13 August 2018

AUSTRALIAN MARKETS WEEKLY

NZD and AUD at the whim of DJ Trump

In this issue

- Markets open the week adjusting to the sharp fall in the Turkish Lira over the past three days (a drop of circa 25%). This has seen a bid tone return to bonds, lowering yields in spite of the continuing drift higher in US inflation revealed on Friday night, while emerging market currencies and equity markets have weakened. The AUD, a favourite emerging-markets proxy, is also sharply weaker as a result, while the traditional safe-haven currency, the JPY has strengthened modestly.
- The JPY would likely have strengthened further had the USD not been so strong. The broad USD trade-weighted index, the DXY, rose to the highest levels since mid-2017 as the higher US inflation print on Friday cemented expectations for a further US interest rate rise to occur in September.
- This week, we highlight how we have become increasingly nervous about the outlook for the NZD and AUD. Our working assumption made at the beginning of the year of no major impact from trade wars is becoming increasingly challenged, notwithstanding the pressures from weakness in emerging market currencies and the continuing widening trend in Australian and NZ interest rates compared to US interest rates.
- The scale of recent tariffs imposed has been modest to date. But if the US goes ahead and imposes another 25% tariff on $200b of Chinese imports, then that's a whole new level of risk for the global economy to consider. Any final decision might come early-mid September and that will be crucial for the NZD and AUD outlooks. A US tax on all Chinese imports is the next possible threat to be actioned.
- The NZD and AUD both currently trade below our short-term fair value estimates (6% and 2% below respectively), suggesting growing discounts reflecting the more uncertain outlook. We'd expect to see another lurch down in these currencies on any fresh tariffs of the scale proposed. Stress-testing our models, a move sub-0.65 for the NZD and sub-0.70 for the AUD couldn't be ruled out in that event. On the other hand, a de-escalation of trade tensions could see modest recoveries in both currencies. The outlook has become binary.
- On the Australian data front this week, it's a big week with the latest NAB Business Survey (Tuesday), Q2 Wages data (Wednesday) and Labour Force data (Thursday) along with the RBA Governor's semi-annual testimony (Friday). NAB sees slight downside risk to Q2 wages (+0.5% q/q, but Q3 wages is likely to print more strongly). On the other hand, we look for another stronger-than-market print on employment (+25K) that, depending on how the participation rate fares, produces some risk of a 5.3% unemployment rate. The latter would show some of the progress the RBA is looking for on the unemployment front to support a pick-up in wages, which is required to sustainably return inflation to the midpoint of the target.
- Of interest in the media, the Government remains behind in the polls, which would seem to increase the likelihood that the next Federal election isn't held until May next year.

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[Ask the Economists]

[Ask the FX Strategists]

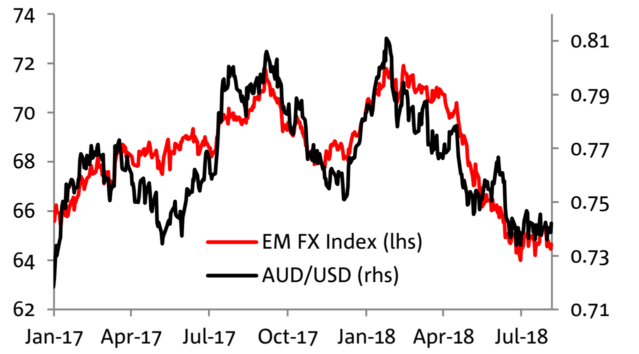
[Ask the Interest Rate Strategists]

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7275	-1.5	RBA cash	1.50	0
AUD/CNY	5.00	-1.1	3y swap	2.11	-8
AUD/JPY	80.4	-2.3	ASX 200	6,257	-0.2
AUD/EUR	0.639	0.0	Iron ore	68.71	1.9
AUD/NZD	1.105	0.7	WTI oil	67.8	-1.8

Source: Bloomberg

Chart of the week: AUD linked to EM currencies



Source: BNZ/NAB, Bloomberg

Jason Wong, Senior Markets Strategist

Ray Attrill, Head of FX Strategy

The more dovish than expected RBNZ Statement last week caused a notable fall in the NZD but we don't see small changes in the monetary policy outlook as a key driver of currencies at present – (apart from that day (!) where one-sided positioning in the rates market and technical factors for the currency exacerbated the market reaction). Our focus is directly on the US-China trade war that appears to be escalating.

