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Essential Asia

National Australia Bank

In this issue

Reduced preoccupation on global trio risks

Talking Points

- The FX trading environment in April remains choppy and directionless at the same time.
- Markets' reassessment of the prospects for Q2 is largely based on the usual trio suspects of developed economies' monetary policies, oil prices and China.
- Notably, the Fed, China and oil are becoming reduced uncertainties, but a weaker Asian FX vs CNY may be a rising risk ahead, in light of policy differentiation.

Recent Reports

- 16 April 2016 – India Monetary Policy Outlook
- 15 April 2016 – China's economy at a glance
- 14 April 2016 – Asia Dashboard: Singapore

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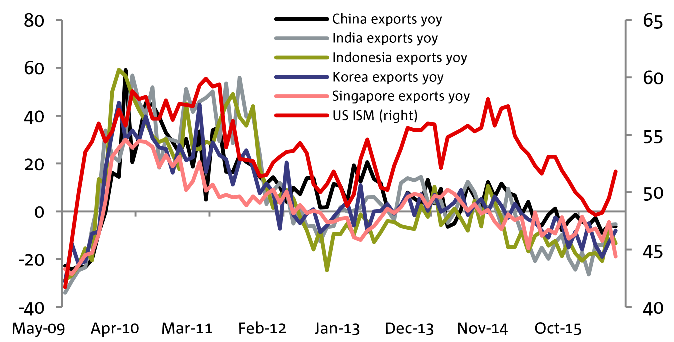
Chart of the month – Brighter prospects for Asia ecports?



Source: NAB, Bloomberg

Policy Rates

	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017
Korea	1.50	1.50	1.75	2.00	2.00
Thailand	1.50	1.50	1.50	1.75	2.00
Malaysia	3.25	3.25	3.50	3.75	3.75
India	6.75	6.50	6.25	6.25	6.25
Indonesia	7.00	7.00	7.00	7.00	6.75
China	4.10	3.85	3.85	3.85	3.60

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Reduced preoccupation on global trio risks

- **The FX trading environment in April remains choppy and directionless at the same time.**
- **Markets' reassessment of the prospects for Q2 is largely based on the usual trio suspects of developed economies' monetary policies, oil prices and China.**
- **The Fed, China and oil are becoming less uncertain, but a weaker Asian FX against the CNY may be a rising risk ahead, in light of policy differentiation.**

After March's sterling rally as reflected in the chart below, Asian currencies failed to make significant headway in either direction in April, with the ADXY largely trading within 108-109 range as the DXY hovering in the 94 and 95 range. It appears that while there is increasing conviction that the USD's recovery is now stalled, yet no one wants to sell it aggressively. The trading strategies that work better are the tactical ones, not the directional ones. In addition, appetite for risk shows signs of waning in April as the MSCI Asia ex-Japan index merely rose 1.7%, after nearly 11% gains in March. Understandably, the preoccupation that markets have in Q1 may no longer prevail in Q2. The Fed and China are becoming reduced uncertainties, the rebound in the oil price persisted in April and Brent's slide below USD40/bbl was brief, followed by a climb above USD 45/bbl.

Meanwhile, the IMF appears to be behind the curve as it went at length to highlight EM capital outflows in its latest World Economic Outlook. Based on IIF estimates, non-resident portfolio flows to EM jumped to a 21-month high in March to USD36.8bn, following a modest inflow of USD5.4bn in February. Interestingly, the inflows were quite balanced between bonds and equities and the bulk (USD20.6bn) of it went to Asia.

China Inc. still at risk

Apart from bargain hunting activities, global investors were more assured about China's macro and FX prospects. Even capital outflows from China have abated, gauging from March indicators. Nevertheless, we remain cognizant of the fact that capital flow movements will remain a key risk for global financial markets in 2016.

China's corporate sector stays on the risk radar, mainly due to concerns over debt accumulation and accordingly, debt servicing ability. The latest Total Social Financing data shows a nearly 42% yoy expansion in the March quarter – to RMB6.6 trillion. While there is a tendency of frontloading loans, Q1's growth was given a strong boost by corporate bonds issuance, partially as Chinese corporates prepaid their USD debt and switched to local borrowings. We do not think it is time to hit the panic button, given China's relatively low loan to deposit ratio and strong current account surplus. However, markets will be sensitive and watchful. International media have been raising the fear factor, with reports that local firms' cash conversion cycle is now a record 192 days, up from 125 days five years ago. At least seven firms have missed local bond payments this year and tighter liquidity conditions are reflected in the rise in 7-day report rate to 2.436%, a two month high, despite net liquidity injections by the central bank.

