AUSTRALIAN MARKETS WEEKLY

No signs of underlying consumer softening

In this issue

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Ask the Economists

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Ask the Interest Rate Strategists

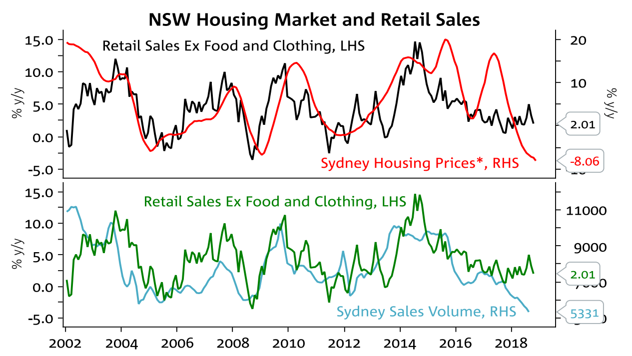
- **Last week saw the release of softer-than-expected Q3 GDP figures and an important speech by RBA Deputy Governor, Guy Debelle. This morning, Assistant Governor Kent also spoke. Both Debelle and Kent repeated the view that the next move in Australian interest rates is more likely to be up, but not anytime soon.**
- **In today's Weekly we consider some of the key takeaways from Debelle's speech, plus look for any evidence for slower consumer spending in Victoria and NSW, the states now experiencing lower house prices. So far, any evidence that house price declines are seeing consumers pulling back is hard to find. Household goods retailing is declining but that would be expected given the slowing in housing turnover. Job ads, job vacancies, consumer confidence and the discretionary parts of retail will be important to follow in coming months to monitor whether the correction in house prices is dampening consumer spending and thus will impact on the RBA's forecasts for unemployment, wages and inflation.**
- **Australian markets continue to be buffeted by global developments, in particular weakness in US equity markets. This has seen a significant repricing of interest rate markets, with longer-dated yields rallying significantly and the market now not pricing any interest rate increase in Australia before 2020 – and flirting with the possibility that if there is a near-term move in interest rates, it would be in a downward rather than upward direction. The continuing weakness in global equity markets has had the traditional impact on the $A, seeing it trade lower, back below US$0.72 at the time of writing.**
- **On the Australian calendar, the key events this week are Housing Finance at 11.30am today and the NAB Business Survey at 11.30am Tuesday. We will also be releasing updated Australian growth forecasts along with a revised forecast for interest rates on Wednesday. From then on, there's little on the Australian calendar until the new year, with the exception of the RBA Minutes next Tuesday and Australian Labour Force data for November on Thursday week.**
- **Offshore, the key question is about what the Fed will do at its December FOMC meeting. While the markets still expect another interest rate rise in December, recent speeches reveal a more cautious approach among a number of members, something that seems reasonable given recent global market volatility. Increasingly, markets are expecting the Fed's language to drop the phraseology about "further gradual rate rises being appropriate", shifting to becoming more "data dependent". Again this seems reasonable given rates are now approaching the lower level of estimated neutral ranges and inflation appears relatively stable at the Fed's 2% target.**

Key markets over the past week

	Last	% chg week		Last	bp / % chg week
AUD	0.7201	-2.3	RBA cash	1.50	0
AUD/CNY	4.97	-2.0	3y swap	1.99	-12
AUD/JPY	81.0	-3.3	ASX 200	5,587	-3.2
AUD/EUR	0.631	-3.0	Iron ore	65	1.9
AUD/NZD	1.050	-1.5	WTI oil	52.5	-0.8

Source: Bloomberg

Chart of the week: Core NSW retail sales holding up



* Hedonic Dwelling Value
Source: National Australia Bank, CoreLogic

Ivan Colhoun, Chief Economist, Markets

No signs of consumer softening

RBA Deputy Governor Guy Debelle gave a very interesting speech in Sydney last Thursday night, entitled ***Lessons and Questions from the GFC***. The Speech and the Question and Answer session afterwards contained a lot of content relevant to the debate around the implications of current developments in Australia's housing markets. The full speech and the question and answer session are well worth a read or a listen. Both can be accessed here).