We have recently written about the downside risks to the NZD. Last month we noted the downside domestic forces for the NZD as well as the downside global risks, as the NZD was dragged lower by the pressures seen on emerging market currencies, in particular the yuan. See "*NZD 1H18 Review and Outlook*", 5 July. Our recent GFXS publications have also highlighted the downside risk to the AUD.

Over the last week or so we've become even more concerned about the possible downside risk to these currencies. Our working assumption at the beginning of the year was that a global trade war was unlikely to develop. We thought that common sense would eventually prevail and risks of a trade war were seen to be more optical than real. Recent events are challenging that assumption.

To be sure, when we say global trade war, we really mean a US-China trade war that has widespread global ramifications. Recent US-EU trade talks have actually been positive and the risk of further import tariffs has been reduced as negotiations proceed. But it seems that President Trump is happy to dial down the trade talk rhetoric against other countries to focus his battle against "unfair" China trade.

The initial import tariffs the US imposed on China were narrow in scope – on washing machines, solar panels, steel and aluminium. This ramped up to 25% tariffs on $50b of goods, effective early July for $34b of goods and later this month for the remaining $16b.

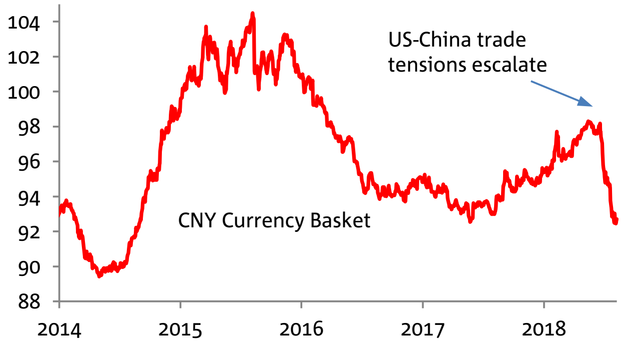
Last week President Trump upped the ante, with a consultation period underway on a proposal to impose 25% tariffs on a further $200b of China imports (previously 10%). Public consultation ends 5 September and after that Trump will be free to direct his US Trade Office to make an announcement on the final decision. Thus, early to mid-September has now become a key focal point when thinking about the outlook for risk assets.

A series of tweets over the weekend by Trump makes a back-down difficult in the absence of any possible concession from China. Trump taunted China about how poorly it was recently doing. He espoused the virtues of imposing tariffs and how well they were working so far.

China has retaliated against the US tariffs, imposing a 25% tariff on $34b of US imports, selectively chosen to inflict the most political damage against Trump. This will be followed up by increasing that to $50b later this month to match the US-imposed tariffs. China has also proposed a 5-25% tariff on $60b of US imports "subject to the actions of the US", in reference to the proposed US tariffs on a further $200b of Chinese imports. China's response on tariffs is limited to the extent that it only imports about $135b of goods from the US.

Chinese media, often talk pieces on behalf of the government, have dialled up the rhetoric against Trump and US tariff policy, with one editorial reporting "China has time to fight to the end…time will prove that the US eventually makes a fool of itself." We think that China will not back down from the trade war easily and is comfortable taking a longer term perspective.

Chart 1: CNY weaker as US-China trade tensions upped

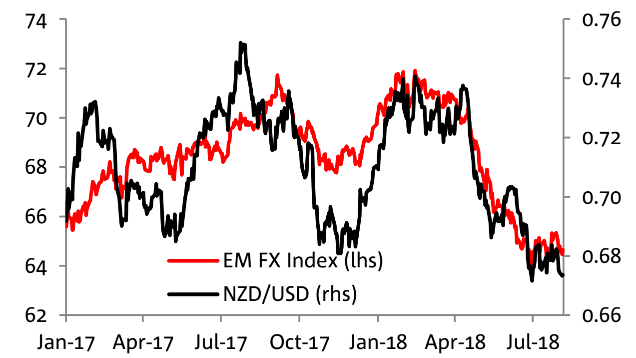


Source: BNZ/NAB, Bloomberg

The market's response has been to drive down the value of the Chinese yuan, given the threat to China's economic outlook. The PBoC has attempted to limit the extent of CNY depreciation using a wide array of direct measures and has incrementally eased monetary and fiscal policy in response to the economic risks facing the country. A weaker yuan and easier policy stance cushions the blow for China, although the authorities seem careful not to use the yuan as a blatant weapon against the US.

