AUSTRALIAN MARKETS WEEKLY

RBA preview and views from the UK and Europe

In this issue

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Ask the Economists

Ask the FX Strategists

Ask the Interest Rate Strategists

RBA rate decision on Tuesday

- The RBA meets on Tuesday and the market is 79% priced for a rate cut with 74% of economists surveyed also expecting a rate cut, including NAB. Governor Lowe is also set to justify any decision in greater detail with a post-Board Dinner speech at 7.20pm AEST.
- Assuming a rate cut, the important question for markets will be whether the RBA signals a follow up rate cut is imminent – we think this is unlikely. Based on recent behaviour, both the Statement and speech on Tuesday will be used to justify the move lower, keep open the possibility of lower rates, but give no hint of timing. If this were to occur again, then it may disappoint markets slightly. Lowe is also likely to continue his "gentle turning point" comments, especially with recent house price moves.

Postcard from Europe – Lots of questions on Aussie QE, no US recession expected

- Our Global Head of Research has just returned from a week and a half in the UK and Europe, presenting on the Australian and NZ economies and financial markets, along with BNZ's NZ senior rates strategist Nick Smyth.
- The biggest surprise was that not a single investor had the view that there would be a world or US recession, though there was a general acceptance of a manufacturing downturn. However, most had also been surprised by both the extent of the global rally in bonds over the past 9 months, as well as by the recent back up in yields (now partly reversed). Investors were also generally extending duration and/or moving down the credit curve to generate returns given the low level of yields globally.
- There was a lot of interest on the prospects for unconventional policy in Australia and the perceived differences between the RBA and RBNZ on negative interest rates. Most investors thought QE would have little effect in Australia and that negative rates had not worked elsewhere. Indeed many expressed a degree of incredulity that the RBA might seriously be contemplating unconventional policy at this stage, with a common view being that things in Australia were not that bad.

The week ahead

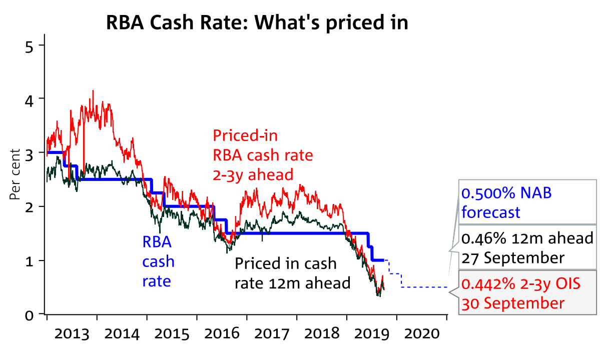
- A big week ahead domestically with a likely RBA rate cut on Tuesday and then to Retail Sales on Friday to help determine whether households spent their recent tax cuts amid conflicting anecdotes (note there is a wide consensus from +0.2 to +1.0%). There is also a raft of other data pieces including Building Approvals on Tuesday and Trade Balance on Thursday. We also hear from the RBA on financial stability issues with the FSR published on Friday as well as from the RBA's Ellis the same day.
- International focus will be on the US ISMs on Tuesday and Thursday, and then Payrolls on Friday. There are also a number key geopolitical events under focus including Brexit and the Trump-Ukraine impeachment inquiry. China also has Golden Week holidays from October 1-7 which is likely to keep things quiet on the trade front – negotiators are next scheduled to meet starting from October 10.

Key markets over the past week

	Last	% chg week		Last	bp/% chg week
AUD	0.6756	-0.2	RBA cash	1.00	0.0
AUD/CNY	4.81	-0.2	3y swap	0.74	0.0
AUD/JPY	72.9	0.1	ASX 200	6715	-0.5
AUD/EUR	0.618	0.3	Iron ore	92.1	-2.7
AUD/NZD	1.078	0.1	Brent oil	61.7	-4.7

Source: Bloomberg

Chart of the week: 2 more rate cuts likely by early 2020



Source: National Australia Bank, Macrobond
OIS is Overnight Indexed Swaps, where the interest payment is compounded from the (overnight/daily) central bank rate

Ivan Colhoun, Global Head of Research

Tapas Strickland, Director, Economics

RBA Preview - RBA to cut the cash rate to 0.75% and press release/speech could disappoint markets

On Tuesday, we expect the Reserve Bank will cut the cash rate by 25bp to a new record low of 0.75% (consensus: 0.75%; market priced 79% for a cut). This view reflects our assessment that the economy continues to underperform, with inflation below the target and unemployment edging higher, increasing the gap with the Reserve Bank's estimate of full employment.

