9 April 2018

AUSTRALIAN MARKETS WEEKLY

Views on the US and of US investors on Australia

National Australia Bank

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- This week we cover views on the US economy – and US investors' views of Australia, from a recent trip by Peter Jolly, NAB's Global Head of Research.
- The key takeaways on the US economy were of a strong economy that was receiving a considerable fiscal stimulus at a time of full employment. This led investors to be more concerned that inflation would pick up, make it more likely that there will be 3-4 US rate hikes in 2018 and another 3 in 2019 (the latter not currently priced by markets) and suggests longer-term borrowing rates will generally remain under upward pressure in the next couple of years.
- The main interesting discussion point on the US was what we have termed "Recession 2020" – a greater discussion that the fiscal stimulus at full employment will see the Fed being forced to tighten policy aggressively thereby contributing to a "more usual" boom bust cycle. Our take is that much depends on the extent to which inflation and wages rise in coming years, however, at this stage, indicators of US recession are not echoing that same warning.
- US investors were broadly of the view that the RBA would not raise interest rates in 2018. There is greater focus on Australian politics than normal as the Federal election looms and Labor has a more differentiated policy position than in the past (on tax and housing). There was less focus on China and housing than in recent trips.
- In terms of the week ahead, the key focus will likely be on the continued tit-for-tat tariffs and threats of further tariffs between the US and China. The impact on Australia was also a focus of US investors on the recent trip.
- The situation is fast moving and the end outcome unclear. What we can say is: (i) the tariffs and threats of further tariffs have **mostly** seen equity markets weaken and bond yields rally on the days of the announcements; (ii) foreign exchange markets have not been as affected by the announcements, with US$/JPY and US$/EUR moving broadly sideways in recent weeks; (iii) oil markets have been a little negatively impacted. The AUD/USD has been under-performing a little during these times.
- The working assumption in markets is that ultimately trade tensions will be resolved with China allowing greater market access to US corporations and removing some of the Intellectual Property restrictions applied to US companies manufacturing in China. If that is the case, then markets could more aggressively price in stronger US growth, moderately higher inflation and a move to a restrictive stance of US monetary policy. Timing on resultion/escalation is highly uncertain. With further official hearings due before US tariffs are implemented, this leaves time for negotiations and Chinese market-opening/IP protection measures that would be seen as US "wins".
- The key local Australian data this week is tomorrow's NAB Business Survey for March. The RBA Governor is speaking in Perth on Wednesday on "Regional Variation in a National Economy". He will probably highlight recent improving trends for WA and QLD and for mining. Offshore, markets will watch President Xi's speech at the Bao Forum, the FOMC Minutes and speeches from Fed officials.

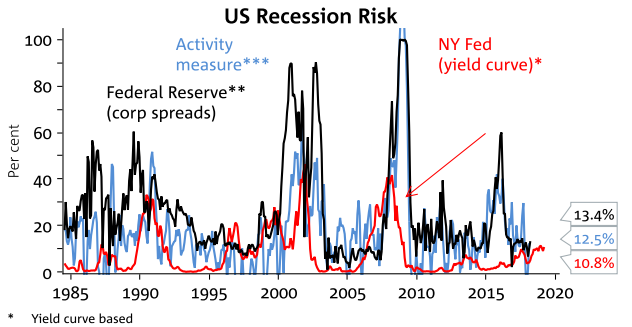
- To contact NAB's market experts, please click on one of the following links:
- Ask the Economists
- Ask the FX Strategists
- Ask the Interest Rate Strategists

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7682	0.2	RBA cash	1.50	0
AUD/CNY	4.84	0.4	3y swap	2.20	2
AUD/JPY	82.2	1.3	ASX 200	5,780	0.3
AUD/EUR	0.626	0.5	Iron ore	63.8	-3.1
AUD/NZD	1.056	-0.6	WTI oil	62.2	-1.3

