

# AUSTRALIAN MARKETS WEEKLY



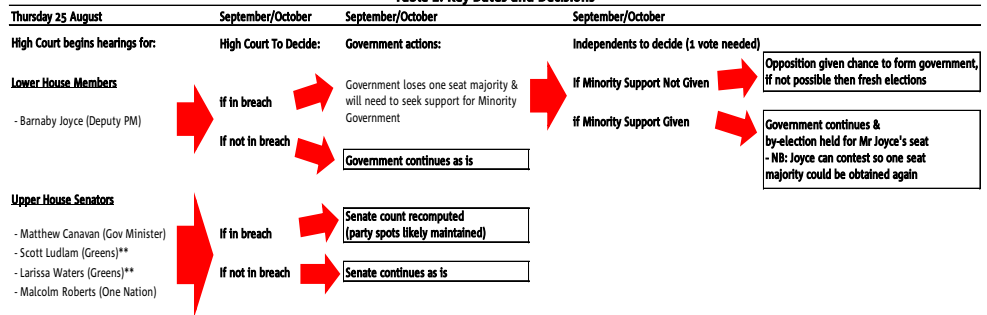
## Dual-citizenship crisis – government’s majority still likely ok

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- The government’s one seat majority in Parliament looks somewhat uncertain with the dual citizenship saga having engulfed Deputy Prime Minister Barnaby Joyce last week in addition to six upper house members (2 Greens, 1 NXT, 2 Nationals, 1 One Nation).
- At issue is Australia’s Constitution (specifically s.44(i)) which does not allow MPs to be “a citizen or entitled to the rights or privileges of a subject or a citizen of a foreign power”. The High Court (sitting as the Court of Disputed Returns) will begin hearings on Thursday, though a ruling may not be forthcoming for some weeks.
- Why is this important? The government holds a one seat majority in the parliament (76 seats, including the Deputy PM). If the Deputy PM is found to have breached the section he would be ineligible to hold office and the government would no-longer have a majority. In this event, the government would likely attempt to form minority government with the support of an independent. There are five crossbenchers and two are conservative independents – McGowan and Katter).

Table 1: Key Dates and Decisions



\* Boxes denote final outcomes; \*\* have already resigned from the Senate  
 Note: Senators Xenophon (NXT) and Nash (Gov Minister) will also be heard but no date has been given

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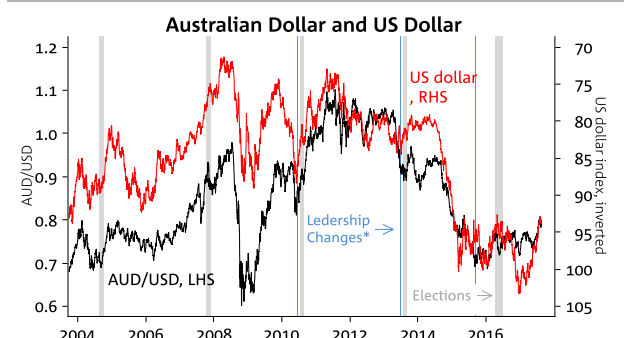
- [Ask the Economists](#)
- [Ask the FX Strategists](#)
- [Ask the Interest Rate Strategists](#)

- As for the ruling itself, the High Court decision will likely depend on whether ‘all reasonable steps’ were taken by those with dual-citizenships to renounce their other citizenships prior to their election. A “recent” case on the issue was *Sykes v Cleary (1992)* where the majority defined ‘reasonable steps’ as the use of the renunciation procedures of the other country if there were such procedures. This case however dealt with citizenships acquired at birth, while citizenships acquired via descent (like Mr Joyce’s) remain untested.
- We do not expect any significant market impacts from this uncertainty. There may be some knock on effect to business and consumer confidence until the uncertainty resolves – likely up to two months. In the unlikely event of fresh general elections,

