

# AUSTRALIAN MARKETS WEEKLY

*Under new management!*



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- The market starts the week with a new Australian Prime Minister and a new Ministry. (You can find the link to the new ministry [here](#).)
- In this Weekly, we note the Australian economy has performed well despite a number of years of intermittent political instability. Prime Minister Morrison's initial appointments and policy signals suggest no dramatic policy shifts and a desire to heal internal party divisions. We cover eight key issues.
- The AUD opens the week back in the 73s, the USD on the back foot and investor sentiment offshore ending the week on a positive note.
- Setting the ball rolling Friday and pushing the USD lower was news that the People's Bank of China would resume using the "counter-cyclical" factor when calculating the yuan's daily reference rate, in essence restraining the influence of market forces that have been driving the Chinese currency lower. The PBoC news produced a nearly nine big figure (1.4%) drop (Chinese currency appreciation) in USD/CNH, sparking an across the board decline in the USD, the AUD back above 0.73 on Friday, aided also by a resolution of the leadership tussle with a new PM.
- Fed Chair Jay Powell added to the USD's woes in his opening address to the Jackson Hole symposium cooling down any suggestions the Fed will be proceeding with anything other than a gradual path of raising rates by pointing to no risk of an overheating economy. "While inflation has recently moved up near 2 per cent, we have seen no clear sign of acceleration above 2 per cent, and there does not seem to be an elevated risk of overheating."
- For this week, the key local number is likely to be Thursday's Capital Expenditure for the June quarter. It comes after other Q2 partials – including last week's Construction Work Done – that have been stronger than expected, suggesting upside risk to NAB's 0.7% q/q model pick for GDP (out Wednesday week).
- It's also worth noting that while there has been significant focus on the emerging recovery in Non-Mining Capex, recent announcements hold out the prospect of a pick-up in Mining Investment in coming years (though this is not likely to be revealed in this week's data). Also out are Building Approvals and RBA Credit.
- Offshore, perhaps the two picks are the Chinese PMIs for August, out Friday, and the US PCE deflator out Thursday.

To contact NAB's market experts, please click on one of the following links:

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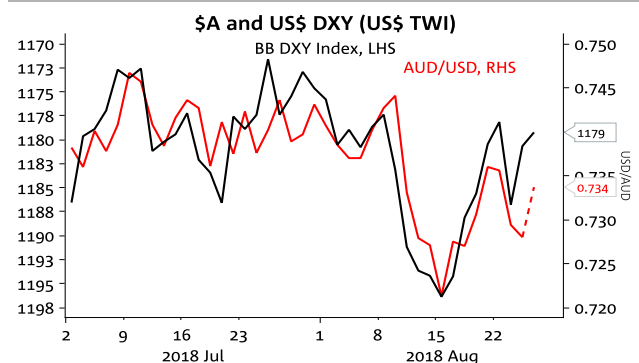
[Ask the Interest Rate Strategists](#)

## Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7333	0.4	RBA cash	1.50	0
AUD/CNY	4.99	-0.4	3y swap	2.12	1
AUD/JPY	81.6	1.0	ASX 200	6,247	-1.4
AUD/EUR	0.631	-1.5	Iron ore	67.8	-0.4
AUD/NZD	1.095	-0.8	WTI oil	68.6	4.9

Source: Bloomberg

## \$A more settled – and US\$ trend still important



## Under new management

Understandably, we've written quite a lot about Australian politics given the events of the past few days, so we'll try to keep this relatively short and not repeat too much from previous missives. Here are eight key issues for investors and businesses to consider:

### 1. The next election needs to be held by 18 May 2019.

It seems more likely the Government will run full term with Morrison in charge – which if realised, gives the Prime Minister/Coalition some nine months to heal internal divisions and address some of the policy issues that have seen some of its traditional support base shift to minor parties. Assuming the Parliament runs full term, the next Federal Budget would likely be delayed until August or September 2019 (though of course there's the option that the regular Mid-Year Economic and Financial Outlook in December might contain more substantial policy changes than usual).