Source: Bloomberg

Chart of the week: no significant rise in US recession risk



* Yield curve based
** Based on excess bond premium derived from corporate bond credit spreads not attributable to default
*** Based on industrial production, equity market and tax receipts using a pseudo probability model
Source: National Australia Bank, Bloomberg

Peter Jolly, Global Head of Research

Ivan Colhoun, Chief Economist, Markets

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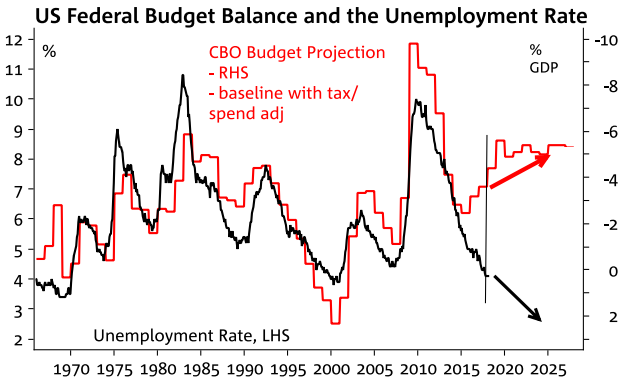
Report on the US economy and US investors' views on Australia from a recent trip to the US

The following are the main impressions from NAB's Global Head of Research, Peter Jolly, from a recent marketing trip to the US.

Views on the US

- **The US economy is in very good shape**. The key talking point was the potential impact on growth and inflation of the huge fiscal stimulus which is hitting an economy that is already fully employed. As chart 1 shows, it has been a long time since fiscal policy has been eased pro-cyclically and at very low levels of unemployment.

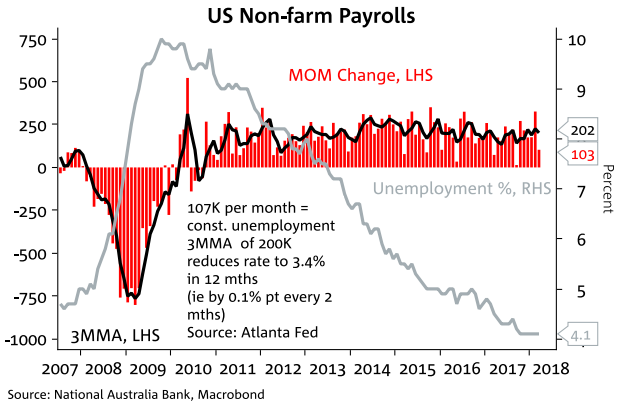
Chart 1: Fiscal easing at full employment



Source: National Australia Bank, CBO Projections. Macrobond.

- **There was much greater consideration of inflation returning** - the current mix of an unemployment rate at 4.1% and falling, fiscal stimulus, a weaker USD and some trade tensions has the potential to see stronger inflation pressures emerge. All investors I met with saw the Fed continuing to lift interest rates. All saw the Fed hiking 3 or 4 times in 2018 and continuing to lift interest rates in 2019. The latter is the important piece because while markets are pricing 3-4 hikes in 2018 there is little priced for Fed hikes in 2019.

Chart 2: Unemployment likely to fall to 3.5% in 12 mths



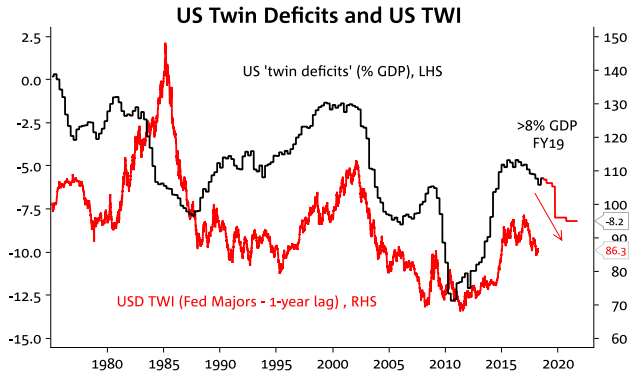
Source: National Australia Bank, Macrobond