The other area of concern is the property sector and more on this discussion in the China spotlight section below.

A stable RMB becomes a more important anchor

In the meantime, USD/CNY has bottomed at 6.45 and recovered modestly in April, largely tracking the USD's broad trend. The pair could well touch 6.50, where it started the year and it is not unforeseeable for it to break above this year's high of 6.5948 in coming months.

While still early days, there may be an increasing risk of a differentiation in Asian FX performances in coming months that may potentially have the RMB trade stronger against the other Asian currencies within the CFETS RMB index. While most Asian monetary policies may still be growth supportive, China appears to have relatively bigger room for fiscal expansion, along with Singapore and Korea. China's overall growth prospect is also more encouraging given the strong performance of its services sector.

Indonesia and Malaysia on the other hand, may have to continue to rely on monetary stimulus as the rebound in oil prices is providing an insufficient push on the government's fiscal performance. Even Singapore has chosen to take the unexpected route on deploying further monetary loosening in April (Please refer to Asia Dashboard on Singapore – Zero Appreciation Policy). A rising concern on policy limits in Asia could potentially see selective Asian currencies weaken vs the CNY, in addition to a rising USD environment.

China Spotlight: Stimulus and its malcontents

- **Q1 GDP growth pointed to a moderation in the slowdown but additional fiscal spending has raised some concerns.**
- **A rebound in the property sector could support growth but is also causing some jitters in the market.**
- **While there is enough evidence that the authorities have not abandoned their economic reforms, the market will need more time to be convinced.**
- **Prepayment of corporate foreign loans appears to have waned in March but the continued slide in the RMB Index could see prepayments resume in the months ahead.**

Rehabilitation, not recidivism

Q1 GDP growth continued the slowdown but came in in-line with expectations. However, a surge in the real estate component sparked some concern that the authorities were reverting to prioritizing growth over reforms.

This is probably somewhat of a false dichotomy as there is no indication that investment has shifted away from the "new economy" focus identified in 2012, nor has the share of investment in the real estate sector increased. Nevertheless, the broad rise in property prices in March will need to be closely watched as there are signs of localised bubbles forming already.

In terms of the corporate outflows, there are signs that debt prepayments have petered out somewhat. However, that could be in large part due to the overall USD weakness that has translated into a gradual downward trajectory on the USD/CNY. There are various events that could spook both the markets and domestic corporates, and reignite outflows.

Don't fret over the property sector just yet

The deceleration to 6.7% yoy growth was as expected, although the 1.1% qoq sa growth did initially cause some undue consternation. The slowdown in financial intermediation was partially negated by acceleration in the real estate sector.

The accelerated broadening of the recovery in property prices also added to the unease – 62 of the 70 major cities saw a MoM rise in property prices, compared to just 47 cities in February. Probably adding to that is the fact that prices in Shanghai and Shenzhen are up 25% and 60% yoy respectively.

There has been some worry that this is largely a result of a 30% rise in new RMB loans for Q1 but more likely than not this is due to the down payment ratio for both first and second homes being cut at the start of February. In late March both Shanghai and Shenzhen bucked the national direction and tightened property lending conditions for their local markets, but these will probably only be evident in data for April. Chances are more tightening will be needed for these and other Tier 1 cities but on a broad basis the property market doesn't appear to be in a bubble just yet – of the 70 major cities only 40 have prices higher than a year ago and overall, prices are only up 4.9% yoy.

Investment still going to the right place

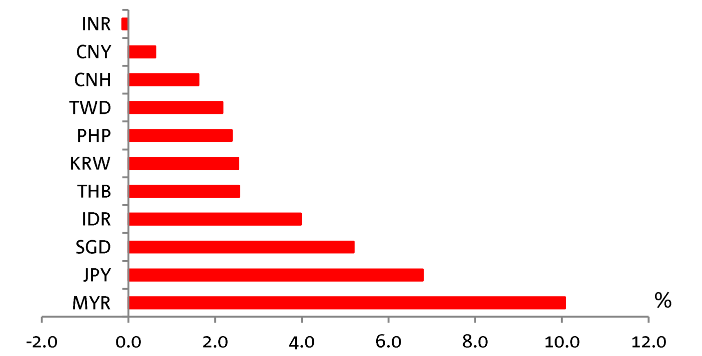
The authorities seem to have also deployed fiscal policy in a manner unique to China: increasing RMB lending. Total Social Financing for Q1 is up 40% yoy, driven by a 30% rise in new RMB loans and a 200% rise in net corporate bond issuance. While the surge in net bond financing is eye-catching, it is partly a structural attempt to encourage a greater reliance on the under-utilised bond markets, and partly a result of a shift in the corporate borrowing mix away from foreign currency loans.