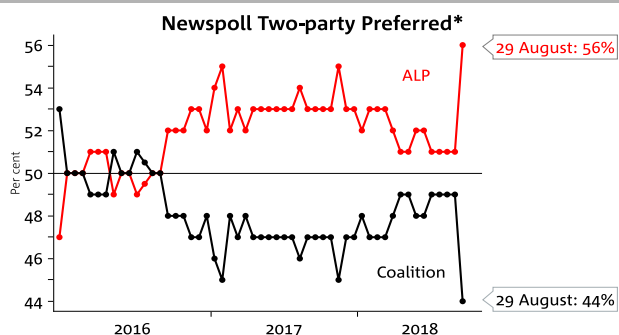
### 2. The Australian economy continues to perform well.

It's worth noting that even though Australia has now been subject to intermittent political instability for around a decade, the economy has continued to perform well, with relatively low unemployment. This owes to the strength of Australian broad institutional framework and the good work of Australia's Reserve Bank (itself part of this strong institutional framework).

### 3. The new Prime Minister has some work to do.

A Newspoll taken over the weekend, unsurprisingly, shows the Government well behind the Opposition on a two-party preferred basis: by some twelve percentage points 56-44%). And for the first time, Bill Shorten is preferred Prime Minister (39-33%). These results are not surprising given the upheaval in the Liberal Party that occurred last week. The new PM's first moves in choosing his Cabinet and indicating policy direction seem sensible. We'll need to see a few more Newspolls to get a good read on just how far behind the Coalition is. One piece of encouragement for the new PM, he is perceived as being the better manager of the economy (44-34%, though 22% of respondents were undecided). The question of who is the better economic manager is usually an important aspect of electoral success in Australia.

Chart 1: Voters react negatively (need to see more polls)



\* Based on preference flows at the Jul 2016 election, adjusted for minor party preference flows, including One Nation since Dec 2017  
Source: National Australia Bank, Newspoll

### 4. The new leadership team/Cabinet is being characterised as issuing in generational change.

That's a fair description, with the Prime Minister a relatively young 50 years of age, the new Treasurer 47 and previous long-standing members, either remaining on (Tony Abbott) or moving to (Julie Bishop) the back bench. Both Morrison and Frydenberg are well-known in Australian business circles and are assumed as less likely to bring about any dramatic shifts in economic policy.

### 5. Appointments to Cabinet aim to move past recent conflicts, signal some politically advisable shifts in policy.

Many, but not all, of those that played some role in the change in Leadership, have remained in senior leadership positions (Mattias Cormann as Finance Minister, Peter Dutton as Home Affairs Minister). A number of ministerial appointments aim to address some of the key political issues that have dogged the Coalition in recent months. Environment and Energy have been separated (Angus Taylor (Energy) being described as the Minister for getting Power Prices down). Importantly for overall Australian economic growth, the Prime Minister has not signalled a significant shift to lower immigration (he has always been a supporter of immigration), but there are hints from both the conservative and moderate sides of the Liberals that there will be greater focus on directing migration towards regional areas. The press also reports that former National Leader Barnaby Joyce and former Prime Minister Abbott may be offered special drought and indigenous affairs envoy roles respectively, which may help heal some of the internal divisions of recent years. Time will tell on that front.

### 6. Initial focus on drought, education, company tax cuts for small and medium businesses and reducing power prices.

The PM has revealed four immediate priorities – first focusing on the drought significantly impacting NSW and QLD at the present time. He will tour parts of the QLD outback today – and in welcome news, parts of NSW received rainfall over the weekend, though much follow up rain is needed. Morrison has also signalled the need to quickly resolve the divide over Catholic education funding and has signalled that with the failure in the Senate last week of the remainder of the Government's company tax cut package (for businesses with over \$50m turnover per annum) that he will focus on accelerating the tax cuts already legislated for businesses with turnover up to \$50m per annum. As a special NAB Business Survey question last year revealed, this can be expected to provide support to business investment. This potentially sets up an element of economic policy difference with the Opposition in the lead up to the next election. Power prices are also in the PM's sights, with the Government now firmly focused on reducing electricity prices.