The speech of course, contained a number of important observations and conclusions on the functioning of the economy and financial markets in the aftermath of the Global Financial Crisis, some ten years ago. Many of these conclusions concerned appropriate policy responses in a crisis – not something that currently seems relevant to the current economic situation. But other conclusions should be considered relevant if current developments in Australian housing markets turn out differently to what we and the RBA expect.

The relevant lessons from the GFC mentioned in the speech were:

- The key lesson is that leverage matters, significantly magnifying any shock that hits an economy. [Later, in the speech, the Deputy Governor noted that it is still very unclear, what is the correct amount of leverage and what level is too much? This is a question he feels economists should try to answer];
- At times of crisis, it is important to keep credit flowing to prevent the economy seizing up. This of course could be relevant from the perspective of the housing sector currently, rather than more broadly, given reports of a reduced willingness to lend for housing;
- Macroeconomists expected that the effect of what was unfolding in the US housing market at the time of the GFC to be contained. Again, there could be a partial parallel for the Australian economy depending on the nature and size of the spillover effects from the current correction in house prices and housing construction;
- Libor/OIS and BBSW/OIS spreads were useful indicators of the tension in fixed income markets at the time of the GFC;
- The Australian banking system was much less affected by the problems bedevilling banking systems in other countries (partly by design and partly good luck). This meant that the transmission of the significant easing in monetary policy to the economy worked pretty much as normal. Now the market is wondering if such a transmission channel might be interrupted by a shortage of available supply so that a rate cut might not generate the usual positive growth effect. It also raises the question whether monetary policy may be becoming less stimulatory at current interest rates from the perspective of housing, which could affect the RBA's forecasts, though importantly to date business lending has not been impacted and has in fact been strengthening;
- Policy capacity matters, both monetary and fiscal. Australia still has fiscal capacity. Monetary capacity matters too. The RBA has repeatedly said that the Bank's expectation is that the next move in interest rates is more likely to be up than down, though it is some way off. <u>But should that expectation turn out to not be the case</u>, there is still scope for further reductions in the policy rate. And there are other policy tools available, including QE, though the Deputy Governor did note that "most of the traction in terms of borrowing rates in Australia is at the short end of the curve rather than the longer end, which might reduce the effectiveness of QE". (Note, contrary to some media headlines, these observations were hypothetical rather than commentary about the current policy situation.)
- The similarity of the Australian banks' business models during the GFC was beneficial in reducing counterparty uncertainty. This similarity, however, is not so obviously beneficial in the current circumstance. "Their similar behaviour and similar reaction functions to events such as falling house prices run the risk of amplifying the downturn in the housing market".
- **"The crisis very much demonstrated the critical importance of keeping lending flowing. The lesson is that countries that did that fared better than countries that didn't. That lesson is relevant to the situation today in Australia, where there is a risk that a reduced appetite to lend will overly curtail borrowing with consequent effects for the Australian economy".**
- The questions how much is enough debt/how much is too much and how to manage the risks are two of the large questions that remain unanswered, ten years after the GFC.
- Leverage can turn a manageable event into a very hard to manage crisis. Timely policy responses are effective. In a crisis, go fast and go hard. The third lesson is that the plumbing can sometimes really matter.

The Question and Answer session included the following important points, in our opinion:

- The RBA's reaction function (on monetary policy) has not changed very much. They are still very much concerned with what inflation looks like around two years ahead. The current forecast anticipates a gradual move up in the inflation rate, but this requires stronger wages growth to achieve;
- In the recent Q3 GDP report, consumption was slower than expected, though all other parts of the forecast were broadly as anticipated. The Bank will see how consumption prints over the next few months and reassess what that means for their forecasts. [Note, one journalist noted that real consumption had displayed a strong-weak-strong-weak pattern this year, which sounds like an RBA-sourced observation];
- In discussing current developments in the housing market, the Deputy Governor noted:
    - It's the supply of credit rather than the price of credit that is an issue at present: owner-occupied credit continues to grow at 7%, while investor credit is flat. The price of new credit is very low. Reluctance to lend is evident among the majors, with non-major lenders growing housing credit very quickly. This situation could obviously be addressed by APRA or the major lenders;