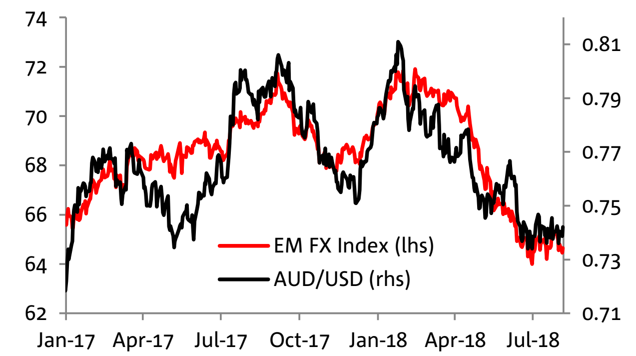
The paths of the NZD and AUD have been closely linked to the fortunes of emerging market currencies this year, which includes the performance of the Chinese yuan.

Chart 2: Recent NZD weakness linked to EM FX



Source: BNZ/NAB, Bloomberg

Chart 3: AUD performance strongly linked to EM FX



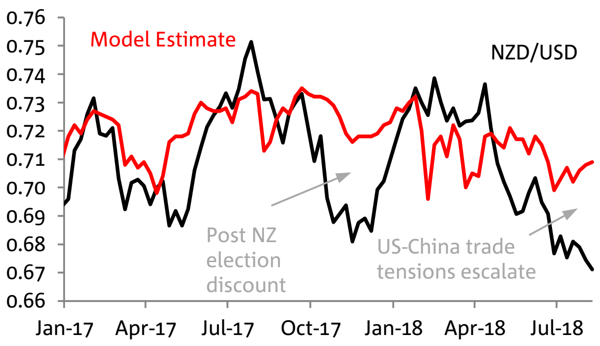
Source: BNZ/NAB, Bloomberg

We think that the correlation will remain high over the short term as trade tensions remain a focus for the market.

In terms of the performance of the NZD against our short-term fair value model estimate, a discount of 6% has opened up. BNZ's risk appetite index which is one of three factors in the model remains at a historically level around 70%. NZ commodity prices are off their highs seen a couple of months ago, but remain at a robust historical level. Narrower NZ-US rate spreads remain an ongoing negative force on the model estimate.

Taking all these factors into account, the model estimate currently sits close to USD 0.70. This is down modestly from the 0.73 level estimated at the beginning of the year, but up from the 0.6950 nadir in February when market volatility spiked up. The current 6% discount is the highest it has been all year. We see the discount to fair value that has opened up for the NZD primarily a reflection of the escalating US-China trade tensions and risk to the global outlook.

Chart 4: Discount to FV has opened up for the NZD



Source: BNZ/NAB, Bloomberg

CFTC positioning data suggests that the number of net short NZD contracts is about as high as it has ever been. Of course, shorting NZD/USD is unusually cheap, with US rates now higher than NZ rates (there is now positive carry on short NZD positions). This dulls the usual contrarian signal that would normally apply to this indicator.

For the AUD, current spot rate trades at about a 2% discount to our fair value estimate of 0.7570. Fair value has recently been driven down by (mainly) lower commodity prices and a narrower AU-US interest rate differential.

We see the near-term outlook for the NZD and AUD as somewhat binary. If the current proposed 25% tariffs on $200b of Chinese imports don't see the light of day then that would be clearly positive for these commodity currencies. That would represent a de-escalation of US-China trade tensions. In that scenario we'd be more comfortable with a view that the NZD and AUD could recover a little into year-end, supported perhaps by the market re-focusing attention on the negative medium-term structural forces that seem evident for the USD.