Key markets over the past week					
	Last	% chg week		Last	bp / % chg week
AUD	0.7926	0.9	RBA cash	1.50	0
AUD/CNY	5.29	0.8	3y swap	2.05	2
AUD/JPY	86.6	0.6	ASX 200	5,666	-0.4
AUD/EUR	0.674	1.2	Iron ore	77.9	3.7
AUD/NZD	1.083	0.5	WTI oil	48.5	1.9

Source: Bloomberg

Chart of the week: Politics unlikely to impact markets



\* Leadership changes without elections: Gillard 24 June 2010, Rudd 26 June 2013, Turnbull 14 September 2015  
 Source: National Australia Bank, Bloomberg

both major parties remain publically committed to a path back to surplus with the major election difference being policies around company tax and negative gearing.

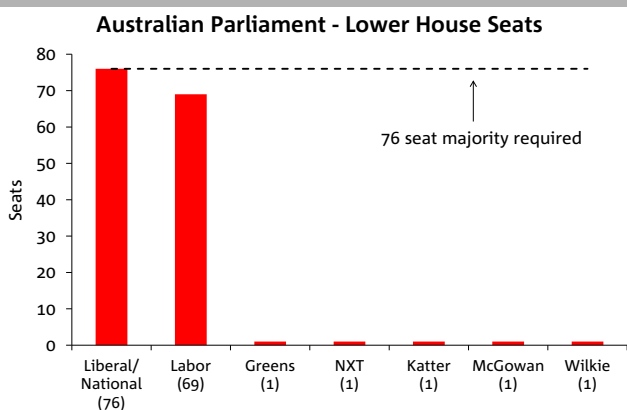
- **Week ahead:** It's a very light week on the local calendar. Offshore events will likely be driven by central bank speeches at the Jackson Hole Symposium in the US (Yellen and Draghi are both speaking) and potentially on political developments in the US.
- **Our FX strategists** have revised the outlook for the Australian dollar given the ever-diminishing prospect for a significant near-term recovery in the US dollar. Although the case for a 0.70 Aussie still exists based on our expectation for Fed/RBA rates cross-over next year, the USD is not now seen correcting far enough to keep this as a central forecast. For end Q3, we lift our AUD/USD forecast from 0.73 to 0.78, and for year-end from 0.70 to 0.75. In 2018, we now suggest a low of around 0.73, from 0.70 previously.

**Dual-citizenships shake up domestic politics**

As we go to press, seven parliamentarians have disclosed that they may have held dual-citizenships at the time of their election, thus making them potentially ineligible to have been elected in the first place: Deputy PM Joyce (lower house) and six upper house senators: Nash and Canavan (government ministers); Ludlam and Waters (Greens); Xenophon (NXT); and Roberts (One Nation).

The Parliament has referred the issue to the High Court which begin hearings on the issue on Thursday 24 August. With the government holding only a one seat majority in the lower house, the near term fortunes of the government are now linked to the High Court's decision – in particular the circumstances surrounding Barnaby Joyce's eligibility since he holds a lower house seat. If the Deputy PM is found to have been ineligible, the government will lose its one seat majority. (Note while Mr Joyce's absence would take lower house numbers down to 149 and the government would be on 75 seats, the government would still need to supply a speaker which would make it just short of a majority).

**Chart 1: Government holds power with 1 seat majority**



In the event of such an outcome (note we do not presume either way), it would place the government into uncharted territory with the most likely outcome the

government would be forced into seeking minority government. With the government losing one seat, it would then hold 75 seats and require the support of at least one independent, assuming no support is provided by the Labor opposition (Chart 1). Of the cross bench, members McGowan and Katter would likely offer confidence and supply in return for some concessions.

Supporting this hypothesis, Ms McGowan has released a statement: "she would continue to support the government on confidence and supply ahead of next week's High Court consideration" (see [Statement on support for the Federal Government](#)). Mr Katter also seems likely to support in return for concessions from the government "I am absolutely determined to get changes...and if I am anywhere near the power to get those changes I will seize those changes" (those concessions likely being policies for North Queensland, see [interview](#)).