- **Recession 2020?** - a number of smart people fear the Fed will now be forced onto a more aggressive tightening path risking a classic boom/bust economic cycle. The Fed has form here - John Mauldin noted last year that 17 of the 18 US recessions since 1915 were preceded by monetary tightening. My take is that whether Recession 2020 becomes a reality depends largely on how wages/inflation evolve in the years ahead – if inflation/wages surge the Fed will be aggressive, the yield curve will invert and recession 2020 will be a reality. My/NAB's base case is still for a fairly moderate fed rate cycle by historical comparison with the funds rate reaching 3% in 2019 – above current market pricing but unlikely to be high enough to trigger recession. The various US recession risk indicators we follow are not warning of this possibility at the current time (Chart of the week on the front page).

- **Most see US bond yields going higher in the years ahead**, although given the sharp rise in yields already seen this year, some have bought back their duration shorts. We should see good sellers on rallies. A few saw a risk of credit spread widening but most were comfortable.

- **Falling US dollar** – why is the US$ falling when the Fed is hiking? Ray Attrill and our FX Strategy team have some well-developed thoughts/views on this and conclude the risk premium on the US economy is rising due to the "twin deficits" problem - i.e. a rising fiscal deficit alongside a rising current account deficit. Practically, there is some chance the US suffers another downgrade to the sovereign credit rating in the years ahead, but the bottom line is that USD assets/bonds need to cheapen up to encourage foreigners to fund the larger twin deficits.

Chart 3: Twin deficits responsible for weaker US$?



Source: National Australia Bank, Macrobond

- **Trump - what can you say?** Trump was a talking point at every meeting across the country and not all views were negative. Many like the action on tax cuts and regulatory roll-back (the latter not focussed on much in the Australian media), and taking the battle to China on trade – particularly around the Intellectual Property side. The downside is the concern around the fiscal ease and what appears to be chaotic administration. Larry Ludlow replacing Gary Cohen as chief economic advisor was not seen as a positive development.

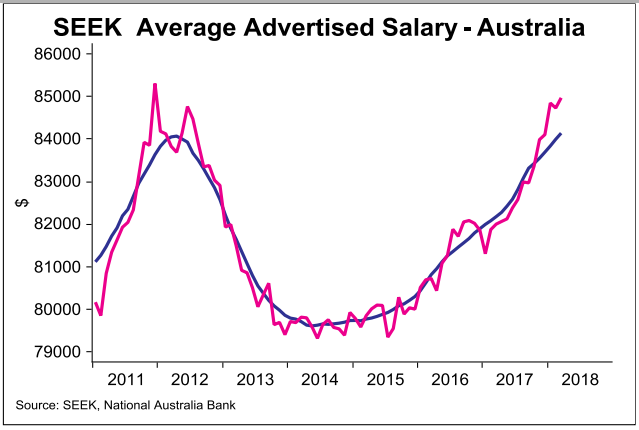
US views on Australia

I presented an upbeat view of the Australian (and global) economy - ongoing strength in services, recovery in resources/WA, infrastructure uplift, soft landing for housing, and a lift in non-mining Capex ahead. The soft part of the economy is households, although ongoing strong jobs growth and an expected lift in wages suggest

better times ahead. I said it was just a matter of time before the RBA follows the Fed with higher interest rates although the RBA will be patient and will wait for clear evidence that wages/prices are lifting. NAB currently forecasts the RBA starting a modest rate hike cycle in November 2018 – I emphasised this is ball-park timing and the data will determine the exact timing for hikes. US investors held the following views:

- **Not one client thought the RBA would be lifting interest rates in 2018.** Most thought 2019 some time and one wondered "if ever".
- **Wages/prices** - everyone was focussed on wages/prices in Australia. I was able to show clients some of NAB's proprietary data and information around wages (such as from SEEK (see chart below) is a little more optimistic that wages are beginning to improve (driven by better results in NSW and Victoria and recovery in mining WA/QLD).