We had earlier thought that the Reserve Bank might wait until November to cut rates, but we brought that forward to October in the wake of the dovish September Board minutes (we also brought forward a cut from February to December). This is consistent with subsequent signalling from Governor Lowe last week, where he indicated that the Board would consider cutting rates on Tuesday (see An Economic Update speech by Governor Lowe).

Previously, the Reserve Bank had indicated the Board would consider cutting if warranted by an accumulation of evidence. However, Governor Lowe more recently has said further easing "may well be required", with an accumulation of evidence "that the economy can sustain lower rates of unemployment and underemployment". Importantly, he also stressed that if the bank ignored the structural shift to lower world interest rates amid the US-China trade war and heightened geopolitical risk there would be an "unhelpful" rise in the exchange rate.

If we are right and the Reserve Bank cuts rates, we expect that the accompanying press release will focus on justifying the cut with no lead on future moves, other than repeating that "it is reasonable to expect an extended period of low interest rates" and that the "Board will continue to monitor developments, including in the labour market, and ease monetary policy further if needed". Indeed, we think there could a "glass half full" tone to the press release, repeating that the economy could be at a "gentle turning point".

In our view, Governor Lowe believes such optimistic messaging is important to bolster the confidence of households, even as the message is undercut by rates being at record low levels. Guarded optimism should be more clearly on display in the governor's post-Board meeting dinner with business that night, where his remarks are also likely to focus on defending a cut rather than signalling a follow-up move. Notwithstanding claiming that he will continue to speak his mind on fiscal policy, Lowe may stop short of calling on the government to support the economy through increased spending and structural reform given push-back from the treasurer.

If we were wrong and the Reserve Bank keeps rates on hold, then we would likely push out our forecast rate cut to November, pending reading the policy press release and listening to the governor's remarks. If this happened, we would have to question our interpretation of the bank's communications, likely concluding the governor's reaction function is slower to react to events and risks than we thought. Ultimately, though, we would still expect lower interest rates given we think the state of the economy still requires more policy support, particularly with increased uncertainty around the global outlook and with no sign of additional fiscal.

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Postcard from the UK and Europe from NAB's Ivan Colhoun – lots of questions on Aussie QE and doubts on its effect, US recession not expected by investors

I have just spent a week and a half in the UK and Europe presenting on the Australian and NZ economies and financial markets, along with BNZ's NZ rates strategist, Nick Smyth. These were the main takeaways, questions and themes coming out of our meetings.

The biggest surprise was that we did not meet one investor that was of the view that there was going to be a world or US recession, though there was general acceptance of a manufacturing recession. Neither was there anyone predicting strong growth or upside surprises to growth either. I think in large part, the lack of recession concern reflected the continuing relatively optimistic assessment of investors of the underlying strength of the US economy.

We made the point that we were monitoring developments in China and Europe more closely as these economies might now be big enough to drag the US into recession. One investor noted that there had been a backlog of orders in European manufacturing that had likely shielded labour from layoffs for some time, though this could not continue indefinitely. Like us, a number of investors were monitoring indicators of services activity and services employment for signs that the manufacturing slowdown was spreading into the larger services sector. One investor noted that the weakness in German exports experienced in recent times mainly reflected exports to Europe, rather than exports to China.

Most bond investors had been surprised by both the extent of the global rally in bond yields over the past 9 months – and also by the size of the back up in yields over the past month or so. There was considerable interest in the strong rally in the Australian market's pricing of an October interest rate cut, which we attributed more to the October Board Minutes than the slight further rise in unemployment (the rate rounding to 5.3% in August instead of 5.2% the month before). The Minutes (and a speech last week by the RBA Governor) revealed that the global backdrop had continued to deteriorate, while consumer spending remained weak.