If minority government results then there is unlikely to be any substantial changes in policy. Further, Mr Joyce would also be free to contest the by-election in his former seat since he has subsequently renounced his NZ citizenship. Mr Joyce holds his seat of New England comfortably by 58.52% on a two candidate preferred basis, though this is not a guarantee given a former member of the seat, Tony Windsor has expressed a view to running if this eventuates.

In the unlikely event minority government was not achieved and a vote of no confidence in the government passed, fresh elections would then result (note it is impossible for Labor to form government in this term's Parliament since it only holds 69 seats). In this unlikely event of fresh elections, both major parties still remain publically committed to a path back to surplus and for markets the independence of the RBA. The major election differences are Labor's opposition to company tax cuts for firms >\$50m (note these have not been legislated), support for a banking royal commission, and proposals to limit capital gains tax and negative gearing to housing with likely grandfathering.

*What about the Senators?*

In the event of Senators being found ineligible to have been elected, the High Court will decide how Senators will be replaced. It is likely the High Court will order the senate vacancies to be filled by a special count of the votes cast at the 2016 election (this special count would use the voter preference data already taken from the 2016 election) and was the method prescribed by the High Court to fill the vacancy left by Mr Robert Day who was disqualified from the Senate on 5 April 2017 (see [AEC Statement](#)).

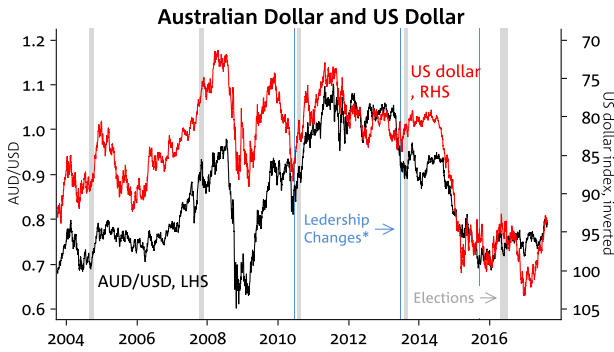
In most cases the same party is likely to end up with a senator with the next person on the party ticket then in line to take the spot – that person of course could technically resign in favour of the original senator! So it is possible that no change in the Senate occurs at all even in the event that they are found to be ineligible by the Court.

**Impact elections on Australian markets**

Previous elections have not had a noticeable impact on the broad trends for Australian financial markets. This is especially the case for the Australian dollar and 10-year bond yields – these trends are broadly determined

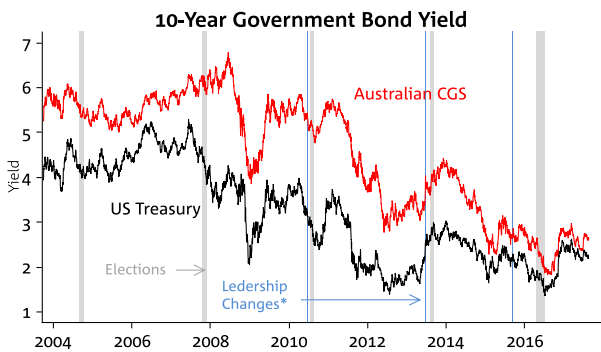
globally, rather than by domestic politics. This statement holds true even in the event of a change in government. In general the trend for the Australian dollar and bond yields ahead of an election is the same as the trend after the election. In each case the broad trend for US bond yields and the US\$ is a more important determinant of Australian financial instruments' pricing than the Australian political party in power (Chart 2 and 3).