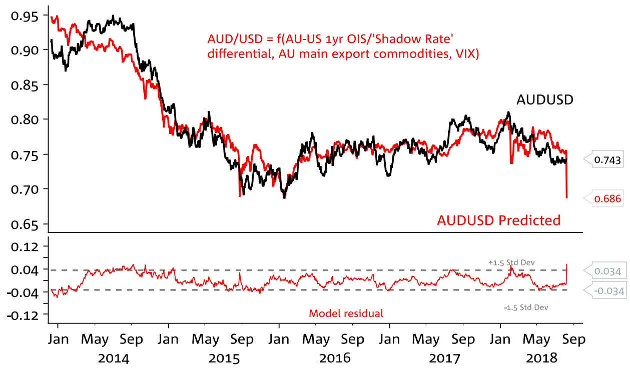
If the proposed tariffs go ahead then despite the prevailing discounts for the NZD and AUD, we'd see plenty of scope for further downside pressure. It would increase the chance of Trump following through with his threat to impose fresh tariffs on all Chinese imports (about $525b of trade). US equities have so far been bullet-proof against the rising global risks and we'd expect to see a fall in risk assets across the board, increased volatility and wider credit spreads. A step up in tariff policies could see our risk appetite index head a lot lower. Despite being at the epicentre, the USD would be expected to rise and this, alongside a weaker global economic outlook, would see NZ and Australian commodity prices fall in world price terms.

Stress-testing our NZD model – a risk appetite index of 40%, a 10% fall in NZ commodity prices and a 25bp narrowing in the NZ-US 1year rate (something that we expect anyway) – sees our fair value estimate drop to around 0.65. Adding in a potential discount to that, it wouldn't be hard to see the NZD move below USD 0.65 on this scenario.

In terms of stress-testing our AUD model we assumed: 1) VIX spikes to 35, comparable to the most recent (February 2018) volatility spike; 2) Dropped the oil and hard commodity price model components by 10% (aluminium, iron ore, metallurgical and steaming coal), but lifted gold by 5%; 3) Shifting the US-AU rates differential by 25bps is arguably less plausible than in the case of NZ given the current relative RBNZ/RBA policy dispositions, but makes scant difference to fair value versus leaving rates where they are now.

Under these assumptions, fair value falls from 0.7570 at present to 0.6860, so 7 cents and remarkably close to the actual lows in the AUD witnessed after the August 2015 and January 2016 China-driven global risk market sell-offs.

Chart 5: AUD fair value model with downside scenario



Source: National Australia Bank, Macrobond

Whether or not it is reasonable to expect the NZD and AUD to drop this far depends crucially on the durability (or expected durability) of the falls in risk appetite and commodity prices. In 2015, 2016 and 2018, these proved quite ephemeral (and fair value fell more sharply than actual spot). Whether this would necessarily be the case in this instance is questionable, a matter to return to in September.

We can only hope that US businesses currently feeling the wrath of tariffs imposed to date – and there are many small businesses in that boat – get in the ear of President Trump. The National Association of US Manufacturers is urging President Trump to get Beijing back at the negotiating table. That is the sensible solution. We await the next four to six weeks with trepidation.

