7.00	16.00
JN	Machine Tool Orders YoY	Jun P				24.5	7.00	16.00
EC/IMF	IMF's Lagarde and Euro finance ministers and CB Governors at conference in Dubrovnik, Croatia							
US	NFIB Small Business Optimism	Jun		104.4		104.5	11.00	20.00
EC	ECB's Coeure gives opening remarks at FX Contact Group meeting						13.00	22.00
CA	Housing Starts	Jun		200		194.7	13.15	22.15
US	JOLTS Job Openings	May				6044.0	15.00	0.00
US	Wholesale Trade Sales/Inventories MoM	May		/0.3		-0.4/0.3	15.00	0.00
US	Fed's Brainard Speaks on Monetary Policy in New York: "Normalizing Central Banks' Balance Sheets"						17.00	2.00
<b>Wednesday, 12 July 2017</b>								
NZ	ANZ Truckometer Heavy MoM	Jun				4.1	23.00	8.00
JN	PPI MoM/YoY	Jun		0/2		0.0/2.1	0.50	9.50
AU	Westpac Consumer Conf Index/MoM	Jul		/		96.2/-1.8	1.30	10.30
JN	Tertiary Industry Index MoM	May		-0.5		1.2	5.30	14.30
UK	Jobless Claims Change	Jun				7.3	9.30	18.30
UK	Average Weekly Earnings/Ex Bonus 3M/YoY	May		1.8/1.9		2.1/1.7	9.30	18.30
UK	Employment Change/LO Unemployment Rate 3M/3M	May		120/4.6		109.0/4.6	9.30	18.30
EC	Industrial Production SA MoM/YoY	May		1/3.5		0.5/1.4	10.00	19.00
US	Fed Releases Chair Yellen's testimony to Congress						13.30	22.30
CA	Teranet/National Bank HPI MoM/YoY	Jun		/		2.2/13.9	13.30	22.30
CA	Teranet/National Bank HP Index	Jun				210.9	13.30	22.30
US	Yellen testifies before U.S. House						15.00	0.00
CA	Bank of Canada Rate Decision/Monetary Policy Report	Jul 12		0.75		0.50	15.00	0.00
CA	BOC's Poloz and Wilkins Hold Press Conference in Ottawa						16.15	1.15
US	U.S. Federal Reserve Releases Beige Book						19.00	4.00
US	Fed's George Speaks in Denver on the Economic Outlook						19.15	4.15
<b>Thursday, 13 July 2017</b>								
NZ	Food Prices MoM	Jun	0.3			2.4	23.45	8.45
UK	RICS House Price Balance	Jun		15		17.0	0.10	9.10
NZ	ANZ Consumer Confidence Index/MoM	Jul		/		127.8/3.1	2.00	11.00
AU	Consumer Inflation Expectation	Jul				3.6	2.00	11.00
JN	Tokyo Avg Office Vacancies	Jun				3.4	3.00	12.00
CH	Trade Balance CNY	Jun		275.1		281.6	4.30	13.30
CH	Exports/Imports YoY CNY	Jun		14.6/22.3		15.5/22.1	4.30	13.30
CH	Trade Balance	Jun		43		40.8	4.33	13.33