Chart 2: AUD driven by offshore, even in elections



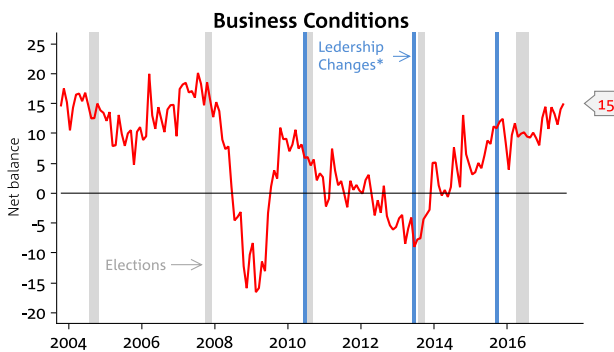
\* Leadership changes without elections: Gillard 24 June 2010, Rudd 26 June 2013, Turnbull 14 September 2015  
Source: National Australia Bank, Bloomberg

Chart 3: Yields driven by offshore, even in elections



\* Leadership changes without elections: Gillard 24 June 2010, Rudd 26 June 2013, Turnbull 14 September 2015  
Source: National Australia Bank, Bloomberg

Chart 4: Business conditions unaffected by elections



\* Leadership changes without elections: Gillard 24 June 2010, Rudd 26 June 2013, Turnbull 14 September 2015  
Source: National Australia Bank, Macrobond

While markets are unlikely to be impacted, there is the chance that Business and Consumer confidence may suffer from the current uncertainty and possible policy paralysis that may occur as the High Court decides. We would expect any deterioration to correct once a determination is made.

On the unlikely possibility of fresh elections, we note elections do not typically impact on Business Conditions, but this will be important to monitor. Policy differences around a banking royal commission and housing policies of scaling back negative gearing and the capital gains tax discount would naturally impact on particular sectors.

**Background: why are dual-citizenships an issue?**

Australia's Constitution states:

*Any person who-*

*(i) is under any acknowledgement of allegiance, obedience, or adherence to a foreign power, or is a subject or a citizen or entitled to the rights or privileges of a subject or a citizen of a foreign power*

*...shall be incapable of being chosen or of sitting as a senator or a member of the House of Representatives.*

s. 44(i) Commonwealth of Australian Constitution Act

While your scribe is no Constitutional Lawyer (or a lawyer at all!) the Parliamentary Library did write a paper on [Dual Citizenship, Foreign Allegiance and s.44\(i\) of the Australian Constitution](#) in 1992. This paper noted the case of *Sykes v Cleary* 1992. In *Sykes v Cleary*, Mr Sykes challenged the eligibility of two candidates on the grounds they were ineligible under s.44(i) of the Constitution. The majority found that the s.44(i) required a person to take "all reasonable steps" in order to have renounced their other citizenship.

This case specifically referred to two individuals who had citizenship of another country by birth (in this case Greece and Switzerland). The majority found "reasonable steps" had not been taken in these cases. Justice Brennan noted "it is not sufficient...for a person holding dual citizenship to make a unilateral declaration renouncing foreign citizenship when some further step can reasonably be taken which will be effective under the relevant foreign law to release that person from the duty of allegiance or obedience...it is only after all reasonable steps have been taken under the relevant foreign law...that it is possible to say that the purpose of s44(i) would not be fulfilled by recognition of the foreign law."

In terms of what is considered to be "reasonable", Justice Dawson noted that it would depend on the circumstance of the case such as: (a) the requirements of the foreign law for the renunciation of the foreign nationality and (b) the circumstances in which the foreign nationality was accorded to that person. Justice Brennan also noted that the Court would not recognise the conferring of nationality by a foreign power which exceeded the jurisdiction of the foreign country "to take an extreme example, if a foreign power were mischievously to confer its nationality on members of the Parliament so as to disqualify them all, it would be absurd to recognise the foreign law conferring nationality".

As for Mr Joyce's case, his former NZ citizenship was acquired through descent which has not been contested by the Court to date. The Parliamentary Library (1992) did note a 1981 report by the Senate Standing Committee on Constitutional and Legal Affairs on The Constitutional Qualifications of Members of Parliament were of the view that the "mere involuntary and unintentional holding of dual nationality would breach

s.44(i)". The report also recommended that s.44(i) be deleted from the Constitution!

cease to make decisions which are contentious or might give rise to legal challenges" ([The Conversation](#))

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**Background: If ministers are ineligible elected, what about their decisions?**

There are three ministers who are caught under s.44(i). If disqualified by the High Court then those Ministers may not have been qualified to have been a Minister of State under s64:

*"After the first general election no Minister of State shall hold office for a longer period than three months unless he is or becomes a senator or a member of the House of Representatives"*

[s. 64 Commonwealth of Australian Constitution Act](#)

This has led some to argue that the portfolio decisions by Deputy Prime Minister Joyce, and Ministers Nash and Canavan could be questioned in the event they are found to have been ineligible for election. The last election was in July 2016 and thus has been more than 3-months since.