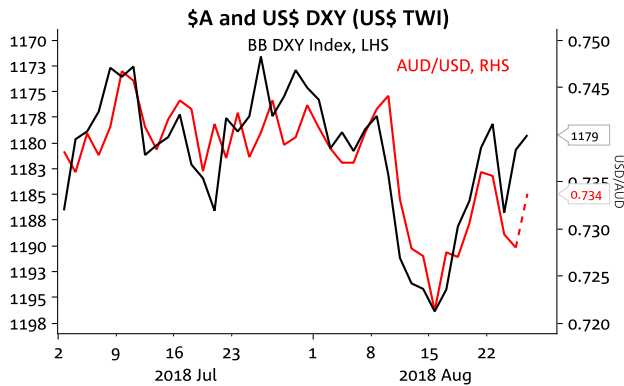
### 7. Markets more settled this week

The \$A has bounced back from the weakness seen around the time of the second leadership spill, on Thursday and Friday last week. As we have noted

previously, Australian financial markets typically are not significantly impacted by Australian political developments as: (i) historically, the two parties have rarely been significantly different apart in an economic policy sense in a global context; (ii) the main drivers of Australian financial variables are either global (the currency being impacted by some combination of commodity prices, interest rate differentials, the US\$, emerging markets and market volatility; and bond yield direction being particularly influenced by global bond yields; or related to the independent RBA. For this reason, historically it's generally been fair to assert that

the trend for the \$A and bond yields heading into an election is almost always the same as the trend for these variables after the election. (This has only been wrong, when there's been a change in the global trends around the time of the election, but again, that's a coincidence rather than reflecting causation). That's not to say that specific sectors or parts of the share market may not be impacted by particular policy differences – eg. Energy Policy or in the case of the upcoming election, the Opposition's policy on negative gearing for housing. The \$A's bounce likely reflects both the resolution of the political uncertainty and the weakness in the US\$ in recent days.

Chart 2: \$A regains ground – and US\$ still important



Source: National Australia Bank, Macrobond

**8. The Opposition promises larger Budget surpluses and higher taxes for the wealthy at the next Election.**

The Opposition is promoting policies that argue for larger budget surpluses (to provide a greater buffer against the next downturn) and larger tax cuts for the lower paid (with cuts in each of the next two financial years). Funding these larger surpluses and income tax cuts required opposing or rolling back company tax cuts for large businesses (now largely not applicable given the failure of the remainder of the Government's company tax cut package in the Senate), raising the top marginal tax rate by 2% and changing negative gearing so as it applies only to newly-constructed properties.

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Policy area	Government	Opposition (announced or reported)
Corporate Tax/ Companies	<ul style="list-style-type: none"> <li>- Reduction in corporate tax rate to 25% for all companies by 2026-27 - abandoned, except for the cuts already legislated for companies with turnover up to \$50m</li> </ul>	<ul style="list-style-type: none"> <li>- No corporate tax cuts for companies with annual turnover over \$50m</li> <li>- Investment Guarantee to allow businesses to immediately deduct 20% off any new asset (excl. property) worth &gt;\$20k</li> </ul>
Income Tax/ Households	<ul style="list-style-type: none"> <li>- Low Income Tax Offset (LITO) of \$530 for those earning &lt;\$90k starting from 1 July 18.</li> <li>- Tax brackets shifted, reducing taxes paid by low and middle income earners. Changes to be phased in from 2018-19 to 2024-25. Legislated.</li> </ul>	<ul style="list-style-type: none"> <li>- LITO of \$530 at 1 July 2018, then to \$928 from 1 July 2019</li> <li>- Raise top marginal tax rate 2ppts to 49%</li> <li>- 30% tax rate on family trusts distributions</li> <li>- Tax policies allow for larger budget surpluses</li> </ul>
Other household taxes	<ul style="list-style-type: none"> <li>- 0.5 ppt Medicare levy increase from 1 July 19 abandoned (worth \$8.2b over 3 years)</li> <li>- No changes to negative gearing/capital gains tax discount</li> </ul>	<ul style="list-style-type: none"> <li>- Also abandoning Medicare levy hike</li> <li>- Negative gearing limited to newly constructed dwellings</li> <li>- Reduce the discount on capital gains tax from 50% to 25%</li> </ul>
Superannuation/ Retirees	<ul style="list-style-type: none"> <li>- 14,000 new home-care places for retirees over next 4 years</li> <li>- Expansion of the Pension Loans Scheme, which will permit eligible retirees to borrow against their homes to fund living at home aged care</li> <li>- Superannuation Guarantee Charge (SGC) to increase to 10% on 1 July 21; and slowly rise (+0.5ppt pa) to 12% on 1 July 25</li> </ul>	<ul style="list-style-type: none"> <li>- SGC to be lifted to 12% (timing not confirmed) and to be applied to paid parental leave</li> <li>- Limited refund of excess franking credits</li> <li>- Reduction of annual cap on non-concessional contributions to \$75K</li> <li>- Lowering high-income contribution threshold to \$200K</li> </ul>
Wages/IR	<ul style="list-style-type: none"> <li>- Min. wages to continue to be determined by Fair Work Commission</li> </ul>	<ul style="list-style-type: none"> <li>- Minimum wage to be increased – possibly to a living wage</li> <li>- Enterprise agreements to remain until renegotiated</li> </ul>
Spending /Infrastructure	<ul style="list-style-type: none"> <li>- \$24.5 billion on infrastructure, including: \$5b for Rail link to Melbourne Airport; \$4.5b Snowy Hydro 2.0 Project; \$2b for Perth's Metronet project; \$1b for M1 freeway expansion on Gold Coast</li> </ul>	<ul style="list-style-type: none"> <li>- \$2.8 b to a "better hospitals fund"</li> <li>- Extra \$17 b to schools and \$470m towards TAFE, scrapping fees for 100,000 courses in areas of skill shortage.</li> <li>- \$2.24b for the \$5.4b Brisbane Cross River Rail</li> </ul>