The increased lending appears to have been supportive of both retail sales and fixed asset investment (FAI). In terms of the distribution of FAI, real estate accounted for 26.4% in Q1 2016 versus 27% in Q1 2015. Infrastructure (areas crucial to the new structure of the economy) meanwhile, rose from a 16.6% share in Q1 2015 to 17.9% in Q1 2016. With real estate spending, there also appears to be some degree of frontloading so it might not be time to panic just yet.

Outflows moderating, for now

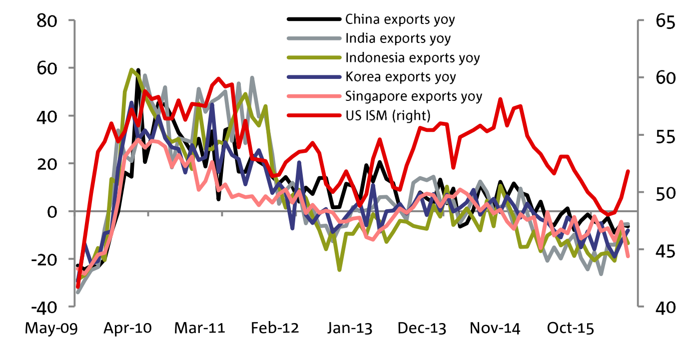
In terms of capital outflows, there are indications that the rush to prepay foreign currency borrowings amongst corporates is waning. Estimates for capital outflows suggest a sharp fall-off in February while foreign currency loans have stopped falling. This might be due in part to the current downward drift in the USD/CNY and a sharp fall in volatility, especially in the USD/CNH. Both of these though might quickly reverse if sentiment turns.

Chart 1: MYR, JPY and SGD were biggest winners in Q1 2016



Source: NAB, Bloomberg

Chart 2: Are Asian exports on the cusp of recovery?



Source: NAB, Bloomberg

Chart 1: Forex loans stop falling in March

3.5

Chart 2: CNY and CNH Implied/Realised Volatility Spread

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Korea Spotlight: Weak Won bias may gain more traction

- **Parliamentary elections results threw more uncertainty over Korea's policy direction.**
- **The KRW has been a laggard to the recent regional currency strength, reflecting weak macro prospects.**
- **Barring a strong recovery in portfolio inflows, the path of least resistance for the KRW is for further weakness ahead.**

The KRW's 2.5% appreciation vs the USD in Q1 2016 pales in comparison to other currencies in Southeast Asia (THB, IDR, MYR, SGD). In April, one of the main events domestically was the parliamentary elections. The outcome, while not a huge market mover, has added more uncertainties to medium term policy direction. Korea's general election was held on 13 April and yielded an unexpected outcome where the ruling Saenuri party failed to win a majority in parliament, undermining President Park's chances to enact her economic agenda in her final two years in office. The Saenuri Party won 40% (122 seats) of the 300-seat National Assembly, while the main opposition Minjoo Party won 41% (123 seats). The People's Party – formed in February mainly by Minjoo Party defectors – took 38 seats.

The macro reading is a mixed bag. Q1 2016 GDP slowed on both YoY and SA QoQ terms but the domestic engines are still looking fairly robust. Household consumption might have fallen 0.25% sa qoq but on a yoy basis, it was still up 2.1%. The big driver though has been investment. GFCF was up 1.2% sa qoq and 3.6% yoy, on top of an already strong 2015. The question now will be whether external demand and, to a lesser extent, consumption can pick up strongly enough to justify this increase in capacity. With fiscal spending already being heavily employed (government consumption grew 1.28% sa qoq and 4.56% yoy in Q1), the authorities might need to focus more on the KRW going forward, especially with respect to the USD, CNY, and JPY.

More doves sitting on the BoK's fence?

The Bank of Korea kept its benchmark policy rate unchanged at 1.5% in April, and its policy language kept overall policy direction quite open and data dependant. The decision was again not unanimous, with one board member calling for a 25bp cut. The BoK said that the trend of decline in exports has continued but domestic demand activities such as consumption, and the sentiments of economic agents appear to be improving somewhat. Its overall growth revision was also quite modest, to 2.8% from 3.0%, not as bearish as some market estimates of 2.0%.