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CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Monday, 13 August 2018								
NZ	REINZ House Sales YoY	Jul				-1.6	13 to 17 August	
NZ	Performance Services Index	Jul				52.8	21.30	8.30
NZ	Food Prices MoM	Jul	0			0.5	21.45	8.45
Tuesday, 14 August 2018								
AU	NAB Business Conditions/Confidence	Jul		/		15/6	0.30	11.30
CH	Retail Sales YoY	Jul		9.1		9	1.00	12.00
CH	Industrial Production YoY	Jul		6.3		6	1.00	12.00
CH	Fixed Assets Ex Rural YTD YoY	Jul		6		6	1.00	12.00
JN	Hi	Jun F				-2.1	3.30	14.30
GE	GDP SA QoQ/ YoY	2Q P		0.4/2.1		0.3/2.3	5.00	16.00
GE	CPI MoM/YoY	Jul F		0.3/2		0.3/2	5.00	16.00
UK	ILO Unemployment Rate 3Mths	Jun		4.2		4.2	7.30	18.30
UK	Claimant Count Rate/Jobless Claims change	Jul		/		2.5/7.8	7.30	18.30
EC	Industrial Production SA MoM/YoY	Jun		-0.4/2.4		1.3/2.4	8.00	19.00
EC	GDP SA QoQ/YoY	2Q P		0.3/2.1		0.3/2.1	8.00	19.00
GE	ZEW Survey Current Situation/Expectations	Aug		72.1/-21.3		72.4/-24.7	8.00	19.00
US	NFIB Small Business Optimism	Jul		106.8		107.2	9.00	20.00
Wednesday, 15 August 2018								
AU	Westpac Consumer Conf Index	Aug				106.1	23.30	10.30
AU	Wage Price Index QoQ/YoY	2Q	0.5/2	0.6/2.1		0.5/2.1	0.30	11.30
UK	CPI MoM/YoY	Jul		0/2.5		0/2.4	7.30	18.30
UK	CPI Core YoY	Jul		1.9		1.9	7.30	18.30
UK	Retail Price Index MoM/YoY	Jul		0.2/3.4		0.3/3.4	7.30	18.30
UK	PPI Output NSA MoM/YoY	Jul		0.2/3		0.1/3.1	7.30	18.30
US	MBA Mortgage Applications	10 Aug				-3	10.00	21.00
US	Empire Manufacturing	Aug		20		22.6	11.30	22.30
US	Retail Sales Advance MoM/Ex Auto and Gas	Jul		0.1/0.4		0.5/0.3	11.30	22.30
US	Industrial Production MoM	Jul		0.3		0.6	12.15	23.15
US	Capacity Utilization	Jul		78.2		78	12.15	23.15
US	Total Net TIC Flows	Jun				69.9	19.00	6.00
Thursday, 16 August 2018								
UK - EU Brexit negotiations resume (16 to 17 August)								
JN	Trade Balance	Jul		-41.2		721.408	22.50	9.50
AU	Consumer Inflation Expectation	Aug				3.9	0.00	11.00
AU	Employment Change / Unemployment Rate	Jul	25/5.4	15/5.4		50.9/5.4	0.30	11.30
AU	Participation Rate	Jul	65.7	65.7		65.7	0.30	11.30
NZ	Non Resident Bond Holdings	Jul				58.1	2.00	13.00
UK	Retail Sales Inc Auto Fuel MoM/YoY	Jul		0.2/2.9		-0.5/2.9	7.30	18.30
EC	Trade Balance SA	Jun		16.5		16.9	8.00	19.00
CA	Manufacturing Sales MoM	Jun		1		1.4	11.30	22.30
CA	ADP Publishes July Payrolls Report						11.30	22.30
US	Initial Jobless Claims	11 Aug		215		213	11.30	22.30
US	Philadelphia Fed Business Outlook	Aug		22		25.7	11.30	22.30
US	Housing Starts / Building Permits	Jul		1260/1310		1173/1273	11.30	22.30
Friday, 17 August 2018								
NZ	Business Price Indexes	Q2				3.5	21.45	8.45
AU	RBA Governor Semiannual Testimony						22.30	9.30
AU	RBA's Ellis Speech at the Australian National University, Canberra						6.30	17.30
EC	CPI MoM/YoY	Jul F		-0.3/2.1		0.1/2	8.00	19.00
EC	CPI Core YoY	Jul F		1.1		1.1	8.00	19.00
CA	CPI NSA MoM/YoY	Jul		0.1/2.5		0.1/2.5	11.30	22.30
CA	CPI Core- Common YoY%	Jul		2		1.9	11.30	22.30
CA	CPI Core- Median YoY%	Jul				2	11.30	22.30
CA	CPI Core- Trim YoY%	Jul				2	11.30	22.30
US	Leading Index	Jul		0.4		0.5	13.00	0.00
US	U. of Mich. Sentiment/Expectations	Aug P		98/		97.9/87.3	13.00	0.00
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		4-Sep	1.5%	1.5%		1.5%		
Canada, BoC		5-Sep	1.5%	1.5%		1.5%		
Europe, ECB		13-Sep	-0.4%	-0.4%		-0.4%		
UK, BOE		13-Sep	0.75%	0.75%		0.75%		
Japan, BoJ		19-Sep	-0.1%	-0.1%		-0.1%		
US, Federal Reserve		26-Sep	2-2.25%	2-2.25%		1.75-2%		
New Zealand, RBNZ		27-Sep	1.75%	1.75%		1.75%		