# CALENDAR OF ECONOMIC RELEASES

Monday, 27 August 2018						
<b>UK Summer Bank Holiday</b>						
GE	Retail Sales MoM/YoY	Jul	-0.2	1.2	27 Aug to 3 Sep	
NZ	New Residential Lending	Jul		4.1	2.00	13.00
GE	IFO Business Climate	Aug	101.8	101.7	7.00	18.00
US	Chicago Fed Nat Activity Index	Jul	0.45	0.43	11.30	22.30
US	Dallas Fed Manf. Activity	Aug	30	32.3	13.30	0.30
Tuesday, 28 August 2018						
EC	M3 Money Supply YoY	Jul	4.3	4.4	7.00	18.00
EC	ECB Board Member Peter Praet Speaks about "Monetary and Macroprudential Policy Interactions" on panel in Cologne				10.00	21.00
US	Wholesale Inventories MoM	Jul P	0.2	0.1	11.30	22.30
US	Richmond Fed Manufact. Index	Aug	17	20	13.00	0.00
US	Conf. Board Consumer Confidence	Aug	126.5	127.4	13.00	0.00
Wednesday, 29 August 2018						
JN	BOJ Suzuki speaks in Naha				0.30	11.30
GE	GfK Consumer Confidence	Sep	10.6	10.6	5.00	16.00
US	MBA Mortgage Applications	24 Aug		4.2	10.00	21.00
CA	Current Account Balance	2Q	-15.45	-19.5	11.30	22.30
US	GDP Annualized QoQ	2Q S	4	4.1	11.30	22.30
US	Core PCE QoQ	2Q S	2	2	11.30	22.30
Thursday, 30 August 2018						
NZ	Building Permits MoM	Jul		-7.6	21.45	8.45
JN	Retail Sales MoM/YoY	Jul	-0.3/1.2	1.5/1.8	22.50	9.50
NZ	ANZ Business Confidence	Aug		-44.9	0.00	11.00
AU	Private Capital Expenditure	2Q	0.6	0.6	0.4	0.30
AU	Building Approvals MoM/YoY	Jul	-3/-3	-2/-3	6.4/1.6	0.30
AU	NAB Consumer Spending	2Q			0.30	11.30
GE	CPI Saxony MoM/YoY	Aug	/	0.4/2.2	6.00	17.00
GE	Unemployment Change (000's) / Claims Rate	Aug	-8/5.2	-6/5.2	6.55	17.55
UK	Mortgage Approvals	Jul	65	65.6	7.30	18.30
GE	CPI MoM/YoY	Aug P	0.1/2	0.3/2	11.00	22.00
CA	Quarterly GDP Annualized	2Q	3.1	1.3	11.30	22.30
CA	GDP MoM/YoY	Jun	0.1/2.3	0.5/2.6	11.30	22.30
US	PCE Core MoM/YoY	Jul	0.2/2	0.1/1.9	11.30	22.30
US	Initial Jobless Claims	25 Aug	213	210	11.30	22.30
Friday, 31 August 2018						
NZ	ANZ Consumer Confidence Index	Aug		118.4	21.00	8.00
JN	Jobless Rate	Jul	2.4	2.4	22.30	9.30
JN	Tokyo CPI YoY/Ex Fresh Food YoY	Aug	1/0.8	0.9/0.8	22.30	9.30
JN	Industrial Production MoM/YoY	Jul P	0.2/2.6	-1.8/-0.9	22.50	9.50
CH	Manufacturing PMI	Aug	51	51.2	0.00	11.00
CH	Non-manufacturing PMI	Aug		54	0.00	11.00
AU	Private Sector Credit MoM/ YoY	Jul	0.4/4.4	0.3/4.4	0.3/4.5	0.30
NZ	Credit Aggregates	Jul		5.9	2.00	13.00
JN	Vehicle Production YoY	Jun		4.6	3.00	14.00
JN	Housing Starts YoY	Jul	-4.3	-7.068	4.00	15.00
UK	Nationwide House PX MoM/YoY	Aug	0.1/2.7	0.6/2.5	5.00	16.00
EC	Unemployment Rate	Jul	8.2	8.3	8.00	19.00
EC	CPI Core YoY	Aug A	1.1	1.1	8.00	19.00
EC	CPI Estimate YoY	Aug	2.1	2.1	8.00	19.00
CA	Industrial Product Price MoM	Jul	-0.3	0.5	11.30	22.30
US	Chicago Purchasing Manager	Aug	63	65.5	12.45	23.45
US	U. of Mich. Sentiment/Expectations	Aug F	95.5/	95.3/87.3	13.00	0.00
EC	ECB Board Member Luis Guindos Speaks in Asturias, Spain				16.00	3.00
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