- APRA's macro-prudential moves were aimed at addressing the quality of lending, not at the level of house prices;
- Australia is in unchartered territory! The Deputy Governor can't find an example in recent history around the world where house prices were falling in two major cities at the same time as unemployment was low and expected to fall further and the economy was forecast to continue to record reasonable growth.
- The RBA is paying attention to the continuing fall in house prices – and the impact of these lower prices on the economy. The Bank is not sure exactly how this will play out. It was noted, that: (i) prices were currently only falling in Sydney, Melbourne and Perth (and still rising in some cities); (ii) with the falls, prices were only back to the levels of two years ago in Sydney and one year ago in Melbourne;
- The Bank thinks the wealth effects from housing are generally pretty small – and did not see a big impact from the large increases in house prices on the way up, with Housing Equity Injection more prevalent this cycle, versus Home Equity Withdrawal in past cycles. The Bank can see the expected direct effects of lower housing turnover on elements of consumer spending, but will have to see how the indirect effects play out;
- The best contribution the RBA can make is to make sure the macroeconomic environment remains positive. This means keeping the unemployment rate low and people employed, an environment that will help borrowers manage their financial situation.

So what should we make of all that?

First, the RBA is paying close attention to current developments in house prices and the suggestion that the flow of housing lending may be tightening. That's not unusual. The Bank pays close attention to all developments that it sees as potentially significant for the economic outlook, as it has to the trade wars/tariffs and the recent mining boom.

Second, developments might best be viewed through the lens of impacts on the RBA's consumption and unemployment forecasts, as both relatedly, underpin the forecast that wages growth will pick up, a necessary precondition for inflation to return to target.

Third, the RBA is uncertain about how the current circumstance will turn out. To be sure, it will depend on how far – and how broadly – house prices decline and how that might or might not flow through to consumer spending, which also depends on whether the unemployment rate remains low and/or declines further – or the reverse happens.

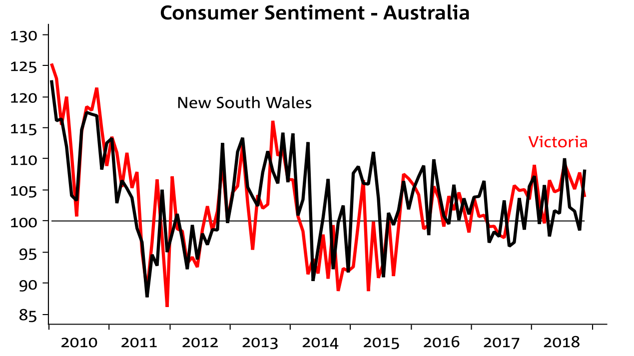
This year, NAB's forecasts for growth and unemployment have generally been at the more positive end of the spectrum. However, as wages growth has not picked up significantly as yet, the RBA has not moved interest rates. We expect unemployment to remain low and even decline a little further next year, which should provide support to both the national housing market and consumer spending.

This will remain a key debating point for Australian markets as we enter 2019.

We suggest investors closely monitor:

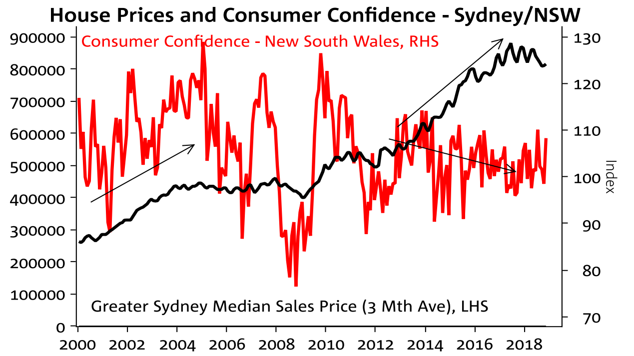
- Trends in consumer confidence – especially in NSW and Victoria where house prices have fallen a little recently. To date there are no signs that confidence has been significantly affected;