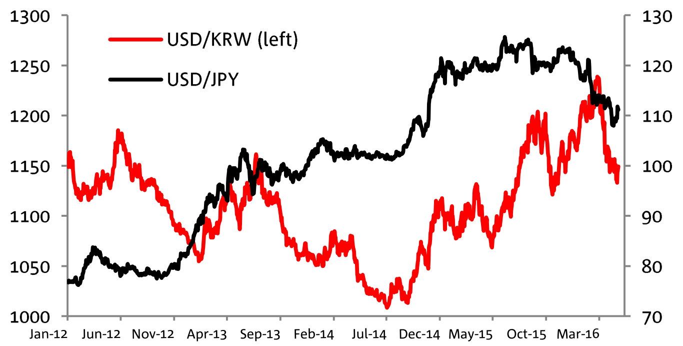
The BoK assessed the risks associated with the future growth path to be neutral overall. Upside risks include the acceleration in global growth supported by major countries' stimulus measures and by the rise in oil prices, and the improvement in consumer and investment sentiment in line with stimulus measures by the government. On the other hand, downside risks include further economic slowdowns in China and resource-exporting emerging market economies, and the worsening of economic sentiment associated with heightened uncertainties at home and abroad. Inflation risks are also assessed to be neutral and expected to increase by 1.2% in 2016..

However, the BoK has since replaced four out of seven members within its policy board and there are suggestions that these new members are more dovish than the outgoing ones. There is also the lingering pressure from the Finance Ministry, which is more pro-growth but may be facing more hurdles for fiscal expansion, and recently called for lower borrowing costs.

BoK preference for a weaker Won may be a rising risk

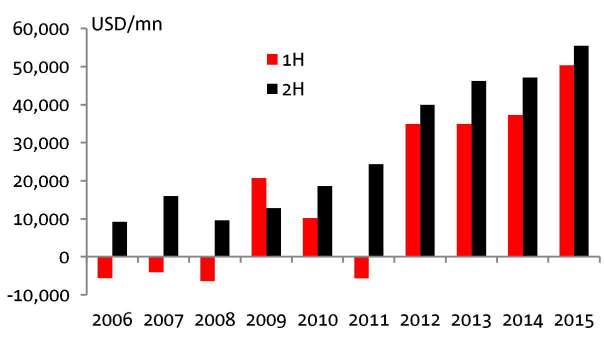
The recent political development is fuelling expectations of an inefficient multi party parliament with the additional complication of the third and minor opposition party getting more seats than previously. In addition, persistent weakness in the exports performance suggests that the authorities will lean toward increasing export competitiveness. Our end 2016 USD/KRW forecasts currently stand at 1220, similar to Bloomberg concensus. Korea's FX reserves appeared to have stopped falling after four consecutive months of decline and rose by USD4bn to USD369.84bn in March. Interestingly, the KRW has managed to buck its seasonal trend in April this year, when over the past ten years the KRW has appreciated an average of 1.9% vs the USD. May is typically a month of KRW weakness, where in the past nine years the KRW has depreciated an average 2.06%. More weak data ahead could renew long USD/KRW interests.

Chart 1: KRW regained lost ground against the JPY in April



Source: NAB, CEIC

Chart 2: Korea's current account performance



Source: NAB, CEIC

India Spotlight: Intervention is coming...

- **The RBI cut its policy rate as expected but the central bank also to steps to improve liquidity in the interbank market.**
- **Growth momentum seems somewhat tenuous but inflation could threaten the further easing in the near term.**
- **With Indian growth still likely to be one of the highest in Asia, a return of risk appetite should benefit both Indian equities and bonds.**

The Reserve Bank of India (RBI) seems to have responded to the moderation in the US Federal Reserve's "dot plots" and the recovery in global risk appetite, to bring forward the first of its rate cuts for the year. Also contributing to the frontloading of the rate cut might be the now-reduced likelihood of a near term passage of the GST bill, which was expected to have helped simplified the tax code.

For sure, rate cuts were always on the cards but buoyant inflation seemed to call for some restraint. However, with the flagging of investment and the recovery in INR strength, the RBI probably assessed that the risk-reward balance had shifted sufficiently towards an earlier cut.

At these USD/INR levels, the RBI seems quite happy to support domestic demand at the expense of INR strength. Even though USD-buying in March does not appear to have been substantial, any sharp falls in the USD/INR towards 66 will probably trigger more robust USD-buying. Indeed, RBI Governor Raghuram Rajan declared in an interview on 19 April that the RBI will continue to reduce volatility in the FX markets via currency intervention.

Investment flagged as a concern

The dichotomy between investment and consumption continues, perhaps conveniently proxied by the divergent trends in the relevant components in industrial production: for the 4 months up to February 2016, production of consumer durables is was up 10.7% yoy compared to production of capital goods being down 18.6% yoy.