Australian specific observations

A common line of enquiry was to ask how much of the slowing in Australia was domestically-sourced versus how much was overseas and/or trade-war inspired? This was likely to be important in explaining the relative stance of monetary policy in Australia versus the rest of the world. In the first few days of the trip, there was quite a lot of questioning as to how the RBA might view/respond to an oil price shock given the drone attack in Saudi Arabia had just occurred. This was a short-lived line of questioning given the quick reversal in oil prices. For the record, we thought the RBA would look through the short-term impact on inflation and be more concerned about the contractionary effect from the drag on household incomes and spending power.

How the trade wars were affecting the Australian and NZ economies was a very common question – and in fact displaced questions about Australian housing from the number one spot for the first time in recent memory. (I attribute the reduced focus on Australian housing more to greater uncertainty/focus on global matters). The impact of the US China trade war is clearest in financial market developments (the relative weakness in the $A and $NZ and the global rally in bond yields). In terms of Australian exports, prices and volumes remain strong/relatively elevated, though it does appear that Chinese tourism arrivals to Australia have levelled off, rather than fallen, after years of very strong growth. This may equally reflect prior efforts of the Chinese authorities to moderate growth as much as uncertainty related to the trade wars.

We noted that some positives from Australia's perspective included the fact that Australia and China are not having a trade war; Australian and Chinese trade is quite complementary; there was little IP in most of the commodities we export to China; and there were few alternative sources of the volume and quality of exports that we provide to China. That said, it was generally agreed that further escalation of the trade situation was likely to be unhelpful to both the Australian and NZ growth outlooks and would put further downward pressure on each country's currency. A number of investors were short the $A and $NZ as a hedge on further negative Chinese growth developments.

Views on unconventional policy in Australia

There was a lot of interest in the prospects for unconventional monetary policy in Australia and the perceived difference between the RBA and RBNZ views on negative interest rates. Most investors we met with had the view that QE would have little effect in Australia and that negative interest rates had not worked well anywhere else. Indeed many expressed a degree of incredulity that the RBA might seriously be contemplating unconventional policy at this stage, with a common view being that things in Australia were not that bad (growth a little below trend, inflation a little below target, and unemployment quite low (especially by European standards)). We discussed that term repos could be used to provide low-cost longer-term funding for banks, which might be more helpful in lowering borrowing rates than QE in the current circumstances. QE would be more helpful in a credit market dislocation;

Many were interested in the prospects for fiscal policy to support the economy – with many also noting that central banks seem to be singing largely from the same hymn book on fiscal policy since Jackson Hole. There was general agreement that we were nearing the bottom for official interest rates globally. There was some discussion (including from me) about helicopter money being the ultimate solution if you wanted to create inflation. A reasonable proportion thought the RBA's 2-3% target was too high and/or unachievable in the current circumstances. [There was generally little interest in – or significance attached to - the prospects of the Government making the RBA write a letter explaining any RBA undershot/or overshot of its inflation target].

Our views were that NZ may be more open to fiscally supporting their economy given an election next year, while the Australian government would likely require some more concrete signs of rising unemployment before it relaxed its objective of returning to surplus. NAB's view remains that we are likely to see some further monetary accommodation from the RBA in the first instance (including a further reduction in interest rates at the RBA's Board meeting tomorrow). If the Government is not forthcoming with some fiscal support in the mid-year review in December and next year's May budget, then it becomes more likely that the RBA will have to consider unconventional policy (though this seems more like a second half of 2020 story at the earliest). There were a number of questions about how many bonds Australia would need to buy to lower the 10-year bond yield by 25bps? And was the Australian bond market big enough to accommodate a significant QE program – or might QE wreck the Australian bond market as has occurred in Sweden. Would semis be included in the QE program?