Chart 1: Confidence OK in NSW or VIC



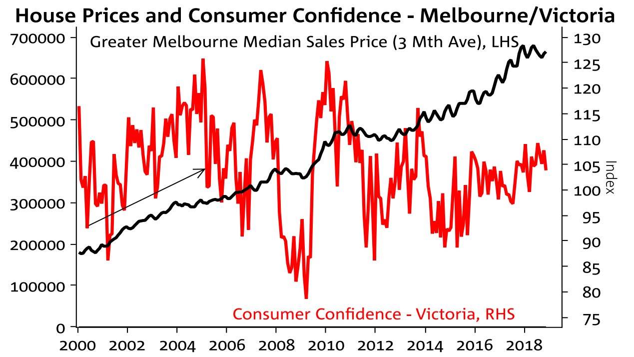
Source: National Australia Bank, Macrobond

Chart 2: Despite lower house prices



Source: National Australia Bank, Macrobond

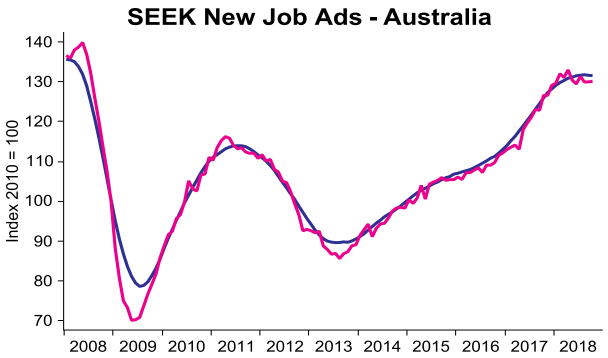
Chart 3: No signs of significant weakness in Victoria



Source: National Australia Bank, Macrobond

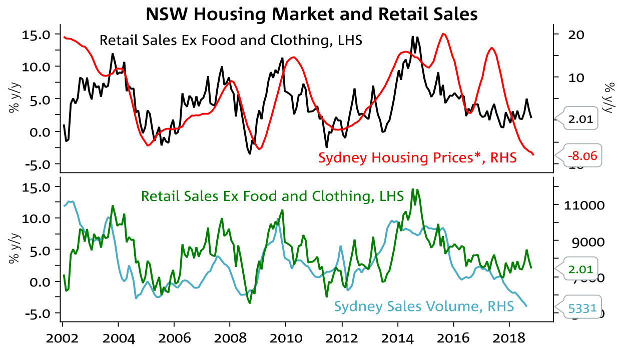
- Leading indicators of unemployment – as keeping unemployment low will be important in the context of the housing adjustment. At the current time, SEEK job ads remain at high levels, while ABS job vacancies have been rising to record levels and as a proportion of the labour force;

Chart 4: Job ads – holding up at elevated levels



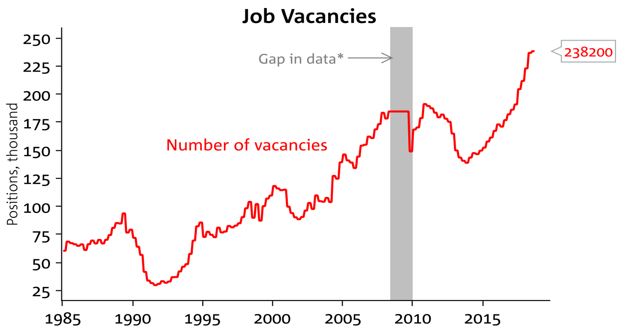
Source: SEEK, National Australia Bank

Chart 7: Core NSW retail sales holding up



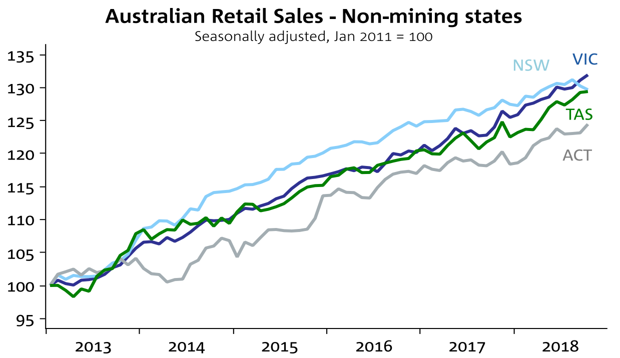
* Hedonic Dwelling Value
Source: National Australia Bank, CoreLogic