Chart 4: Advertised salaries on SEEK lifting



- **Housing** was less of a talking point this time. Asset-backed buyers are still very comfortable with the Australian MBS story – the housing market is well regulated, well banked, and recent years' macroprudential tightening moves are encouraging.
- **China/Australia** – China is always a key talking point although compared to previous visits I sensed greater confidence in the outlook for the Chinese economy and the ability of their policymakers to manage issues like debt in the SOE sector.
- **The Royal Commission** - not many questions - all see it as a conduct inquiry and are assuming there will be no macro/regulatory consequences.
- **US Tariffs** – there were quite a few questions around the likely impact on Australia (and NZ). The answer is implications are obviously negative for small open economies like Australia and NZ, but only modestly as long as trade tensions don't escalate further.
- **Australian politics** - there were more questions than normal on this subject as an election draws nearer and the Opposition offers a starker policy difference to the government than in previous elections. Questions included the implications of a Labor government on housing via negative gearing changes, possible changes to the immigration intake, tax policy.
- **The widening in money market funding spreads was a major talking point.** Our interest rate strategy team has put out excellent notes in recent weeks on developments in Australian and NZ money markets – (if you need more information on this please let me know). Importantly, investors saw the spread widening as a "liquidity" issue caused by some technical/regulatory factors rather than a "credit" event like we saw running into the GFC.