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

FORECASTS

Economic Forecasts

	Annual % change				Quarterly % change															
					2017				2018				2019				2020			
Australia Forecasts	*2017*	*2018*	*2019*	*2020*	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Household Consumption	2.7	2.5	2.5	2.9	0.3	1.0	0.6	1.0	0.3	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.8	0.5	0.7	0.7
Underlying Business Investment	3.0	3.3	6.6	6.5	3.1	0.0	3.7	-0.5	-0.1	1.3	1.6	0.9	2.1	1.6	2.2	1.2	1.4	1.8	1.4	2.3
Residential Construction	-2.2	-1.4	-2.6	0.4	-3.2	0.3	-2.1	-0.1	0.9	-1.1	-0.6	-0.7	-1.0	-0.5	-0.2	-0.2	0.2	0.3	0.4	0.5
Underlying Public Spending	4.5	4.8	4.3	4.5	1.0	1.3	1.4	1.2	1.5	0.8	0.9	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Exports	3.5	4.4	4.9	2.4	-1.9	2.9	0.7	-1.5	2.4	1.1	1.5	1.4	1.3	1.2	0.7	0.6	0.5	0.6	0.4	0.7
Imports	7.8	4.2	4.4	5.8	3.1	-0.1	2.6	1.6	0.5	0.7	0.9	0.8	1.1	1.3	1.5	1.3	1.5	1.3	1.4	1.5
Net Exports (a)	-1.0	-0.1	0.0	-0.8	-1.1	0.6	-0.4	-0.7	0.3	0.1	0.1	0.1	0.0	0.0	-0.2	-0.2	-0.3	-0.2	-0.3	-0.2
Inventories (a)	-0.1	0.0	-0.1	0.0	0.4	-0.5	0.1	0.0	0.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Demand - qtr%					0.7	0.9	0.9	0.8	0.6	0.6	0.7	0.6	0.8	0.8	0.9	0.8	0.9	0.8	0.9	1.0
Dom Demand - ann %	3.0	2.8	3.0	3.5	2.3	2.6	3.6	3.3	3.2	2.8	2.6	2.5	2.6	2.9	3.1	3.3	3.4	3.4	3.4	3.6
Real GDP - qtr %					**0.3**	**1.0**	**0.5**	**0.5**	**1.0**	**0.5**	**0.7**	**0.7**	**0.8**	**0.7**	**0.7**	**0.6**	**0.6**	**0.7**	**0.6**	**0.8**
Real GDP - ann %	2.2	2.9	3.0	2.7	**1.8**	**2.0**	**2.8**	**2.4**	**3.1**	**2.6**	**2.8**	**3.0**	**2.8**	**3.0**	**3.0**	**2.9**	**2.7**	**2.7**	**2.6**	**2.8**
CPI headline - qtr %					0.5	0.2	0.6	0.6	0.4	0.7	0.4	0.7	0.4	0.5	0.6	0.8	0.6	0.6	0.7	0.8
CPI headline - ann %	1.9	2.2	2.2	2.6	2.1	1.9	1.8	1.9	1.9	2.4	2.2	2.3	2.2	2.0	2.2	2.2	2.5	2.6	2.7	2.8
CPI underlying - qtr %					0.4	0.6	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7
CPI underlying - ann %	1.8	2.0	2.1	2.5	1.7	1.8	1.9	1.9	2.0	1.9	2.0	2.0	2.0	2.0	2.1	2.2	2.3	2.4	2.5	2.6
Wages (Pvte WPI - qtr %					0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Wages (Pvte WPI - ann %)	1.8	2.1	2.5	2.7	1.8	1.8	1.9	1.9	1.9	2.0	2.1	2.2	2.4	2.5	2.5	2.6	2.6	2.7	2.7	2.8
Unemployment Rate (%)	5.6	5.4	5.0	5.0	5.9	5.6	5.5	5.4	5.5	5.5	5.4	5.3	5.2	5.1	5.0	5.0	5.1	5.0	4.9	5.0
Terms of trade	12.3	-0.4	-0.8	0.0	5.4	-6.0	-0.1	0.4	3.3	-1.4	-3.4	-0.2	-1.9	-1.4	-0.1	0.2	-0.3	0.3	-0.3	0.3
Annual % change (hide)					24.9	14.7	10.1	-0.7												
G&S trade balance, $Abn	10.2	8.4	-11.2	-28.5	6.4	3.4	1.4	-1.0	4.1	3.2	0.4	0.8	-0.9	-2.5	-3.6	-4.2	-5.8	-6.3	-7.9	-8.6
% of GDP	0.6	0.4	-0.6	-1.4	1.4	0.8	0.3	-0.2	0.9	0.7	0.1	0.2	-0.2	-0.5	-0.7	-0.8	-1.1	-1.2	-1.5	-1.6
Current Account (% GDP)	-2.5	-2.7	-3.7	-4.4	-1.6	-2.4	-2.6	-3.2	-2.3	-2.4	-3.0	-2.9	-3.3	-3.6	-3.8	-3.9	-4.2	-4.3	-4.6	-4.7