Chart 5: Job vacancies – continuing to rise



* The ABS did not collect vacancy data between May 2008 and November 2009. Numbers are estimates by the ABS during this period
Source: National Australia Bank, ABS

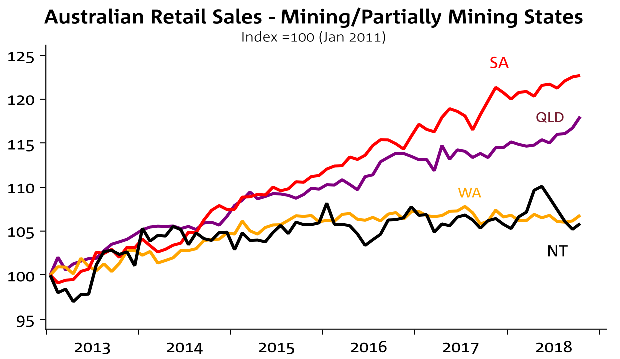
Chart 8: Victoria still holding up



Source: National Australia Bank, ABS

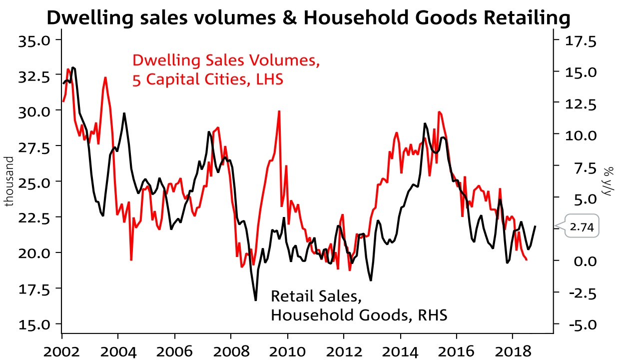
- Trends in discretionary household spending – especially in NSW and Victoria. Again, it's hard to see any signs in the current data that suggest the recent modest declines in house prices have caused Australian households to reduce their spending beyond the as expected easing in the turnover-driven household goods sub segment. In fact, abstracting from weather-related impacts in NSW in October, retail spending seems to be broadly continuing prior trends in most states – still weak in the mining regions of WA and the NT – but has strengthened in Queensland.