A minority were thinking that the recent improvement in the Australian housing sector would be quite positive for the economy and would lead to Australia outperforming the NZ economy in the near term. That said, the NZ economic data had generally been outperforming Australia in recent times, with NZ not having had the same housing market correction as Australia and the unemployment rate being considerably lower. We noted the importance of distinguishing between the impact of the improvement in housing market turnover and prices in some cities, compared to the likely further drag on the economy from reduced construction activity in NSW and Victoria in particular.

There were a large number of questions on trends in Australia's participation rate and what that said about the economy and labour market. We noted that there were a mixture of forces at work behind the rising participation rates for older and female workers, some of these voluntary (greater workforce flexibility) and some likely somewhat involuntary (the need to fund higher housing debt and increased longevity). It was still something of a puzzle that employment growth had been so strong over the past year with GDP growth measured at under 1.5% y/y.

International and market views

Brexit – there certainly were different views from different sides of the channel on the subject of Brexit, with most very uncertain about how Brexit would play out. One investor I asked thought that "it was self-evident how Brexit would be resolved", before breaking into laughter! The European view largely was that Brussels had made an offer, Europe was spending too much time on the subject when there were other important factors for the EU to be addressing and that another offer likely would not be made before 31 October. The logical conclusion to this line of argument was that the UK would end up having another election shortly after the 31 October deadline. One investor was of the view that Boris Johnson would win these elections and that therefore there would be a no-deal Brexit sometime early in the new-year.

Investors generally were extending duration and/or moving down the credit curve to generate returns, though the appetite to do this – and especially to invest at negative yields – depended on the investor type (eg a number of insurance companies would not invest in negative yields given their liabilities. Some were looking to change mandates so they could invest in other assets including direct loans). A number noted that once hedging was taken into account, some negative yield investments made sense! That said a number were concerned about the additional risk being taken for little return. In many cases, bond investors were increasing their weightings to US Treasuries given higher yields, stronger economic performance and greater ability to rally should global economic growth continue to slow or deteriorate further. While investors were generally of the view that the US economy by itself would not experience recession, the longer that the US-China trade situation remained unresolved, the greater the risk that the slowdown would deepen. One investor noted that while they thought the trade situation would ultimately be resolved, they did not expect yields to regain the previous levels if the situation was resolved.

While, there was a deal of interest in Australian inflation-linked securities, the point that came across was that investors generally used TIPS to express a 'global view' on inflation, given the transactions costs were lower, they were more liquid, and also 'cheap' on conventional metrics. Where investors might get engaged in AUD linkers would be if there was an idiosyncratic story – e.g. if QE were to become a more tangible prospect.

Views were mixed on long-end duration. No-one was thumping the table that rates were going to rise anytime soon (most seemed sceptical that the trade war would be resolved any time soon), but bond yields have fallen a long way and it's not clear the risk-reward (especially in some countries e.g. Europe) for being long was as favourable. Nick detected a sense of "what's the next trade"?

There seemed a broad-based preference to be long US Treasuries cross-market given the higher yield structure. This contrasts to 12m ago, when most were still bearish USTs.

Some questioned how much further NZ and AUD rates can rally from here. In the past NZD and AUD received/long positions have been seen as an attractive 'portfolio hedge' for risk-asset positions within investors' portfolios, given that both central banks had the ability to cut rates meaningfully (hence rates could rally a long way potentially). With the RBA and RBNZ cash rates at 1% and 10y government bond yields at similar levels, the implicit question was whether long/received positions had the same insurance properties as in the past, especially compared to USTs.

Investors agreed spread product still looked relatively attractive, including semis in Australia, LGFA/Housing NZ in New Zealand. Some investors asked for more information on the respective markets, including liquidity.