CH	Exports/Imports YoY	Jun		9/14.4		8.7/14.8	4.33	13.33
UK	Bank of England Credit Conditions & Bank Liabilities Surveys						9.30	18.30
GE	CPI MoM/YoY	Jun F		0.2/1.6		0.2/1.6	7.00	16.00
GE	CPI EU Harmonized MoM/YoY	Jun F		0.2/1.5		0.2/1.5	7.00	16.00
CA	New Housing Price Index MoM/YoY	May		0.4/3.5		0.8/3.9	13.30	22.30
US	PPI Final Demand MoM/YoY	Jun		0/1.9		0.0/2.4	13.30	22.30
US	PPI Ex Food and Energy MoM/YoY	Jun		0.2/2		0.3/2.1	13.30	22.30
US	PPI Ex Food, Energy, Trade MoM/YoY	Jun		0.2/		-0.1/2.1	13.30	22.30
US	Initial Jobless Claims	Jul 8		245		248.0	13.30	22.30
US	Bloomberg Consumer Comfort	Jul 9				48.5	14.45	23.45
US	Fed Chair Yellen Testifies Before Senate Banking Panel						15.00	0.00
US	CBO release its analysis of President Trump's fiscal year 2018 Budget						16.00	1.00
US	Fed's Evans Speaks on current economic and monetary policy at Rocky Mountain Summit in Victor, Idaho						16.30	1.30
US	Fed's Brainard Speaks in Cambridge, Mass.							3.00
US	Monthly Budget Statement	Jun		-20		-88.4	19.00	4.00
<b>Friday, 14 July 2017</b>								
NZ	BusinessNZ Manufacturing PMI	Jun				58.5	23.30	8.30
JN	Industrial Production MoM/YoY	May F		/		-3.3/6.8	5.30	14.30
EC	Trade Balance SA	May		20.2		19.6	10.00	19.00
US	CPI MoM/YoY	Jun		0.1/1.7		-0.1/1.9	13.30	22.30
US	CPI Ex Food and Energy MoM/YoY	Jun		0.2/1.7		0.1/1.7	13.30	22.30
US	Retail Sales Advance MoM	Jun		0.1		-0.3	13.30	22.30
US	Retail Sales Ex Auto and Gas/Control Group	Jun		0.4/0.3		0.0/0.0	13.30	22.30
US	Industrial/Manufacturing Production MoM	Jun		0.3/0.2		0.0/-0.4	14.15	23.15
US	Fed's Kaplan Speaks in Mexico City						14.30	23.30
US	U. of Mich. Sentiment/5-10 Yr Inflation	Jul P		95/		95.1/2.5	15.00	0.00
US	Business Inventories	May		0.3		-0.2	15.00	0.00
US	Baker Hughes US Rig Count/Oil Rigs	Jul 14		/		952/763	18.00	3.00
<b>Upcoming Central Bank Interest Rate Announcements</b>								
Canada, BoC		13-Jul	0.75%	0.75%		0.50%		
Japan, BoJ		20-Jul	-0.1%	-0.1%		-0.1%		
Europe ECB		20-Jul	-0.4%	-0.4%		-0.4%		
US Federal Reserve		27-Jul				1.00-1.25%		
Australia, RBA		1-Aug	1.50%	1.50%		1.50%		
UK BOE		3-Aug				0.25%		
New Zealand, RBNZ		10-Aug	1.75%	1.75%		1.75%		