Chart 9: Queensland strengthening



Source: National Australia Bank, Macrobond

Chart 6: Lower housing sales impact



Source: National Australia Bank, ABS, CoreLogic

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CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEDT
Monday, 10 December 2018								
NZ	REINZ House Sales YoY	Nov				15.5	10 Dec to 14 Dec	
CH	Money Supply M2 YoY	Nov		8		8	10 Dec to 15 Dec	
AU	RBA's Kent delivers speech in Sydney - US Monetary Policy and Australian Financial Conditions						21.30	8.30
JN	GDP SA QoQ / Annualised QoQ	3Q F		-0.5/-2		-0.3/-1.2	23.50	10.50
JN	GDP Deflator YoY	3Q F		-0.3		-0.3	23.50	10.50
JN	BoP Current Account Balance	Oct		1262.7		1821.6	23.50	10.50
AU	Home Loans MoM	Oct	-0.5	-0.4		-1	0.30	11.30
NZ	Treasury Publishes Monthly Economic Indicators						1.00	12.00
UK	Trade Balance	Oct		-1267		-27	9.30	20.30
UK	Industrial Production MoM / YoY	Oct		0.1/-0.1		0/0	9.30	20.30
UK	GDP (MoM)	Oct		0.1		0	9.30	20.30
CA	Housing Starts	Nov		198		205.9	13.15	0.15
Tuesday, 11 December 2018								
NZ	ANZ Truckometer Heavy MoM	Nov				4.6	21.00	8.00
AU	NAB Business Conditions / Confidence	Nov		/		12/4	0.30	11.30
AU	House Price Index QoQ / YoY	3Q		-1.6/-2		-0.7/-0.6	0.30	11.30
JN	Machine Tool Orders YoY	Nov P				-0.7	6.00	17.00
UK	Claimant Count Rate / Jobless Claims Change	Nov		/		2.7/20.2	9.30	20.30
UK	ILO Unemployment Rate 3Mths	Oct		4.1		4.1	9.30	20.30
GE	ZEW Survey Current Situation / Expectation	Dec		55/-25		58.2/-24.1	10.00	21.00
EC	ZEW Survey Expectations	Dec				-22	10.00	21.00
US	NFIB Small Business Optimism	Nov		107		107.4	11.00	22.00
US	PPI Final Demand MoM / YoY	Nov		0/2.5		0.6/2.9	13.30	0.30
UK	Parliament votes on Brexit			107			20.00	7.00
Wednesday, 12 December 2018								
AU	Westpac Consumer Conf Index	Dec				104.3	23.30	10.30
JN	PPI MoM / YoY	Nov		-0.1/2.4		0.3/2.9	23.50	10.50
JN	Core Machine Orders MoM / YoY	Oct		9.7/5		-18.3/-7	23.50	10.50
EC	Industrial Production SA MoM / YoY	Oct		0.2/0.8		-0.3/0.9	10.00	21.00
US	MBA Mortgage Applications	7 Dec				2	12.00	23.00
CA	Capacity Utilization Rate	3Q		86		85.5	13.30	0.30
US	CPI MoM / YoY	Nov		0/2.2		0.3/2.5	13.30	0.30
US	CPI Ex Food and Energy MoM / YoY	Nov		0.2/2.2		0.2/2.1	13.30	0.30
Thursday, 13 December 2018								
NZ	Food Prices MoM	Nov				-0.6	21.45	8.45
AU	Consumer Inflation Expectation	Dec				3.6	0.00	11.00
NZ	New Zealand Half-Year Fiscal, Economic Update						0.00	11.00
GE	CPI MoM / YoY	Nov F		0.1/2.3		0.1/2.3	7.00	18.00
EC	ECB Main Refinancing Rate	13 Dec		0		0	12.45	23.45
EC	ECB Marginal Lending Facility	13 Dec		0.25		0.25	12.45	23.45
EC	ECB Deposit Facility Rate	13 Dec	-0.4	-0.4		-0.4	12.45	23.45
US	Initial Jobless Claims	8 Dec		225		231	13.30	0.30
Friday, 14 December 2018								
NZ	BusinessNZ Manufacturing PMI	Nov				53.5	21.30	8.30
JN	Tankan Large Mfg Index / Outlook	4Q		18/17		19/19	23.50	10.50
JN	Tankan Large Non-Mfg Index / Outlook	4Q		21/20		22/22	23.50	10.50
JN	Tankan Large All Industry Capex	4Q		12.8		13.4	23.50	10.50
JN	Nikkei Japan PMI Mfg	Dec P				52.2	0.30	11.30
CH	Property Investment YoY	Nov				9.7	2.00	13.00
CH	Retail Sales YoY	Nov		8.8		8.6	2.00	13.00
CH	Industrial Production YoY	Nov		5.9		5.9	2.00	13.00
CH	Fixed Assets Ex Rural YTD YoY	Nov		5.9		5.7	2.00	13.00
JN	Industrial Production MoM / YoY	Oct F		/		2.9/4.2	4.30	15.30
EC	ECB Vice-President Guindos Speaks in Frankfurt						8.15	19.15
GE	Markit/BME Germany Manufacturing PMI	Dec P		51.7		51.8	8.30	19.30
EC	Markit Eurozone Manufacturing PMI / Composite PMI	Dec P		51.8/52.8		51.8/52.7	9.00	20.00
EC	ECB's Lautenschlaeger Speaks in Frankfurt						9.30	20.30
US	Retail Sales Advance MoM	Nov		0.1		0.8	13.30	0.30
US	Retail Sales Ex Auto and Gas	Nov		0.4		0.3	13.30	0.30
US	Industrial Production MoM	Nov		0.3		0.1	14.15	1.15
US	Capacity Utilization	Nov		78.6		78.4	14.15	1.15
US	Markit US Manufacturing PMI	Dec P		55.1		55.3	14.45	1.45
Upcoming Central Bank Interest Rate Announcements								
Europe, ECB		13-Dec	-0.4%	-0.4%		-0.4%		
US, Federal Reserve		19-Dec	2.25-2.5%	2.25-2.5%		2-2.25%		
UK, BOE		20-Dec	0.75%	0.75%		0.75%		
Japan, BoJ		20-Dec	-0.1%	-0.1%		-0.1%		
Canada, BoC		9-Jan	2%	2%		1.75%		
Australia, RBA		5-Feb	1.5%	1.5%		1.5%		
New Zealand, RBNZ		13-Feb	1.75%	1.75%		1.75%		