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CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT/AEST
Monday, 9 April 2018								
AU	AiG Perf of Construction Index	Mar					21.30	8.30
JN	BoP Current Account Adjusted	Feb					22.50	9.50
GE	Current Account Balance	Feb					5.00	16.00
AU	Foreign Reserves	Mar				70.78	5.30	16.30
UK	Halifax House Prices MoM/YoY	Mar				0.4/1.8	6.30	17.30
EC	Sentix Investor Confidence	Apr		20.75		24	7.30	18.30
CA	Housing Starts	Mar		218		229.737	11.15	22.15
EC	ECB's Constancio Speaks in Brussels						12.00	23.00
CA	BoC Overall Business Outlook Survey	1Q					13.30	0.30
CA	BoC Senior Loan Officer Survey	1Q				-6.400004	13.30	0.30
EC	ECB's Praet Speaks in Frankfurt						15.45	2.45
Tuesday, 10 April 2018								
UK	BRC Sales Like-For-Like YoY	Mar		-0.1		0.6	22.01	9.01
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	8-Apr				115.5	22.30	9.30
AU	NAB Business Conditions/Confidence	Mar		/		21/9	0.30	11.30
JN	Machine Tool Orders YoY	Mar P				39.5	5.00	16.00
EC	ECB's Nouy Speaks in Ljubljana						6.30	17.30
EC	ECB's Nowotny Speaks in London						6.45	17.45
US	Fed's Kaplan Speaks in Beijing						7.30	18.30
US	NFIB Small Business Optimism	Mar		107		107.6	9.00	20.00
CA	Building Permits MoM	Feb				5.6	11.30	22.30
US	PPI Final Demand MoM	Mar		0.1		0.2	11.30	22.30
CH	*New Yuan Loans CNY*	*Mar*		*1200*		*839.3*	*10 - 15 April*	
CH	*Aggregate Financing CNY*	*Mar*		*1900*		*1170*	*10 - 15 April*	
NZ	*REINZ House Sales YoY*	*Mar*				*1.2*	*10 - 15 April*	
US	Wholesale Inventories MoM	Feb F		0.8		1.1	13.00	0.00
IT	ECB's Visco Speaks at Book Presentation in Rome						14.30	1.30
Wednesday, 11 April 2018								
NZ	ANZ Truckometer Heavy MoM	Mar				-2.5	21.00	8.00
JN	Core Machine Orders MoM	Feb		-2.5/0		8.2/2.9	22.50	9.50
AU	Westpac Consumer Conf Index	Apr		/		103/0.2	23.30	10.30
CH	CPI/PPI YoY	Mar		2.6/3.3		2.9/3.7	0.30	11.30
AU	RBA Governor Lowe Speaks in Perth on Regional Variations in a National Economy							
UK	Trade Balance	Feb		-2600		-3074	7.30	18.30
UK	Industrial Production MoM	Feb		0.4/2.9		1.3/1.6	7.30	18.30
UK	NIESR GDP Estimate	Mar		0.3		0.3	10.00	21.00
US	CPI MoM/YoY	Mar		0.0/2.3		0.2/2.2	11.30	22.30
US	CPI Ex Food and Energy MoM	Mar		0.2/2.1		0.2/1.8	11.30	22.30
EC	ECB's Hakkarainen Speaks in Brussels						12.00	23.00
EC	ECB's Angeloni Speaks in Brussels						13.40	0.40
US	Monthly Budget Statement	Mar		-185		-215.2	17.00	4.00
US	FOMC Meeting Minutes	21-Mar					17.00	4.00
Thursday, 12 April 2018								
NZ	Card Spending Total MoM	Mar				0.1	21.45	8.45
UK	RICS House Price Balance	Mar		2		0	22.01	9.01
JN	Kuroda Speaks at Branch Managers Meeting						23.30	10.30
AU	Consumer Inflation Expectation	Apr				3.7	0.00	11.00
AU	Home Loans MoM	Feb	-0.8	-0.4		-1.1	0.30	11.30
AU	Investment Lending	Feb				1.1	0.30	11.30
UK	Bank of England Credit Conditions & Bank Liabilities Surveys						7.30	18.30
EC	Industrial Production SA MoM/YoY	Feb		0.1/3.5		-1/2.7	8.00	19.00
EC	ECB's Coeure Speaks in Paris						11.15	22.15
CA	Teranet/National Bank HPI MoM/YoY	Mar		/		-0.1/7.5	11.30	22.30
US	Initial Jobless Claims	7-Apr		230		242	11.30	22.30
CA	New Housing Price Index YoY	Feb				3.2	11.30	22.30
CA	Mark Carney speaks at Canada Growth Summit in Toronto							
EC	ECB's Weidmann Speaks in Berlin						15.00	2.00
US	Fed's Kashkari Speaks in Moderated Q&A in Minneapolis						20.00	7.00
Friday, 13 April 2018								
NZ	BusinessNZ Manufacturing PMI	Mar				53.4	21.30	8.30
AU	RBA Financial Stability Review						0.30	11.30
GE	CPI EU Harmonized MoM/YoY	Mar F		0.4/1.5		0.4/1.5	5.00	16.00
EC	Trade Balance SA/NSA	Feb		20.2/		19.9/3.3	8.00	19.00
US	Fed's Rosengren Speaks on Economic Outlook						11.00	22.00
CA	Existing Home Sales MoM	Mar				-6.5	12.00	23.00
US	Fed's Bullard Speaks on Living Standards across U.S. Cities						12.00	23.00
CH	Trade Balance	Mar		27.87		33.743		
US	United States of America Sovereign Debt to Be Rated by Moody's						13 - 14 April	
Upcoming Central Bank Interest Rate Announcements								
Canada, BoC		18-Apr	1.25%	1.25%		1.25%		
Europe, ECB		26-Apr	-0.4%	-0.4%		-0.4%		
Japan, BoJ		27-Apr	-0.1%	-0.1%		-0.1%		
Australia, RBA		1-May	1.5%	1.5%		1.5%		
US, Federal Reserve		2-May	1.5-1.75%	1.5-1.75%		1.5-1.75%		
New Zealand, RBNZ		10-May	1.75%	1.75%		1.75%		
UK, BOE		10-May	0.5%	0.5%		0.5%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Savings Time; AEST: Australian Eastern Standard Time (from 1 April)