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

Exchange Rate Forecasts

	13-Aug	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Majors						
AUD/USD	**0.7276**	0.73	0.75	0.75	0.75	0.75
NZD/USD	**0.6583**	0.69	0.70	0.70	0.71	0.71
USD/JPY	**110.44**	109.0	110.0	108.0	106.0	104.0
EUR/USD	**1.1377**	1.15	1.18	1.22	1.22	1.25
GBP/USD	**1.2755**	1.32	1.38	1.45	1.47	1.53
USD/CHF	**0.9944**	1.02	1.00	0.98	0.98	0.97
USD/CAD	**1.3156**	1.32	1.28	1.26	1.25	1.25
USD/CNY	**6.8466**	6.50	6.40	6.30	6.23	6.23
Australian Cross Rates						
AUD/NZD	**1.1053**	1.06	1.07	1.07	1.06	1.06
AUD/JPY	**80.4**	80	83	81	80	78
AUD/EUR	**0.6395**	0.63	0.64	0.61	0.61	0.60
AUD/GBP	**0.5704**	0.55	0.54	0.52	0.51	0.49
AUD/CNY	**4.9816**	4.75	4.80	4.73	4.67	4.67
AUD/CAD	**0.9572**	0.96	0.96	0.95	0.94	0.94
AUD/CHF	**0.7235**	0.74	0.75	0.74	0.74	0.73

Interest Rate Forecasts

	13-Aug	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Australia Rates						
RBA Cash rate	**1.50**	1.50	1.50	1.50	1.75	1.75
3 month bill rate	**1.96**	1.95	1.95	1.95	2.15	2.15
3 Year Swap Rate	**2.11**	2.15	2.35	2.50	2.80	3.00
10 Year Swap Rate	**2.76**	2.95	3.20	3.30	3.60	3.70
Offshore Policy Rates						
US Fed funds	**2.00**	2.25	2.50	2.75	3.00	3.25
ECB deposit rate	**-0.40**	-0.40	-0.40	-0.40	-0.40	-0.20
BoE repo rate	**0.75**	0.75	0.75	0.75	1.00	1.00
BoJ excess reserves rate	**-0.10**	-0.10	-0.10	-0.10	-0.10	-0.10
RBNZ OCR	**1.75**	1.75	1.75	1.75	2.00	2.25
China 1yr lending rate	**4.35**	4.35	4.35	4.35	4.35	4.35
China Reserve Ratio	**15.5**	16.0	16.0	16.0	16.0	16.0
10-year Benchmark Bond Yields						
Australia	**2.57**	2.80	3.00	3.05	3.30	3.40
United States	**2.85**	3.10	3.25	3.25	3.50	3.50
New Zealand	**2.58**	2.95	3.10	3.20	3.45	3.60

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

Dec year	2015	2016	2017	2018	2019	2020	20 Yr Avge
Australia	2.5	2.6	2.2	2.9	2.9	2.6	3.4
US	2.9	1.5	2.3	2.8	2.3	1.7	2.6
Eurozone	2.1	1.8	2.6	2.1	2.0	1.8	1.5
UK	2.3	1.9	1.8	1.5	1.7	1.6	2.4
Japan	1.4	0.9	1.7	0.9	1.0	0.7	0.8
China	6.9	6.7	6.9	6.5	6.3	6.0	9.2
India	8.2	7.1	6.7	6.8	7.2	6.9	6.6
New Zealand	3.5	4.0	2.8	2.9	2.9	2.7	3.0
World	3.5	3.2	3.8	3.8	3.7	3.5	3.5
MTP Top 5	4.1	3.7	4.2	3.9	3.7	3.1	5.0

Commodity prices ($US)

	13-Aug	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Brent oil	67.8	74	72	70	68	67	68
Gold	1211	1310	1340	1360	1370	1380	1400
Iron ore	68.7	61	60	58	60	62	63
Hard coking coal	181	155	150	155	145	140	130
Thermal coal	117	90	93	85	80	75	77
Copper	6161	6725	6825	6875	6950	7050	6900
Aust LNG (*)	13.7	12.6	12.3	11.9	11.6	11.4	11.3

(*) Implied Australian LNG export prices.

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