The RBI noted this divergence in its monetary policy statement, saying that strong urban demand was supporting the production of consumer durables while weak demand and competition from imports have constrained capital expenditure. This perhaps provides one reason for the RBI to actually prefer a weaker INR going forward.

Inflation has to be watched still

March's CPI inflation fell to 4.8% yoy from 5.3% in February and this might have also encouraged the dovish tendencies within the RBI. Going forward, base effects are likely to keep inflation on the downward trajectory all the way through Q3, unless there are strong sequential rises in the CPI. The base effects will be especially pronounced with the food component of CPI, which accounts for almost 40% of the CPI.

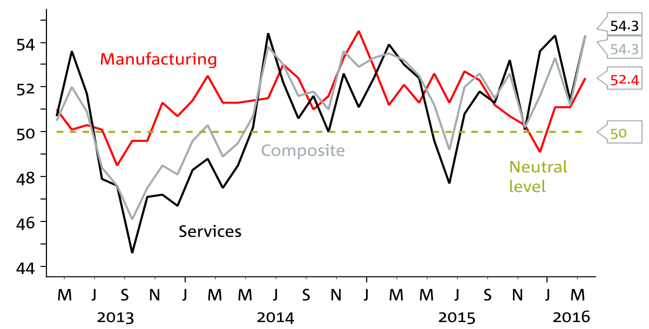
Expectations for another rate cut are therefore likely to continue to build during that period and NAB's India economist John Sharma is expecting the next 25bps rate cut to come in Q3 this year, just as the effect of a high base is cresting. The accommodative monetary policy should increase the likelihood of growth coming in top of the pile in Asia at around 7.6% for 2016. Inflows into the bond and equity markets could start to ramp up through Q3 when expectations start to build.

RBI 's Rajan resolute on intervention

March's FX reserves rose 3.3% mom to USD 335bn but in INR terms, the increase was a mere 0.2%, suggesting that the change was due more to valuation effects rather than actual USD purchases. The RBI allowed the USD/INR to fall from 68.4 to 66.2 but the RBI is likely to start buying more aggressively should the pair start to move towards 66 and beyond.

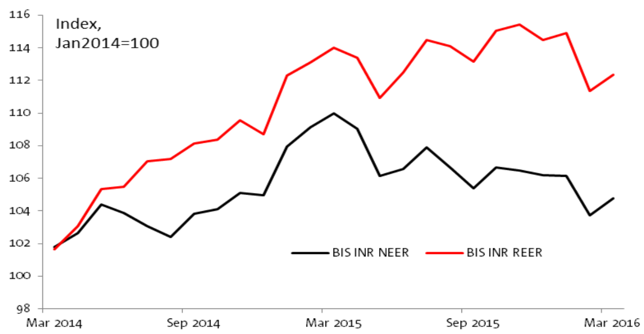
RBI Governor Raghuram Rajan stated very clearly that the desire is for the INR to move in line with "underlying fundamentals of trade and services" rather than as a result of capital flows. The RBI is likely to be extra careful about INR strength till the rate of inflation actually comes down, given that the strong inflation since mid-2015 has seen the INR REER diverge from the NEER, resulting in a loss of competitiveness. The RBI will probably feel more comfortable with significant INR strength only when inflation has moved closer to 3% yoy.

Chart 1: PMI indicates sentiment still strong



Source: NAB, Macrobond

Chart 2: Inflation is hurting external competitiveness



Source: NAB, CEIC

Singapore Spotlight: Jobs weakness spooks MAS

- **The MAS surprised the market with an easing move that consisted of reducing the slope of the policy band to a neutral bias.**
- **The MAS cited the usual slowing growth and benign inflation but also added something new: the potential for rising redundancies and falling job vacancies.**
- **The authorities estimate that the output gap is only mildly negative so additional monetary stimulus is unlikely to be aggressively employed in the near term, unless growth takes a tumble.**

The Monetary Authority of Singapore (MAS) surprised the market by continuing to ease its monetary policy stance and taking its policy bias to neutral. MAS cited the usual backdrop of slowing external demand and benign inflation, especially relative to October 2015.

However, the MAS also added rhetoric on the threat of a weaker jobs environment. This is a sharp reversal from April 2015's multiple mentions of a "tight" labour market. The October 2015 statement did not mention the labour market as a concern.

The MAS' expectation of further weakening in the jobs market is in line with the government's view of the output gap moving into mildly negative territory this year. This creates some room for monetary policy to stimulate the economy but this room might still be seen as fairly limited and the MAS might be a bit cautious about easing further in October.