FORECASTS

Economic Forecasts

	Annual % change				Quarterly % change													
					2016				2017				2018				2019			
Australia Forecasts	**2016**	*2017*	*2018*	*2019*	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Household Consumption	*2.9*	*2.7*	*2.5*	*2.5*	1.0	0.6	0.5	0.8	*0.4*	*0.9*	*0.5*	*1.0*	*0.4*	*0.6*	*0.5*	*0.7*	*0.6*	*0.6*	*0.7*	*0.7*
Underlying Business Investment	*-11.9*	*3.0*	*4.9*	*5.5*	-3.4	-2.4	-5.4	1.6	*3.2*	*0.3*	*4.0*	*-1.2*	*1.8*	*1.4*	*0.9*	*1.5*	*1.1*	*1.4*	*1.9*	*1.4*
Residential Construction	*8.6*	*-2.4*	*-3.2*	*-2.0*	4.6	1.5	-1.0	2.5	*-3.0*	*0.2*	*-1.7*	*-1.3*	*-0.4*	*-1.0*	*-0.6*	*-0.3*	*-1.0*	*-0.2*	*0.0*	*-0.5*
Underlying Public Spending	*5.3*	*4.5*	*3.9*	*3.7*	1.8	2.0	1.0	0.7	*1.0*	*1.1*	*1.6*	*1.1*	*0.8*	*0.8*	*0.8*	*0.9*	*1.0*	*1.0*	*1.0*	*1.0*
Exports	*6.8*	*3.9*	*4.9*	*3.7*	2.5	1.2	0.8	3.2	*-1.7*	*3.0*	*1.2*	*-1.8*	*2.1*	*2.1*	*1.6*	*1.3*	*0.3*	*0.6*	*0.8*	*1.0*
Imports	*0.2*	*7.6*	*4.0*	*4.5*	-0.8	2.5	0.8	2.3	*2.9*	*0.8*	*2.2*	*0.5*	*0.8*	*1.0*	*0.8*	*1.2*	*1.0*	*1.2*	*1.5*	*1.2*
Net Exports (a)	*1.2*	*-0.9*	*0.1*	*-0.3*	1.0	-0.3	0.0	0.1	*-1.0*	*0.4*	*-0.2*	*-0.5*	*0.2*	*0.2*	*0.1*	*0.0*	*-0.2*	*-0.1*	*-0.2*	*-0.1*
Inventories (a)	*0.1*	*-0.1*	*-0.1*	*0.0*	0.0	0.4	0.2	-0.4	*0.4*	*-0.6*	*0.2*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Domestic Demand - qtr%					0.1	0.6	-0.1	1.0	*0.7*	*0.9*	*0.9*	*0.6*	*0.5*	*0.6*	*0.5*	*0.7*	*0.6*	*0.7*	*0.9*	*0.8*
Dom Demand - ann %	*1.9*	*2.9*	*2.6*	*2.8*	1.5	1.8	1.7	2.5	*2.3*	*2.6*	*3.6*	*3.1*	*2.9*	*2.7*	*2.3*	*2.4*	*2.5*	*2.6*	*3.0*	*3.0*
Real GDP - qtr %					**1.0**	**0.8**	**-0.2**	***1.1***	***0.5***	***0.8***	***0.7***	***0.4***	***0.7***	***0.9***	***0.7***	***0.8***	***0.5***	***0.6***	***0.7***	***0.7***
Real GDP - ann %	*2.6*	*2.3*	*2.8*	*2.6*	**2.7**	**3.3**	**2.1**	***2.4***	***1.9***	***2.0***	***2.9***	***2.4***	***2.6***	***2.7***	***2.7***	***3.1***	***2.8***	***2.6***	***2.6***	***2.5***
CPI headline - qtr %					-0.2	0.4	0.7	0.5	0.5	0.2	0.6	0.6	0.5	0.5	0.6	0.8	0.5	0.5	0.6	0.8
CPI headline - ann %	*1.3*	*1.9*	*2.2*	*2.4*	1.3	1.0	1.3	1.5	2.1	1.9	1.8	1.9	1.9	2.3	2.3	2.4	2.4	2.4	2.4	2.5
CPI underlying - qtr %					0.2	0.5	0.3	0.4	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
CPI underlying - ann %	*1.5*	*1.8*	*1.9*	*2.2*	1.5	1.5	1.4	1.5	1.7	1.8	1.9	1.8	1.8	1.7	1.9	2.0	2.1	2.2	2.2	2.3
Wages (Pvte WPI - qtr %					0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7
Wages (Pvte WPI - ann %)	*1.9*	*1.8*	*2.1*	*2.5*	2.0	2.0	1.9	*1.8*	*1.8*	*1.8*	*1.9*	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.5	2.6
Unemployment Rate (%)	*5.7*	*5.6*	*5.1*	*5.0*	5.8	5.7	5.7	5.7	*5.9*	*5.6*	*5.5*	5.4	*5.2*	*5.1*	*5.1*	*5.0*	*5.0*	*5.0*	*5.0*	*5.0*
Terms of trade	*0.5*	*12.2*	*-0.7*	*-0.7*	-1.9	2.5	4.1	11.2	*5.4*	*-6.0*	*-0.1*	0.2	*2.6*	*-1.5*	*-3.1*	*-1.0*	*-1.7*	*-2.4*	*0.9*	*0.4*
G&S trade balance, $Abn	*-14.2*	*11.8*	*7.9*	*-18.2*	-8.4	-7.5	-4.3	6.0	*6.9*	*3.0*	*2.0*	-0.1	*3.6*	*3.3*	*1.0*	*0.1*	*-2.4*	*-5.3*	*-5.3*	*-5.2*
% of GDP	*-0.8*	*0.7*	*0.4*	*-0.9*	-2.0	-1.8	-1.0	1.4	*1.5*	*0.7*	*0.4*	0.0	*0.8*	*0.7*	*0.2*	*0.0*	*-0.5*	*-1.1*	*-1.1*	*-1.0*
Current Account (% GDP)	*-3.1*	*-2.3*	*-2.7*	*-4.0*	-3.7	-3.9	-3.3	-1.4	*-1.4*	*-2.4*	*-2.4*	-3.1	*-2.4*	*-2.4*	*-2.9*	*-3.1*	*-3.6*	*-4.2*	*-4.2*	*-4.1*