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

# FORECASTS

Economic Forecasts	Annual % change				Quarterly % change															
	2015	2016	2017	2018	2015			2016				2017			2018					
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Australia Forecasts</b>																				
Household Consumption	2.7	2.6	2.3	2.0	0.6	0.6	0.9	0.6	0.8	0.5	0.3	1.0	0.5	0.6	0.4	0.5	0.4	0.5	0.5	0.5
Underlying Business Investment	-10.0	-11.5	-1.0	4.5	-3.2	-1.8	-5.1	-2.6	-3.4	-2.1	-4.9	1.3	0.4	0.2	0.1	1.5	1.1	1.6	1.0	1.8
Residential Construction	10.1	7.6	0.0	-0.3	4.9	-1.3	4.8	0.7	4.0	1.4	-1.2	1.9	-4.4	3.2	2.2	-0.4	-0.8	-0.6	-1.1	-0.7
Underlying Public Spending	2.6	4.6	2.9	2.8	1.1	1.9	-0.8	2.3	0.5	2.9	-0.3	0.9	0.5	0.8	0.5	0.8	0.7	0.7	0.7	0.7
Exports	6.0	7.9	4.2	5.1	3.3	-2.9	4.8	0.3	2.7	2.0	1.4	3.7	-1.6	-0.6	3.4	2.1	0.8	0.7	0.7	0.9
Imports	2.0	0.2	6.5	3.9	2.1	1.1	-1.2	0.1	-0.8	3.4	0.8	1.9	1.6	1.6	1.1	1.1	0.8	1.0	0.7	1.0
Net Exports (a)	0.7	1.5	-0.5	0.3	0.2	-0.8	1.2	0.0	1.1	-0.3	0.1	0.4	-0.7	-0.5	0.5	0.2	0.0	-0.1	0.0	0.0
Inventories (a)	0.1	0.1	0.1	-0.1	0.7	-0.3	-0.1	0.0	-0.1	0.3	0.2	-0.4	0.5	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Demand - qtr%					0.5	0.6	-0.1	0.6	0.1	0.8	-0.5	1.1	0.3	0.8	0.5	0.6	0.5	0.6	0.5	0.6
Dom Demand - ann %	1.3	1.5	2.1	2.2	1.1	1.4	1.3	1.4	1.4	1.6	1.2	1.8	1.7	1.7	2.8	2.3	2.4	2.2	2.2	2.1
<b>Real GDP - qtr %</b>					<b>1.0</b>	<b>0.2</b>	<b>0.9</b>	<b>0.5</b>	<b>0.9</b>	<b>0.7</b>	<b>-0.4</b>	<b>1.1</b>	<b>0.3</b>	<b>0.2</b>	<b>1.0</b>	<b>0.9</b>	<b>0.4</b>	<b>0.6</b>	<b>0.4</b>	<b>0.6</b>
<b>Real GDP - ann %</b>	2.4	2.5	2.0	2.5	<b>2.5</b>	<b>2.0</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>3.1</b>	<b>1.8</b>	<b>2.4</b>	<b>1.7</b>	<b>1.2</b>	<b>2.6</b>	<b>2.4</b>	<b>2.6</b>	<b>2.9</b>	<b>2.3</b>	<b>2.1</b>
CPI headline - qtr %					0.2	0.7	0.5	0.4	-0.2	0.4	0.7	0.6	0.4	0.3	0.6	0.7	0.5	0.5	0.6	0.7
CPI headline - ann %	1.5	1.3	2.1	2.2	1.3	1.5	1.5	1.7	1.3	1.0	1.3	1.5	2.1	2.1	2.0	2.1	2.1	2.2	2.3	2.3
CPI underlying - qtr %					0.6	0.5	0.4	0.5	0.2	0.5	0.4	0.5	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.5
CPI underlying - ann %	2.2	1.6	1.8	1.9	2.4	2.2	2.2	2.0	1.6	1.6	1.6	1.6	1.9	1.8	1.9	1.8	1.9	1.9	2.0	2.0
Wages (Pvte WPI - ann %)	2.1	1.9	1.9	1.9	2.2	2.2	2.1	2.0	2.0	2.0	1.9	1.8	2.0	2.0	1.9	1.8	1.8	1.8	1.9	2.0
Unemployment Rate (%)	6.0	5.7	5.8	5.7	6.1	6.0	6.2	5.9	5.8	5.7	5.7	5.6	5.9	5.8	5.7	5.7	5.7	5.7	5.7	5.7
Terms of trade	-11.7	0.1	13.6	-1.4	-2.0	-4.3	-2.8	-4.1	-1.9	2.5	4.3	9.5	6.6	-1.3	-4.1	-1.7	-1.6	-1.3	-1.3	-1.5
G&S trade balance, \$Abn	-36.6	-12.6	23.7	1.3	-4.4	-11.2	-9.0	-12.1	-8.0	-7.3	-3.4	6.1	9.2	6.1	4.5	4.0	2.5	1.0	-0.3	-1.8
% of GDP	-2.2	-0.7	1.3	0.1	-1.1	-2.8	-2.2	-2.9	-1.9	-1.7	-0.8	1.4	2.1	1.4	1.0	0.9	0.5	0.2	-0.1	-0.4
Current Account (% GDP)	-4.7	-2.6	-1.6	-3.0	-3.2	-5.1	-5.0	-5.6	-3.5	-3.8	-2.6	-0.8	-0.7	-1.6	-1.9	-2.1	-2.5	-2.8	-3.1	-3.4