The kneejerk fall in the S$NEER after the MAS surprise has dissipated and it is now back to the centre of the policy band. Given that there is significant room for two-way movement in the current S$NEER level, the main determinants of the direction in the NEER going forward is likely to be economic growth in China and the US, and overall risk appetite, which would contribute to determining the size and direction of net flows into or out of Asia.

Backdrop remains the same

The advance estimate of Q1 2016 GDP from the Ministry of Trade and Industry was 0% qoq saar or 1.8% yoy. The MAS is expecting 1%-3% growth for 2016, with the market. The March 2016 MAS Survey of Professional Forecasters yielded expectations of 1.9% growth for 2016, which was lower than the 2.2% in the December 2015 survey.

Inflation expectations are also fairly benign and in line with the expectations of slowing growth. The MAS expects 2016 inflation to come in around 0.5%-1.0%, down from its earlier projection of 0.5%-1.5%. Core inflation is expected to average slightly below 2%. The March Survey yielded expectations of -0.2% and 0.8% respectively, down from 0.5% and 1.0% in December.

While inflation expectations are somewhat weaker than the MAS' view, economic growth does not look like it is in need of significant additional support. Especially given that fiscal policy remains very supportive as well. The government estimates that the output gap will turn only mildly negative this year – meaning actual growth only slight below potential growth.

Vacancies spark worries

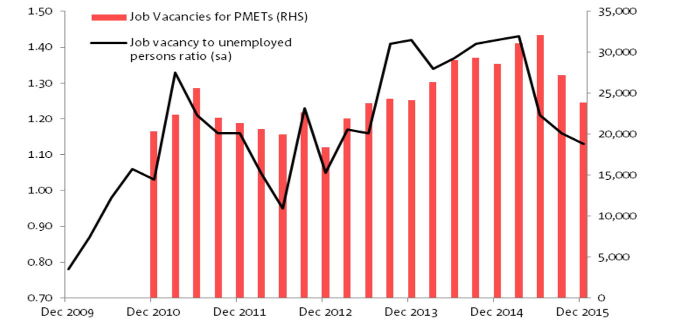
The MAS flagged a new concern in its latest policy statement and this seems to be what tipped them into a shift in the policy stance to neutral. The MAS projects a potential rise in the unemployment rate "in the period ahead", along with a rise in redundancies and falling job vacancies.

The MAS described the local job market as "tight" in April 2015 but dropped this in its October 2015 statement. It is probably no coincidence that the ratio of job vacancies to unemployed persons started falling quite sharply from 1.43 in Q1 2015 to 1.13 in Q4 2015. What seems to have compounded this though is that a sizable share of the vacancies losses came from the PMET segment, usually considered new economy jobs.

External factors still the main SGD drivers

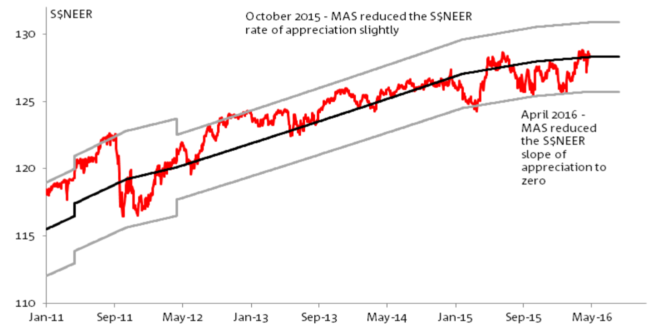
While the change in the change in the MAS' policy stance does provide a more bearish signal for the SGD, the S$NEER is back to the middle of the policy band so it still has significant room to move on either side and its direction will likely continue to be determined by broader trends in the USD as well as prospects for China's economy. We will maintain our gradual upward projected trajectory on the USD/SGD, in line with the USD/CNY trajectory and the pair remains on track to meet our June 2016 target of 1.380 and 1.400 by the end of 2016.

Chart 1: Fall in vacancies worries authorities



Source: NAB, CEIC

Chart 2: S$NEER recovers after MAS surprise



Source: NAB, Bloomberg

Phillippines Focus: Presidential distractions

- **9 May will see the Philippines vote for a new president; Davao City mayor Rodrigo Duterte leads the polls.**
- **None of the top three candidates are likely to spook the markets, although some questions might be asked about experience.**
- **The Philippine economy is likely to continue to enjoy the rewards of past reforms, but financial markets are a bit stretched.**

Voters in the Philippines go to the polls on Monday 9 May to choose a new President, Vice President, half of the 24 member Senate, and all 297 members of the House of Representatives. Of these, the market is likely to only focus on the new President.

The leading candidates in the presidential race are Davao City mayor Rodrigo Duterte and incumbent Senator Grace Poe. The third placed candidate in current polls, Mar Roxas, is the current Secretary of the Interior and has the backing of the outgoing president, but he trails by a significant margin.