		Annual % change				Quarterly % change															
		2017	2018	2019	2020	2017				2018				2019				2020			
		Q1	Q2	Q3	Q4	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	2.4	2.4	0.3	1.0	0.6	1.0	0.3	0.7	0.5	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.7
Underlying Business Investment	3.0	3.2	5.8	6.0	3.1	0.0	3.7	-0.5	-0.1	2.1	0.0	1.1	2.1	1.3	1.8	1.5	1.3	1.8	1.1	1.1	1.3
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	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	1.1
Exports	3.5	4.2	4.7	2.5	-1.9	2.9	0.7	-1.5	2.4	0.9	1.7	1.0	1.4	1.3	0.7	0.6	0.5	0.6	0.4	0.7	0.7
Imports	7.8	4.1	4.2	5.3	3.1	-0.1	2.6	1.6	0.5	0.7	0.5	0.9	1.1	1.2	1.4	1.3	1.2	1.4	1.2	1.4	1.4
Net Exports (a)	-1.0	-0.1	0.0	-0.7	-1.1	0.6	-0.4	-0.7	0.3	0.0	0.2	0.0	0.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Inventories (a)	-0.1	0.0	-0.1	0.0	0.4	-0.5	0.1	0.0	0.2	-0.1	-0.2	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	0.7	0.5	0.7	0.8	0.7	0.8	0.8	0.7	0.8	0.7	0.8	0.8
Dom Demand - ann %	3.0	2.8	2.8	3.2	2.3	2.6	3.6	3.3	3.2	3.0	2.6	2.5	2.6	2.6	3.0	3.1	3.1	3.2	3.1	3.2	
Real GDP - qtr %					0.3	1.0	0.5	0.5	1.0	0.7	0.5	0.7	0.8	0.7	0.7	0.6	0.6	0.7	0.5	0.7	0.7
Real GDP - ann %	2.2	2.9	2.8	2.5	1.8	2.0	2.8	2.4	3.1	2.8	2.8	3.0	2.7	2.8	3.0	2.8	2.6	2.6	2.4	2.5	
CPI headline - qtr %					0.5	0.2	0.6	0.6	0.4	0.4	0.6	0.5	0.5	0.4	0.6	0.7	0.6	0.6	0.8	0.9	0.9
CPI headline - ann %	1.9	2.0	2.0	2.6	2.1	1.9	1.8	1.9	1.9	2.1	2.0	1.9	2.0	2.0	2.0	2.2	2.3	2.5	2.7	2.9	
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	0.7	0.7	0.7	
CPI underlying - ann %	1.8	1.9	2.0	2.4	1.7	1.8	1.9	1.9	2.0	1.9	1.9	1.9	1.9	2.0	2.0	2.1	2.2	2.4	2.5	2.7	
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	5.5	5.1	5.0	5.9	5.6	5.4	5.4	5.5	5.5	5.4	5.4	5.3	5.1	5.0	5.0	5.0	4.9	4.9	5.1	
Terms of trade	12.3	-0.9	-0.6	-0.1	5.4	-6.0	-0.1	0.4	3.3	-1.3	-3.1	-2.4	-0.4	-1.2	-0.9	0.2	-0.4	0.3	-0.4	0.2	
Annual % change (hide)					24.9	14.7	10.1	-0.7													
G&S trade balance, \$Abn	10.2	6.6	-14.5	-31.7	6.4	3.4	1.4	-1.0	4.1	3.0	1.0	-1.5	-1.7	-2.8	-4.6	-5.3	-6.6	-7.2	-8.6	-9.3	
% of GDP	0.6	0.4	-0.7	-1.6	1.4	0.8	0.3	-0.2	0.9	0.6	0.2	-0.3	-0.4	-0.6	-0.9	-1.1	-1.3	-1.4	-1.7	-1.8	
Current Account (% GDP)	-2.5	-2.8	-3.8	-4.6	-1.6	-2.4	-2.6	-3.2	-2.3	-2.5	-2.9	-3.4	-3.5	-3.7	-4.0	-4.2	-4.4	-4.5	-4.8	-4.9	