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CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Monday 30 September 2019								
GE	Unemployment Claims Rate SA	Sep		--		5	7.55	17.55
UK	GDP QoQ	2Q F		--		-0.2	8.30	18.30
UK	GDP YoY	2Q F		--		1.2	8.30	18.30
EC	Unemployment Rate	Aug		--		7.5	9.00	19.00
GE	Retail Sales MoM	Aug		0.5		-2.2	30 Sep to 3 Oct	
GE	CPI MoM	Sep P		--		-0.2	12.00	22.00
GE	CPI YoY	Sep P		--		1.4	12.00	22.00
Tuesday 01 October 2019								
AU	AiG Perf of Mfg Index	Sep		--		53.1	22.30	8.30
JN	Jobless Rate	Aug		--		2.2	23.30	9.30
JN	Tankan Large Mfg Index	3Q		2		7	23.50	9.50
AU	CoreLogic House Px MoM	Sep		--		1	0.00	10.00
AU	Building Approvals MoM	Aug	1.5	--		-9.7	1.30	11.30
AU	Building Approvals YoY	Aug	-20	--		-28.5	1.30	11.30
AU	RBA Cash Rate Target	Oct 1	0.75	1		1	4.30	14.30
AU	Commodity Index SDR YoY	Sep		--		6.2	6.30	16.30
US	Fed Evans speaks in Frankfurt						7.15	17.15
GE	Markit/BME Germany Manufacturing PMI	Sep F		--		41.4	7.55	17.55
EC	Markit Eurozone Manufacturing PMI	Sep F		--		45.6	8.00	18.00
UK	Markit UK PMI Manufacturing SA	Sep		--		47.4	8.30	18.30
EC	CPI Core YoY	Sep A		--		0.9	9.00	19.00
EC	CPI Estimate YoY	Sep		--		1	9.00	19.00
AU	RBA Lowe speaks in Melbourne	Oct 1					9.20	19.20
CA	GDP MoM	Jul		--		0.2	12.30	22.30
CA	GDP YoY	Jul		--		1.5	12.30	22.30
CA	Markit Canada Manufacturing PMI	Sep		--		49.1	13.30	23.30
US	Markit US Manufacturing PMI	Sep F		--		51	13.45	23.45
US	ISM Manufacturing	Sep		50.5		49.1	14.00	0.00
US	Construction Spending MoM	Aug		0.4		0.1	14.00	0.00
Wednesday 02 October 2019								
NZ	Dairy Auction Avg. Winning Price MT	Oct 1		--		3303	early am	
NZ	QV House Prices YoY	Sep		--		2.3	16.00	2.00
US	Fed Barkin speaks on the rural economy						12.00	22.00
US	ADP Employment Change	Sep		140		195	12.15	22.15
US	Fed Harker speaks a the Community Banking Conference						13.00	23.00
Thursday 03 October 2019								
AU	AiG Perf of Services Index	Sep		--		51.4	22.30	8.30
NZ	ANZ Commodity Price	Sep		--		0.3	0.00	10.00
AU	Trade Balance	Aug	6500	--		7268	1.30	11.30
US	Fed Evans speaks at Central Banking Conference in Madrid						6.45	16.45
GE	Markit Germany Services PMI	Sep F		--		52.5	7.55	17.55
EC	Retail Sales MoM	Aug		--		-0.6	9.00	19.00
EC	Retail Sales YoY	Aug		--		2.2	9.00	19.00
US	Markit US Services PMI	Sep F		--		50.9	13.45	23.45
US	Factory Orders	Aug		-0.5		1.4	14.00	0.00
US	ISM Non-Manufacturing Index	Sep		55		56.4	14.00	0.00
UK	BoE Tenreyro speaks on panel in Washington						14.00	0.00
Friday 04 October 2019								
AU	RBA Financial stability review						1.30	11.30
AU	Retail Sales MoM	Aug	0.3	--		-0.1	1.30	11.30
AU	RBA Luci Ellis speaks in Geelong						2.00	12.00
US	Fed Rosengren speaks at Boston Fed Conference						12.30	22.30
US	Change in Nonfarm Payrolls	Sep		140		130	12.30	22.30
US	Unemployment Rate	Sep		3.7		3.7	12.30	22.30
US	Average Hourly Earnings MoM	Sep		0.3		0.4	12.30	22.30
US	Average Hourly Earnings YoY	Sep		3.2		3.2	12.30	22.30
US	Trade Balance	Aug		-54.9		-54	12.30	22.30
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		Oct 1	0.75	1.00		1.00		
Europe, ECB		Oct 24	-0.50	-0.50		-0.50		
Japan, BoJ		Oct 31	-0.10	-0.10		-0.10		
Canada, BoC		Oct 30	1.75	1.75		1.75		
US, Federal Reserve		Oct 30	1.75/2	1.75/2		1.75/2		
UK, BOE		Nov 7	0.75	0.75		0.75		