All three are likely to be perceived as reasonable but flawed. The market's preference is probably in reverse order to the current hierarchy in the polls, but the reaction to the election of any one of these will probably be fairly muted.

Economics by broad strokes

The economic policy platforms outlined by the various candidates have so far been short on details and distinguishing characteristics. The policy platforms are generally populist in bent with few details about how many initiatives will be paid for. Politics in the Philippines is fairly personality-driven so policy platforms per se will likely not be what market opinion hinges upon. Rather, experience, connections, and the perceived ability to mobilise support within the legislature will be key.

Style over substance

Rodrigo Duterte leads the polls but the current numbers might be somewhat overstated given that they do not capture the impact of Duterte's impolitic comments about a recent rape-murder victim. Nevertheless, Duterte is still expected to remain in the lead. Duterte is known for having improved the law and order situation in Davao City, although via rather draconian measures that have proved a little controversial. A Duterte win will probably be seen as neutral to mildly negative given his lack of national level experience and his apparently somewhat abrasive personality, which might be seen as an impediment to the deal-making that has to be done at the national level. Duterte's pledge to focus on rebuilding industries, especially the steel industry, might also be seen as somewhat retrograde given that the recent resurgence in the Philippine economy and external balance has been built on strong services exports.

Grace Poe is probably somewhat more acceptable given her more amenable disposition and her experience as a first term Senator, a path that mirrors the popular outgoing president Benigno Aquino. Like Aquino, Poe has name-recognition, which confers a certain degree of connectedness with the political class that dominates the legislature. Poe's economic platform is unremarkable and slightly populist, but also fairly uncontroversial. Her plan to devote 7% of GDP to infrastructure, while on the right track, lacks details. The absence of any proposals for how her spending will be funded will probably not be seen too negatively given that the Philippines is in much better fiscal health now. Poe's strong popularity as a second choice candidate might see her surge in the polls if some of the other candidates drop out.

Mar Roxas is probably the most palatable to the market, although his current polling numbers are not so encouraging. Roxas has inherited the current administration's popularity and reputation for competence but seems to be having problems creating a strong personal narrative. His economic platform appears to be the most business friendly, consisting of various tax hikes/reductions. His opposition to the Trans-Pacific Partnership though might not count too heavily against him at the moment given that this is still not an immediate issue for the markets.

Structural dividends to keep economy robust

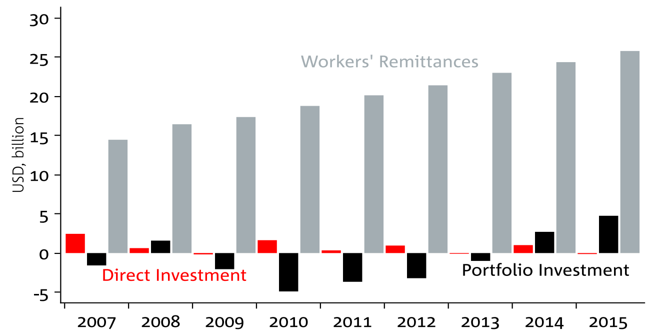
GDP growth for 2016 is still expected to come in around 5.7%, amongst the strongest in Asia. The external balance also remains structurally robust, bolstered by strong stable remittance flows and a turnaround in annual portfolio flows. Any negative reaction to the election results will probably prove transitory. The USD/PHP will probably rise gradually to 47.20 in line with the USD/CNY and broad USD drift.

Table 1: Latest polls for presidential elections

	Pulse Asia (16-20 Apr) 1st choice	Pulse Asia (16-20 Apr) 2nd choice	SWS (18-20 Apr)
Duterte, Rodrigo	35%	14%	33%
Poe, Grace	23%	32%	24%
Roxas, Mar	17%	13%	19%
Binay Jr, Jejomar	16%	16%	14%
Santiago, Miriam	2%	6%	2%
Seneres, Roy	0%	0%	NA
Undecided	6%	19%	3%

Source: ABS-CBN, Pulse Asia, Social Weather Stations

Chart 1: Remittances stay strong, portfolio flows swing



Source: NAB, CEIC

Selected Indicators

Table 1: NAB Asian FX Forecasts

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
USD/CNY	6.55	6.60	6.65	6.60	6.55	6.55	6.50	6.50
USD/IDR	13500	13600	13700	13700	13600	13500	13300	13200
USD/INR	67.5	67.0	67.0	66.0	65.0	64.0	63.0	62.0
USD/KRW	1175	1190	1220	1200	1200	1180	1150	1100
USD/MYR	4.30	4.35	4.40	4.40	4.40	4.38	4.35	4.30
USD/PHP	46.8	47.0	47.2	47.0	46.6	46.2	46.0	46.0
USD/SGD	1.38	1.39	1.40	1.39	1.38	1.38	1.37	1.37
USD/THB	36.0	36.5	37.0	37.0	37.5	37.5	37.5	37.0
USD/TWD	33.0	33.2	33.5	33.5	33.2	33.0	32.7	32.5