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Savings 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	2.9	2.5	2.5	0.4	0.9	0.6	1.1	0.5	0.7	0.6	0.5	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.7
Underlying Business Investment	3.3	3.0	5.0	5.8	3.3	0.0	3.8	0.3	0.7	-0.7	1.3	0.1	2.1	1.5	1.8	1.4	1.2	1.7	1.1	1.3
Residential Construction	-2.2	2.7	-5.3	-1.9	-3.3	-0.2	-1.7	0.3	3.6	1.7	-2.6	-0.3	-2.2	-1.9	-0.9	-1.2	-0.3	0.0	0.3	0.6
Underlying Public Spending	4.5	4.6	4.2	4.5	0.9	1.1	1.6	1.1	1.5	0.6	0.9	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Exports	3.5	5.0	4.8	2.5	-1.6	2.3	1.0	-1.5	3.0	1.1	1.7	1.0	1.4	1.3	0.7	0.7	0.5	0.6	0.4	0.7
Imports	7.8	5.0	3.6	4.9	3.0	0.2	2.3	1.7	1.7	0.4	0.5	0.7	0.9	1.1	1.3	1.2	1.1	1.3	1.2	1.4
Net Exports (a)	-1.0	-0.1	0.1	-0.6	-1.0	0.4	-0.3	-0.7	0.2	0.1	0.2	0.0	0.1	0.0	-0.2	-0.1	-0.2	-0.2	-0.2	-0.2
Inventories (a)	-0.1	0.1	-0.1	0.0	0.5	-0.9	0.4	0.0	0.2	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic Demand - qtr%					0.7	0.8	1.0	0.9	1.0	0.6	0.5	0.6	0.7	0.7	0.8	0.7	0.7	0.8	0.7	0.9
Dom Demand - ann %	3.0	3.2	2.6	3.0	2.3	2.6	3.6	3.4	3.7	3.4	3.0	2.6	2.3	2.4	2.7	2.9	2.9	3.0	3.0	3.1
Real GDP - qtr %					**0.4**	**0.7**	**0.7**	**0.7**	**1.1**	**0.9**	**0.5**	**0.6**	**0.7**	**0.7**	**0.7**	**0.6**	**0.5**	**0.7**	**0.6**	**0.7**
Real GDP - ann %	2.2	3.3	2.7	2.5	**1.9**	**1.9**	**2.7**	**2.4**	**3.2**	**3.4**	**3.3**	**3.2**	**2.7**	**2.6**	**2.7**	**2.7**	**2.5**	**2.5**	**2.3**	**2.5**
CPI headline - qtr %					0.5	0.2	0.6	0.6	0.4	0.4	0.5	0.5	0.5	0.4	0.6	0.7	0.6	0.6	0.8	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	1.9	1.9	1.9	2.1	2.2	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	0.5	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	1.9	2.0	2.1	2.2	2.3	2.5	2.7
Wages (Pvte WPI - qtr %					0.5	0.5	0.5	0.5	0.5	0.5	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	5.1	4.9	5.9	5.6	5.4	5.4	5.5	5.5	5.3	5.3	5.2	5.0	5.0	5.0	4.9	4.8	4.8	4.9
Terms of trade	12.2	-0.7	-0.7	0.0	5.2	-5.7	-0.1	-0.1	3.6	-1.3	-1.7	-3.4	-0.8	-1.2	-0.9	0.3	-0.4	0.3	-0.4	0.2
G&S trade balance, $Abn	10.0	7.4	-12.7	-27.5	6.8	2.9	1.6	-1.4	3.3	2.8	2.3	-1.1	-1.4	-2.5	-4.2	-4.5	-5.6	-6.1	-7.5	-8.2
% of GDP	0.6	0.4	-0.6	-1.3	1.5	0.7	0.4	-0.3	0.7	0.6	0.5	-0.2	-0.3	-0.5	-0.9	-0.9	-1.1	-1.2	-1.5	-1.6
Current Account (% GDP)	-2.6	-3.0	-4.1	-4.8	-1.6	-2.5	-2.8	-3.6	-2.5	-2.9	-3.0	-3.7	-3.7	-4.0	-4.3	-4.3	-4.6	-4.6	-4.9	-5.0