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

Exchange Rate Forecasts

	9-Apr	Mar-18	Jun-18	Sep-18	Dec-18	Jun-19	Dec-19
Majors							
AUD/USD	**0.7685**	*0.79*	*0.78*	*0.77*	*0.75*	*0.76*	*0.75*
NZD/USD	**0.7280**	*0.73*	*0.72*	*0.71*	*0.70*	*0.71*	*0.70*
USD/JPY	**106.94**	*110*	*110*	*109*	*109*	*107*	*105*
EUR/USD	**1.2272**	*1.25*	*1.28*	*1.30*	*1.30*	*1.27*	*1.30*
GBP/USD	**1.4093**	*1.44*	*1.45*	*1.47*	*1.48*	*1.45*	*1.46*
USD/CNY	**6.3033**	*6.28*	*6.25*	*6.20*	*6.18*	*6.23*	*6.24*
USD/CAD	**1.2773**	*1.23*	*1.22*	*1.24*	*1.25*	*1.21*	*1.22*
USD/CHF	**0.9595**	*0.93*	*0.92*	*0.90*	*0.91*	*0.93*	*0.92*
Australian Cross Rates							
AUD/NZD	**1.0556**	*1.08*	*1.08*	*1.08*	*1.07*	*1.06*	*1.07*
AUD/JPY	**82.2**	*87*	*86*	*84*	*82*	*81*	*79*
AUD/EUR	**0.6262**	*0.63*	*0.61*	*0.59*	*0.58*	*0.59*	*0.58*
AUD/GBP	**0.5453**	*0.55*	*0.54*	*0.52*	*0.51*	*0.52*	*0.51*
AUD/CNY	**4.8441**	*4.96*	*4.88*	*4.77*	*4.64*	*4.70*	*4.68*
AUD/CAD	**0.9816**	*0.97*	*0.95*	*0.95*	*0.94*	*0.91*	*0.92*
AUD/CHF	**0.7374**	*0.73*	*0.72*	*0.69*	*0.68*	*0.70*	*0.69*