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
AUD/CNY	4.85	4.69	4.59	4.55	4.59	4.72	4.75	4.81
AUD/IDR	9990	9656	9453	9453	9520	9720	9709	9768
AUD/INR	50.0	47.6	46.2	45.5	45.5	46.1	46.0	45.9
AUD/KRW	870	845	842	828	840	850	840	814
AUD/MYR	3.18	3.09	3.04	3.04	3.08	3.15	3.18	3.18
AUD/PHP	34.6	33.4	32.6	32.4	32.6	33.3	33.6	34.0
AUD/SGD	1.02	0.99	0.97	0.96	0.97	0.99	1.00	1.01
AUD/THB	26.64	25.92	25.53	25.53	26.25	27.00	27.38	27.38
AUD/TWD	24.42	23.57	23.12	23.12	23.24	23.76	23.87	24.05

Table 2: NAB Key FX Forecasts

		Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Australian Dollar	AUD/USD	0.74	0.71	0.69	0.69	0.70	0.72	0.73	0.74
New Zealand Dollar	NZD/USD	0.65	0.63	0.61	0.61	0.62	0.63	0.65	0.66
Japanese yen	USD/JPY	115	115	117	118	120	120	119	119
Euro	EUR/USD	1.12	1.11	1.09	1.09	1.09	1.10	1.10	1.12
British Pound	GBP/USD	1.43	1.44	1.43	1.43	1.44	1.44	1.45	1.45
Swiss Franc	USD/CHF	0.98	1.00	1.04	1.05	1.05	1.04	1.05	1.03
Canadian Dollar	USD/CAD	1.34	1.39	1.45	1.44	1.43	1.41	1.40	1.37
Chinese New Yuan	USD/CNY	6.55	6.60	6.65	6.60	6.55	6.55	6.50	6.50

Table 3: NAB Asia Macro Forecasts

Average annual growth in GDP (%)					
	2013	2014	2015	2016	2017
Hong Kong	3.1	2.5	2.5	2.6	2.6
Indonesia	5.6	5.0	4.8	4.5	4.5
Singapore	4.4	2.9	2.2	2.9	2.9
Taiwan	2.2	3.9	0.9	0.5	0.5
Thailand	2.7	0.8	2.8	3.8	3.8
Malaysia	4.7	6.0	6.1	4.3	4.3
S Korea	2.9	3.3	2.6	2.9	2.9
Philippines	7.1	6.1	5.8	5.7	5.7
Total	**4.2**	**4.1**	**3.6**	**3.5**	**3.5**
China	7.7	7.3	6.9	6.7	6.5
India	6.4	7.1	7.5	7.6	7.4

Table 4: NAB Key Macro Forecasts

Country/region	2011	2012	2013	2014	2015	2016	2017
United States	1.6	2.2	1.5	2.4	2.4	2.2	2.3
Japan	-0.4	1.7	1.6	-0.1	0.6	1.1	0.9
Euro-zone	1.7	-0.8	-0.2	0.9	1.4	1.7	1.9
United Kingdom	2.0	1.2	2.2	2.9	2.2	2.2	2.2
Emerging Asia	4.4	4.6	4.2	4.1	3.6	3.6	3.8
Latin America	4.9	2.5	2.6	0.9	-0.4	-0.3	1.2
China	9.3	7.8	7.7	7.3	6.9	6.7	6.5
Canada	3.0	1.9	2.0	2.5	1.2	1.7	2.0
Australia	2.7	3.5	2.0	2.6	2.3	2.7	3.0
New Zealand	1.8	2.4	2.3	3.3	2.2	1.8	2.0
India	7.9	4.9	6.4	7.1	7.5	7.6	7.4
Africa	5.4	4.4	5.2	5.0	3.5	4.0	4.0
Eastern Europe	5.4	1.4	2.9	2.8	3.0	2.9	2.6
Middle East	3.9	4.8	2.4	2.8	2.5	2.5	2.5
Other advanced	3.3	2.0	2.2	2.8	2.3	2.4	2.6
World	**4.39**	**3.38**	**3.27**	**3.32**	**2.92**	**3.02**	**3.27**

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