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

Exchange Rate Forecasts

	10-Dec	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Majors						
AUD/USD	0.7201	0.73	0.71	0.70	0.73	0.75
NZD/USD	0.6884	0.69	0.68	0.67	0.69	0.70
USD/JPY	112.33	112	110	110	108	106
EUR/USD	1.1431	1.18	1.20	1.22	1.25	1.30
GBP/USD	1.2738	1.26	1.28	1.30	1.34	1.40
USD/CHF	0.9898	0.96	0.94	0.95	0.94	0.91
USD/CAD	1.3306	1.32	1.31	1.31	1.27	1.27
USD/CNY	6.8743	6.90	7.10	7.20	7.20	7.15
Australian Cross Rates						
AUD/NZD	1.0460	1.06	1.04	1.04	1.06	1.07
AUD/JPY	80.9	82	78	77	79	80
AUD/EUR	0.6300	0.62	0.59	0.57	0.58	0.58
AUD/GBP	0.5653	0.58	0.55	0.54	0.54	0.54
AUD/CNY	4.9502	5.04	5.04	5.04	5.26	5.36
AUD/CAD	0.9582	0.96	0.93	0.92	0.93	0.95
AUD/CHF	0.7128	0.70	0.67	0.67	0.69	0.68

Interest Rate Forecasts

	10-Dec	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Australia Rates						
RBA Cash rate	1.50	1.50	1.50	1.75	1.75	2.00
3 month bill rate	1.99	1.95	1.95	1.90	1.90	2.15
3 Year Swap Rate	1.99	2.20	2.30	2.70	2.90	3.10
10 Year Swap Rate	2.63	3.05	3.10	3.50	3.60	3.70
Offshore Policy Rates						
US Fed funds	2.25	2.50	2.75	3.00	3.25	3.25
ECB deposit rate	-0.40	-0.40	-0.40	-0.40	-0.20	0.00
BoE repo rate	0.75	0.75	0.75	1.00	1.00	1.25
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	1.75	2.00
China 1yr lending rate	4.35	4.35	4.35	4.35	4.35	4.35
China Reserve Ratio	14.5	16.0	16.0	16.0	16.0	16.0
10-year Benchmark Bond Yields						
Australia	2.43	3.00	3.05	3.30	3.40	3.50
United States	2.84	3.25	3.25	3.50	3.50	3.50
New Zealand	2.43	2.85	2.85	3.10	3.20	3.30

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	3.3	2.7	2.5	3.4
US	2.9	1.6	2.2	2.9	2.3	1.6	2.6
Eurozone	2.0	1.9	2.5	1.9	1.7	1.6	1.5
UK	2.3	1.8	1.7	1.3	1.7	1.5	2.4
Japan	1.4	1.0	1.7	0.9	1.2	0.9	0.8
China	6.9	6.7	6.9	6.6	6.3	6.0	9.2
India	8.2	7.1	6.7	7.3	7.1	7.2	6.6
New Zealand	3.5	4.0	2.8	2.9	2.8	2.6	3.0
World	3.5	3.3	3.7	3.7	3.6	3.5	3.5
MTP Top 5	4.1	3.8	4.2	4.0	3.8	3.4	5.0

NB: New Australian economy forecasts will be released on Wednesday 12 December.

Commodity prices ($US)

	10-Dec	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Brent oil	62.2	82	85	80	77	78
Gold	1248	1247	1276	1297	1305	1318
Iron ore	64.8	68	63	60	61	62
Hard coking coal	222	195	180	175	160	165
Thermal coal	103	110	105	103	101	100
Copper	6157	6250	6350	6500	6600	6700
Aust LNG (*)	15.6	13.5	14.3	14.6	13.4	13.0

(*) Implied Australian LNG export prices.

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