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

FORECASTS

Economic Forecasts

	Annual % change				Quarterly % change															
					2018				2019				2020				2021			
Australia Forecasts	**2018**	**2019**	**2020**	**2021**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Household Consumption	2.6	1.4	1.7	2.3	0.5	0.8	0.3	0.4	0.3	0.4	0.3	0.3	0.4	0.5	0.6	0.5	0.6	0.6	0.6	0.6
Underlying Business Investment	1.2	-2.1	0.2	1.9	0.7	-0.8	-2.1	0.1	-0.2	-0.6	-0.3	-0.5	0.1	0.1	1.1	0.5	0.4	0.4	0.2	0.4
Residential Construction	4.8	-8.6	-8.1	-0.9	3.3	2.8	0.1	-2.8	-2.2	-4.4	-2.7	-2.4	-2.1	-1.3	-1.7	-0.5	0.1	0.2	0.5	0.8
Underlying Public Spending	4.3	4.2	3.8	3.6	1.4	-0.1	2.1	0.8	1.1	1.4	0.4	0.8	1.1	1.1	0.9	0.9	0.8	0.8	0.8	0.9
Net Exports (a)	0.8	1.6	-0.1	-0.2	0.6	0.0	0.4	-0.2	0.4	0.6	0.3	0.3	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0
Inventories (a)	0.1	-0.4	0.1	0.1	0.0	0.2	-0.3	0.2	-0.1	-0.5	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Domestic Demand (q/q %)	--	--	--	--	0.9	0.5	0.4	0.2	0.1	0.3	0.2	0.2	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.7
Dom Demand (y/y %)	2.8	0.9	1.7	2.6	3.5	3.3	2.5	2.0	1.2	1.0	0.8	0.8	1.2	1.4	1.9	2.2	2.5	2.6	2.7	2.8
Real GDP (q/q %)	--	--	--	--	1.0	0.7	0.3	0.1	0.5	0.5	0.5	0.5	0.6	0.5	0.7	0.6	0.6	0.6	0.6	0.7
Real GDP (y/y %)	2.7	1.7	2.2	2.5	3.1	3.1	2.6	2.2	1.7	1.4	1.6	2.0	2.1	2.1	2.3	2.4	2.4	2.6	2.5	2.6
CPI headline (q/q %)	--	--	--	--	0.4	0.4	0.4	0.5	0.0	0.6	0.4	0.6	0.4	0.4	0.5	0.7	0.5	0.5	0.6	0.7
CPI headline (y/y %)	1.9	1.5	1.8	2.2	1.9	2.1	1.9	1.8	1.3	1.6	1.6	1.6	2.0	1.7	1.8	1.9	2.0	2.1	2.3	2.3
CPI underlying (q/q %)	--	--	--	--	0.5	0.5	0.4	0.4	0.2	0.4	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5
CPI underlying (y/y %)	1.9	1.4	1.5	1.9	1.9	1.9	1.8	1.8	1.5	1.4	1.4	1.3	1.5	1.5	1.5	1.6	1.7	1.9	2.0	2.0
Private wages (q/q %)	--	--	--	--	0.5	0.6	0.5	0.6	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Private wages (y/y %)	2.1	2.3	2.5	2.8	1.9	2.1	2.1	2.3	2.4	2.3	2.3	2.3	2.4	2.5	2.6	2.6	2.7	2.7	2.8	2.8
Unemployment Rate (%)	5.3	5.2	5.4	5.5	5.5	5.6	5.1	5.0	5.0	5.2	5.2	5.3	5.3	5.4	5.5	5.5	5.5	5.4	5.5	5.4
Terms of trade	2.0	3.2	-7.9	1.8	3.3	-1.3	1.1	3.0	3.1	1.5	-4.4	-4.7	-2.6	-0.6	0.9	-0.2	1.2	0.6	-0.1	-0.1
Current Account (% GDP)	-2.1	0.3	-1.0	-0.8	-2.2	-2.7	-2.2	-1.4	-0.2	1.2	0.5	-0.3	-0.9	-1.1	-1.0	-1.0	-0.8	-0.7	-0.8	-0.9