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

## Exchange Rate Forecasts

	27-Aug	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
<b>Majors</b>						
AUD/USD	0.7333	0.73	0.75	0.75	0.75	0.75
NZD/USD	0.6695	0.69	0.70	0.70	0.71	0.71
USD/JPY	111.26	109.0	110.0	108.0	106.0	104.0
EUR/USD	1.1631	1.15	1.18	1.22	1.22	1.25
GBP/USD	1.2853	1.32	1.38	1.45	1.47	1.53
USD/CHF	0.9829	1.02	1.00	0.98	0.98	0.97
USD/CAD	1.3018	1.32	1.28	1.26	1.25	1.25
USD/CNY	6.8105	6.50	6.40	6.30	6.23	6.23

### Australian Cross Rates

AUD/NZD	1.0953	1.06	1.07	1.07	1.06	1.06
AUD/JPY	81.6	80	83	81	80	78
AUD/EUR	0.6305	0.63	0.64	0.61	0.61	0.60
AUD/GBP	0.5705	0.55	0.54	0.52	0.51	0.49
AUD/CNY	4.9941	4.75	4.80	4.73	4.67	4.67
AUD/CAD	0.9546	0.96	0.96	0.95	0.94	0.94
AUD/CHF	0.7208	0.74	0.75	0.74	0.74	0.73

## Interest Rate Forecasts

	27-Aug	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
<b>Australia Rates</b>						
RBA Cash rate	1.50	1.50	1.50	1.50	1.75	1.75
3 month bill rate	1.95	1.95	1.95	1.95	2.15	2.15
3 Year Swap Rate	2.12	2.15	2.35	2.50	2.80	3.00
10 Year Swap Rate	2.74	2.95	3.20	3.30	3.60	3.70
<b>Offshore Policy Rates</b>						
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
<b>10-year Benchmark Bond Yields</b>						
Australia	2.55	2.80	3.00	3.05	3.30	3.40
United States	2.81	3.10	3.25	3.25	3.50	3.50
New Zealand	2.57	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 Avg
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)

	27-Aug	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Brent oil	68.6	74	72	70	68	67	68
Gold	1206	1310	1340	1360	1370	1380	1400
Iron ore	67.8	61	60	58	60	62	63
Hard coking coal	180	155	150	155	145	140	130
Thermal coal	118	90	93	85	80	75	77
Copper	6102	6725	6825	6875	6950	7050	6900
Aust LNG (*)	13.6	12.6	12.3	11.9	11.6	11.4	11.3

(\*) Implied Australian LNG export prices.

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