Anne Twomey who is a Professor of Constitutional Law at the University of Sydney expects that most of their decisions should hold due to the "de-facto officer" doctrine – the common law doctrine that protects people who rely on acts done in the apparent executive of their office by an officer who appears to be "clothed with official authority", even though they may not validly hold that office. However, once the Ministers know they are a dual-national then their eligibility to hold parliamentary office is known. Accordingly Ms Twomey "it would [then] be prudent for those ministers who are currently under a cloud concerning their lawful occupation of office to

# CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
<b>Monday, 21 August 2017</b>								
NZ	Net Migration SA	Jul				6350.0	23.45	8.45
UK	Rightmove House Prices MoM	Aug				0.1	0.10	9.10
UK	Rightmove House Prices YoY	Aug				2.8	0.10	9.10
NZ	Credit Card Spending MoM	Jul				0.2	4.00	13.00
NZ	Credit Card Spending YoY	Jul				8.3	4.00	13.00
JN	All Industry Activity Index MoM	Jun		0.4		-0.9	5.30	14.30
JN	Convenience Store Sales YoY	Jul				-0.1	8.00	17.00
UK	Public Finances (PSNCR)	Jul				18.3	9.30	18.30
UK	Central Government NCR	Jul				18.0	9.30	18.30
UK	Public Sector Net Borrowing	Jul		0.3		6.3	9.30	18.30
UK	PSNB ex Banking Groups	Jul		1		6.9	9.30	18.30
CA	Wholesale Trade Sales MoM	Jun		-0.5		0.9	13.30	22.30
US	Chicago Fed Nat Activity Index	Jul		0.1		0.1	13.30	22.30
CA	Bloomberg Nanos Confidence	Aug 18				61.2	15.00	0.00
<b>Tuesday, 22 August 2017</b>								
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Aug 20				111.7	0.30	9.30
GE	ZEW Survey Current Situation	Aug		85.3		86.4	10.00	19.00
EC	ZEW Survey Expectations	Aug				35.6	10.00	19.00
GE	ZEW Survey Expectations	Aug		15		17.5	10.00	19.00
EC	ECB's Constancio Speaks at Economists' Congress in Lisbon						13.00	22.00
CA	Retail Sales MoM	Jun		0.2		0.6	13.30	22.30
CA	Retail Sales Ex Auto MoM	Jun		0.1		-0.1	13.30	22.30
US	FHFA House Price Index MoM	Jun		0.5		0.4	14.00	23.00
US	House Price Purchase Index QoQ	2Q				1.4	14.00	23.00
CH	Conference Board Leading Economic Index	Jul					14.00	23.00
US	Richmond Fed Manufact. Index	Aug		10		14.0	15.00	0.00
<b>Wednesday, 23 August 2017</b>								
NZ	Pre-election Economic and Fiscal Update						1.00	10.00
AU	Skilled Vacancies MoM	Jul				0.9	2.00	11.00
JN	Machine Tool Orders YoY	Jul F				26.3	7.00	16.00
EU	ECB's Draghi Speaks in Lindau, Germany						8.00	17.00
GE	Markit/BME Germany Manufacturing PMI	Aug P		57.7		58.1	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	Aug P		56.3		56.6	9.00	18.00
EC	Markit Eurozone Services PMI	Aug P		55.4		55.4	9.00	18.00