Interest Rate Forecasts

	9-Apr	Mar-18	Jun-18	Sep-18	Dec-18	Jun-19	Dec-19
Australia Rates							
RBA Cash rate	**1.50**	*1.50*	*1.50*	*1.50*	*1.75*	*2.00*	*2.25*
3 month bill rate	**2.05**	*1.80*	*1.80*	*2.05*	*2.05*	*2.30*	*2.55*
3 Year Swap Rate	**2.20**	*2.1*	*2.4*	*2.5*	*2.6*	*3.2*	*3.4*
10 Year Swap Rate	**2.86**	*3.0*	*3.3*	*3.4*	*3.5*	*3.9*	*4.0*
Offshore Policy Rates							
US Fed funds	**1.75**	*1.75*	*2.00*	*2.25*	*2.25*	*2.75*	*3.00*
ECB deposit rate	**-0.40**	*-0.40*	*-0.40*	*-0.40*	*-0.20*	*0.00*	*0.00*
BoE repo rate	**0.50**	*0.50*	*0.75*	*0.75*	*1.00*	*1.25*	*1.50*
BoJ excess reserves rate	**-0.10**	*-0.10*	*-0.10*	*-0.10*	*-0.10*	*-0.10*	*-0.10*
RBNZ OCR	**1.75**	*1.75*	*1.75*	*1.75*	*1.75*	*2.25*	*2.75*
China 1yr lending rate	**4.35**	*4.35*	*4.35*	*4.35*	*4.35*	*4.35*	*4.35*
China Reserve Ratio	**17.0**	*16.0*	*16.0*	*16.0*	*16.0*	*16.0*	*16.0*
10-year Benchmark Bond Yields							
Australia	**2.65**	*2.85*	*2.80*	*3.10*	*3.10*	*3.40*	*3.65*
United States	**2.79**	*3.00*	*3.00*	*3.25*	*3.25*	*3.50*	*3.50*
New Zealand	**2.77**	*2.95*	*3.00*	*2.95*	*3.20*	*3.35*	*3.80*

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

Dec year	2014	2015	2016	2017	2018	2019	20 Yr Avge
Australia	2.6	2.5	*2.6*	*2.3*	*2.8*	*2.6*	*3.4*
US	2.6	2.9	*1.5*	*2.3*	*2.7*	*2.3*	*2.6*
Eurozone	1.4	2.0	*1.8*	*2.5*	*2.5*	*2.4*	*1.5*
UK	3.1	2.3	*1.9*	*1.8*	*1.8*	*1.5*	*2.4*
Japan	0.3	1.4	*0.9*	*1.8*	*1.4*	*0.9*	*0.8*
China	7.3	6.9	*6.7*	*6.8*	*6.5*	*6.3*	*9.2*
India	7.0	7.5	*7.9*	*6.4*	*7.1*	*7.3*	*6.6*
New Zealand	3.6	3.5	*4.0*	*2.9*	*2.8*	*3.0*	*3.0*
World	3.5	3.4	*3.2*	*3.6*	*3.8*	*3.6*	*3.5*
MTP Top 5	4.0	4.1	*3.7*	*4.2*	*4.0*	*3.7*	*5.0*

Commodity prices ($US)

	9-Apr	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
WTI oil	62.2	*60*	*61*	*61*	*60*	*59*	*60*	*61*	*62*
Gold	1332	*1330*	*1320*	*1330*	*1360*	*1380*	*1370*	*1380*	*1390*
Iron ore	63.8	*73*	*67*	*63*	*61*	*60*	*58*	*60*	*62*
Hard coking coal	198	*215*	*175*	*130*	*110*	*101*	*99*	*100*	*100*
Thermal coal	94	*85*	*90*	*90*	*90*	*90*	*65*	*65*	*65*
Copper	6738	6760	6690	6630	6630	6630	6630	6630	6630
Aust LNG (*)	11.3	*10.5*	*11.2*	*11.5*	*11.8*	*11.7*	*11.3*	*11.7*	*11.8*

(*) Implied Australian LNG export prices.

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