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

Exchange Rate Forecasts	10-Jul	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
<b>Majors</b>						
AUD/USD	<b>0.7609</b>	0.73	0.70	0.70	0.70	0.70
NZD/USD	<b>0.7277</b>	0.71	0.68	0.68	0.68	0.69
USD/JPY	<b>114.15</b>	114	118	120	120	122
EUR/USD	<b>1.1404</b>	1.17	1.15	1.17	1.18	1.20
GBP/USD	<b>1.2896</b>	1.28	1.27	1.28	1.28	1.26
USD/CNY	<b>6.8009</b>	6.81	6.82	6.81	6.81	6.80
USD/CAD	<b>1.2886</b>	1.33	1.37	1.35	1.34	1.33

Australian Cross Rates	10-Jul	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
AUD/JPY	<b>86.9</b>	83	83	84	84	85
AUD/EUR	<b>0.6672</b>	0.62	0.61	0.60	0.59	0.58
AUD/GBP	<b>0.5900</b>	0.57	0.55	0.55	0.55	0.56
AUD/NZD	<b>1.0456</b>	1.03	1.03	1.03	1.03	1.01
AUD/CNY	<b>5.1748</b>	4.97	4.77	4.77	4.77	4.76
AUD/CAD	<b>0.9805</b>	0.97	0.96	0.95	0.94	0.93
AUD/CHF	<b>0.7336</b>	0.71	0.67	0.74	0.71	0.68

Interest Rate Forecasts	10-Jul	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
<b>Aust rates</b>						
RBA Cash rate	<b>1.50</b>	1.50	1.50	1.50	1.50	1.50
3 month bill rate	<b>1.70</b>	1.75	1.75	1.75	1.75	1.75
3 Year Swap Rate	<b>2.12</b>	2.0	2.3	2.6	2.6	2.5
10 Year Swap Rate	<b>2.94</b>	2.9	3.1	3.4	3.4	3.3
<b>Offshore Policy Rates</b>						
US Fed funds	<b>1.25</b>	1.25	1.50	1.75	2.00	2.00
ECB deposit rate	<b>-0.40</b>	-0.40	-0.40	-0.40	-0.40	-0.30
BoE repo rate	<b>0.25</b>	0.25	0.25	0.50	0.50	0.50
BoJ excess reserves rate	<b>-0.10</b>	-0.10	-0.10	-0.10	-0.10	0.90
RBNZ OCR	<b>1.75</b>	1.75	1.75	1.75	2.00	2.25
China 1yr lending rate	<b>4.35</b>	4.10	4.10	4.10	4.10	4.10
China Reserve Ratio	<b>17.0</b>	16.5	16.5	16.5	16.5	16.5
<b>10 Year Benchmark Bond Yields</b>						
Australia	<b>2.75</b>	2.65	2.85	3.10	3.05	2.95
United States	<b>2.39</b>	2.50	2.75	3.00	3.00	3.00
New Zealand	<b>3.03</b>	2.90	3.10	3.35	3.40	3.50

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP	2013	2014	2015	2016	2017	2018	20 Yr Avg
Dec year							
Australia	2.1	2.8	2.4	2.5	2.0	2.5	3.4
US	1.7	2.4	2.6	1.6	2.1	2.3	2.6
Eurozone	-0.2	1.3	1.9	1.7	2.0	1.9	1.5
UK	1.9	3.1	2.2	1.8	1.6	1.6	2.4
Japan	2.0	0.2	1.1	1.0	1.2	0.9	0.8
China	7.7	7.3	6.9	6.7	6.5	6.3	9.2
India	6.1	7.0	7.5	7.9	7.3	7.2	6.6
New Zealand	2.2	3.4	2.5	3.1	2.5	3.1	3.0
World	3.4	3.5	3.2	3.1	3.3	3.5	3.5
MTP Top 5	4.1	3.9	4.0	3.8	3.8	3.7	5.0

Commodity prices (\$US)	10-Jul	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
WTI oil	44.59	54	56	58	59	60
Gold	1210	1210	1220	1230	1240	1260
Iron ore	62.8	65	61	60	58	60
Hard cok. coal	159	210	160	140	120	110
Thermal coal	83	81	81	81	81	65
Copper	5807	5610	5550	5550	5550	5550
Aust LNG (*)	6.25	7.9	8.3	8.5	8.9	9.2

(\*) Implied Australian LNG export prices.

## CONTACT DETAILS

### Market Economics

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

David de Garis  
Director, Economics  
+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

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