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

Exchange Rate Forecasts

	30-Sep	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Majors						
AUD/USD	0.676	0.65	0.66	0.67	0.69	0.70
NZD/USD	0.63	0.62	0.62	0.63	0.65	0.65
USD/JPY	107.8	104	104	105	106	106
EUR/USD	1.09	1.12	1.11	1.13	1.14	1.15
GBP/USD	1.23	1.20	1.18	1.20	1.22	1.24
USD/CNY	7.12	7.40	7.40	7.30	7.20	7.10
USD/CAD	1.32	1.36	1.38	1.38	1.36	1.35
USD/CHF	0.99	0.97	0.95	0.96	0.96	0.96
Australian Cross Rates						
AUD/NZD	1.08	1.05	1.06	1.06	1.06	1.08
AUD/JPY	72.9	68	69	70	73	74
AUD/EUR	0.62	0.58	0.59	0.59	0.61	0.61
AUD/GBP	0.55	0.54	0.56	0.56	0.57	0.56
AUD/CNY	4.81	4.81	4.88	4.89	4.97	4.97
AUD/CAD	0.89	0.88	0.91	0.92	0.94	0.95
AUD/CHF	0.67	0.63	0.63	0.64	0.66	0.67

Interest Rate Forecasts

	30-Sep	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Australian Rates						
RBA cash rate	1.00	0.50	0.50	0.50	0.50	0.50
3 month bill rate	0.95	0.60	0.60	0.60	0.60	0.60
3 Year Swap Rate	0.74	0.70	0.70	0.85	0.95	1.00
10 Year Swap Rate	1.12	1.05	1.05	1.20	1.35	1.45
Offshore Policy Rates						
US Fed funds	2.00	1.75	1.75	1.75	1.75	1.75
ECB deposit rate	-0.50	-0.60	-0.70	-0.70	-0.70	-0.70
BoE repo rate	0.75	0.75	0.75	0.75	0.75	1.00
BoJ excess reserves rate	-0.10	-0.20	-0.20	-0.30	-0.30	-0.30
RBNZ OCR	1.00	0.75	0.50	0.50	0.50	0.50
China 1yr lending rate	4.35	4.10	4.10	4.10	4.10	4.10
China Reserve Ratio	13.0	12.50	12.00	12.00	12.00	12.00
10-year Bond Yields						
Australia	0.96	0.90	0.90	1.00	1.10	1.20
United States	1.68	1.50	1.50	1.60	1.70	1.80
New Zealand	1.09	0.95	0.95	1.05	1.10	1.30

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

	2018	2019	2020	2021
Australia	2.7	1.7	2.2	2.5
United States	2.9	2.2	1.6	1.8
Eurozone	1.9	1.1	1.1	1.4
United Kingdom	1.4	1.2	1.2	1.5
Japan	0.8	1.0	0.2	0.9
China	6.6	6.3	6.0	5.8
India	6.8	5.7	6.8	7.1
New Zealand	2.9	2.1	2.4	2.0
World	3.6	3.1	3.2	3.5

Commodity prices ($US)

	30-Sep	Dec-19	Mar-20	Jun-20	Sep-20
Brent oil	61.7	70	70	75	75
Gold	1493	1450	1483	1518	1547
Iron ore	na	76	72	68	71
Hard coking coal*	140	170	165	160	155
Thermal coal	66	90	93	90	88
Copper	5736	6300	6225	6150	6125
Aus LNG**	10	12	12	12	12

** FOB quarterly contract prices (thermal coal is JFY contract)*

*** Implied Australian LNG export prices*

CONTACT DETAILS

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