EC	Markit Eurozone Composite PMI	Aug P		55.5		55.7	9.00	18.00
US	MBA Mortgage Applications	Aug 18				0.1	12.00	21.00
US	Fed's Kaplan (voter) speak to Oil Group in Texas						14.05	23.05
US	Markit US Manufacturing PMI	Aug P		53.4		53.3	14.45	23.45
US	New Home Sales	Jul		610		610.0	15.00	0.00
US	New Home Sales MoM	Jul		0		0.8	15.00	0.00
EC	Consumer Confidence	Aug A		-1.8		-1.7	15.00	0.00
<b>Thursday, 24 August 2017</b>								
NZ	Trade Balance NZD	Jul		-200		242.0	23.45	8.45
JN	Nikkei Japan PMI Mfg	Aug P				52.1	1.30	10.30
JN	Leading Index CI	Jun F				106.3	6.00	15.00
JN	Coincident Index	Jun F				117.2	6.00	15.00
UK	UK Finance Loans for Housing	Jul				40200.0	9.30	18.30
UK	GDP QoQ	2Q P		0.3		0.3	9.30	18.30
UK	Index of Services MoM	Jun		0.2		0.2	9.30	18.30
UK	Index of Services 3M/3M	Jun		0.5		0.4	9.30	18.30
US	Initial Jobless Claims	Aug 19		236		232.0	13.30	22.30
US	Continuing Claims	Aug 12		1950		1953.0	13.30	22.30
UK	CBI Retailing Reported Sales	Aug		14		22.0	11.00	20.00
UK	CBI Total Dist. Reported Sales	Aug				21.0	11.00	20.00
US/EC	Kansas City Fed hosts annual Jackson Hole Policy Symposium - Yellen and Draghi Speak at the event						24-27 Aug	
US	Existing Home Sales	Jul		5.56		5.5	15.00	0.00
US	Existing Home Sales MoM	Jul		0.72		-1.8	15.00	0.00
US	Kansas City Fed Manf. Activity	Aug		11		10.0	16.00	1.00
<b>Friday, 25 August 2017</b>								
JN	Natl CPI YoY	Jul		0.4		0.4	0.30	9.30
JN	Natl CPI Ex Fresh Food YoY	Jul		0.5		0.4	0.30	9.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Jul		0.1		0.0	0.30	9.30
JN	Tokyo CPI YoY	Aug		0.3		0.1	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food YoY	Aug		0.3		0.2	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food, Energy YoY	Aug		-0.1		-0.1	0.30	9.30
JN	PPI Services YoY	Jul		0.8		0.8	0.50	9.50
GE	IFO Business Climate	Aug		115.5		116.0	9.00	18.00
GE	IFO Current Assessment	Aug		125		125.4	9.00	18.00
GE	IFO Expectations	Aug		106.8		107.3	9.00	18.00
US	Durable Goods Orders	Jul P		-6		6.4	13.30	22.30
US	Cap Goods Orders Nondef Ex Air	Jul P		0.4		0.0	13.30	22.30
US	Fed Chair Yellen at Jackson Hole on "Financial Stability"						15.00	0.00
US	Baker Hughes U.S. Rig Count	Aug 25				946.0	18.00	3.00
EC	ECB's Draghi Speaks at Jackson Hole							
<b>Saturday, 26 August 2017</b>								
CH	Industrial Profits YoY	Jul				19.1	2.30	11.30
<b>Upcoming Central Bank Interest Rate Announcements</b>								
New Zealand, RBNZ		28-Sep	1.75%	1.75%		1.75%		
Australia, RBA		5-Sep	1.50%	1.50%		1.50%		
Canada, BoC		6-Sep				0.75%		
Europe ECB		7-Sep	-0.4%	-0.4%		-0.4%		
UK BOE		14-Sep				0.25%		
US Federal Reserve		21-Sep	1.00-1.25%	1.00-1.25%		1.00-1.25%		
Japan, BoJ		21-Sep	-0.1%	-0.1%		-0.1%		

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

# 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	2.8	2.3	0.6	0.6	0.9	0.6	0.8	0.5	0.3	1.0	0.5	1.0	0.6	0.8	0.4	0.5	0.5	0.5
Underlying Business Investment	-10.0	-11.5	-0.7	3.6	-3.2	-1.8	-5.1	-2.6	-3.4	-2.1	-4.9	1.3	0.4	0.7	-0.2	1.5	0.2	1.5	1.6	0.7
Residential Construction	10.1	7.6	-2.0	0.7	4.9	-1.3	4.8	0.7	4.0	1.4	-1.2	1.9	-4.4	1.5	0.2	0.2	0.4	-0.3	-0.1	-0.2
Underlying Public Spending	2.6	4.6	2.7	2.7	1.1	1.9	-0.8	2.3	0.5	2.9	-0.3	0.9	0.5	0.7	0.5	0.8	0.7	0.7	0.7	0.7
Exports	6.0	7.9	6.4	6.1	3.3	-2.9	4.8	0.3	2.7	2.0	1.4	3.7	-1.6	2.1	3.6	2.3	0.8	0.7	0.7	0.9
Imports	2.0	0.2	6.9	4.3	2.1	1.1	-1.2	0.1	-0.8	3.4	0.8	1.9	1.6	2.2	1.0	1.4	0.7	1.0	1.1	0.8
Net Exports (a)	0.7	1.5	-0.1	0.4	0.2	-0.8	1.2	0.0	1.1	-0.3	0.1	0.4	-0.7	0.0	0.6	0.2	0.0	-0.1	-0.1	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	-0.1	0.1	-0.1	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	0.9	0.5	0.8	0.5	0.6	0.6	0.5
Dom Demand - ann %	1.3	1.5	2.3	2.4	1.1	1.4	1.3	1.4	1.4	1.6	1.2	1.8	1.7	1.9	2.9	2.6	2.7	2.3	2.5	2.2
Real GDP - qtr %					1.0	0.2	0.9	0.5	0.9	0.7	-0.4	1.1	0.3	0.6	1.0	1.0	0.4	0.5	0.6	0.5
Real GDP - ann %	2.4	2.5	2.3	2.7	2.5	2.0	2.5	2.6	2.5	3.1	1.8	2.4	1.7	1.6	3.0	2.9	3.1	3.0	2.6	2.0
CPI headline - qtr %					0.2	0.7	0.5	0.4	-0.2	0.4	0.7	0.6	0.4	0.5	1.2	0.7	0.5	0.5	0.7	0.8
CPI headline - ann %	1.5	1.3	2.5	2.7	1.3	1.5	1.5	1.7	1.3	1.0	1.3	1.5	2.1	2.2	2.7	2.8	2.9	2.9	2.4	2.4
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	0.5	0.5	0.5	0.6	0.6
CPI underlying - ann %	2.2	1.6	1.8	2.0	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	2.0	2.0	2.2
Wages (Pvte WPI - ann %)	2.1	1.9	1.9	2.1	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	2.2	2.5
Unemployment Rate (%)	6.0	5.7	5.6	5.4	6.1	6.0	6.2	5.9	5.8	5.7	5.7	5.6	5.9	5.6	5.4	5.4	5.4	5.5	5.5	5.4
Terms of trade	-11.7	0.1	9.7	-1.1	-2.0	-4.3	-2.8	-4.1	-1.9	2.5	4.3	9.5	6.6	-5.4	-5.1	-1.4	-3.1	-1.1	0.6	-0.9
G&S trade balance, \$Abn	-36.6	-12.6	16.4	-11.1	-4.4	-11.2	-9.0	-12.1	-8.0	-7.3	-3.4	6.1	9.2	4.0	1.8	1.4	-1.6	-3.0	-2.8	-3.6
% of GDP	-2.2	-0.7	0.9	-0.6	-1.1	-2.8	-2.2	-2.9	-1.9	-1.7	-0.8	1.4	2.1	0.9	0.4	0.3	-0.4	-0.7	-0.6	-0.8
Current Account (% GDP)	-4.7	-2.6	-2.0	-3.7	-3.2	-5.1	-5.0	-5.6	-3.5	-3.8	-2.6	-0.8	-0.7	-2.0	-2.5	-2.6	-3.4	-3.7	-3.7	-3.8

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

Exchange Rate Forecasts						
	21-Aug	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
<b>Majors</b>						
AUD/USD	0.7926	0.78	0.75	0.74	0.73	0.73
NZD/USD	0.7319	0.72	0.70	0.69	0.69	0.70
USD/JPY	109.23	112	116	118	118	118
EUR/USD	1.1754	1.19	1.17	1.18	1.20	1.22
GBP/USD	1.2879	1.28	1.27	1.29	1.29	1.28
USD/CNY	6.6711	6.65	6.67	6.64	6.64	6.62
USD/CAD	1.2588	1.27	1.30	1.31	1.32	1.33
USD/CHF	0.9655	0.97	0.96	1.06	1.01	0.97

Australian Cross Rates						
AUD/NZD	1.0829	1.08	1.07	1.07	1.06	1.04
AUD/JPY	86.6	87	87	87	86	86
AUD/EUR	0.6743	0.66	0.64	0.63	0.61	0.60
AUD/GBP	0.6154	0.61	0.59	0.57	0.57	0.57
AUD/CNY	5.2875	5.19	5.00	4.91	4.85	4.83
AUD/CAD	0.9977	0.99	0.98	0.97	0.96	0.97
AUD/CHF	0.7653	0.76	0.72	0.78	0.74	0.71

Interest Rate Forecasts						
	21-Aug	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
<b>Australia Rates</b>						
RBA Cash rate	1.50	1.50	1.50	1.50	1.50	1.50
3 month bill rate	1.69	1.75	1.75	1.75	1.75	1.75
3 Year Swap Rate	2.05	2.0	2.3	2.6	2.6	2.5
10 Year Swap Rate	2.80	2.9	3.1	3.4	3.4	3.3
<b>Offshore Policy Rates</b>						
US Fed funds	1.25	1.25	1.50	1.75	2.00	2.00
ECB deposit rate	-0.40	-0.40	-0.40	-0.40	-0.40	-0.30
BoE repo rate	0.25	0.25	0.25	0.50	0.50	0.50
BoJ excess reserves rate	-0.10	-0.10	-0.10	-0.10	-0.10	0.90
RBNZ OCR	1.75	1.75	1.75	1.75	2.00	2.25
China 1yr lending rate	4.35	4.10	4.10	4.10	4.10	4.10
China Reserve Ratio	17.0	16.5	16.5	16.5	16.5	16.5
<b>10-year Benchmark Bond Yields</b>						
Australia	2.63	2.65	2.85	3.10	3.05	2.95
United States	2.20	2.50	2.75	3.00	3.00	3.00
New Zealand	2.86	2.90	3.10	3.35	3.40	3.50

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP							
Dec year	2013	2014	2015	2016	2017	2018	20 Yr Avge
Australia	2.1	2.8	2.4	2.5	2.3	2.7	3.4
US	1.7	2.6	2.9	1.5	2.0	2.3	2.6
Eurozone	-0.2	1.3	1.9	1.7	2.1	1.9	1.5
UK	1.9	3.1	2.2	1.8	1.6	1.4	2.4
Japan	2.0	0.2	1.1	1.0	1.2	1.0	0.8
China	7.7	7.3	6.9	6.7	6.7	6.5	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	3.0	3.0
World	3.4	3.5	3.3	3.2	3.4	3.5	3.5
MTP Top 5	4.1	4.0	4.1	3.7	3.9	3.8	5.0

Commodity prices (\$US)							
	21-Aug	Sep-17	Dec-17	Mar-18	Jun-18	Dec-18	
WTI oil	48.52	50	51	52	54	58	
Gold	1286	1240	1240	1260	1270	1290	
Iron ore	77.9	62	60	58	60	60	
Hard coking coal	193	160	140	120	110	100	
Thermal coal	98	85	85	85	65	65	
Copper	6467	6150	6180	6120	6060	6060	
Aust LNG (*)	6.67	7.3	7.8	7.9	8.0	8.5	

(\*) Implied Australian LNG export prices.

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