AUSTRALIAN MARKETS WEEKLY

RBA pushes back on the extent of yield moves

In this issue

Analysis: RBA pushes back on the extent of yield moves

- The RBA's 3yr YCC target and QE program have come under some challenge over the past week and a half amid the global bond sell-off. We noted in last week's Weekly that the RBA would need to decide whether to push back on market moves by reiterating current guidance and/or offering to buy more 3yr bonds to anchor yields.
- The RBA came out swinging to defend the 3yr YCC target with $7bn in purchases, as well as pushing back on the extent of the broader move in longer yields yesterday with the RBA doubling the amount of normal QE purchases ($4bn vs. $2bn usually).
- Today's RBA Statement notes the QE purchases were "*brought forward…to assist with the smooth functioning of the market. The Bank is prepared to make further adjustments to its purchase in response to market conditions.*" The RBA affirmed its 'best guess' guidance of not seeing the conditions for a rate rise in place until at least 2024. No decision has been made on whether to extend the 3yr YCC target to the November 2024 bond with a decision to be made later in the year.
- It is clear the RBA remains committed to not lifting rates until at least 2024. Given the improvement in the economy to date, we do not see the YCC target being extended beyond the current April 2024 bond. QE meanwhile is likely to be extended beyond September by another $100bn with the currency becoming a concern and the US Fed likely continuing their QE program at the current rate until early 2022.
- The RBA's QE bond buying signal contrasts somewhat with that seen in the US and the UK where many central bankers are taking a more positive view of the signals sent by the bond market, while also reiterating existing policy guidance. With output gaps possibly closing in the US and the UK within 2 years and central banks sanguine on inflation risks, markets are likely to continue to price the risk of inflation picking up.
- The other question markets are asking is how aggressive any tightening cycle will be when it eventually does occur. Former NY Fed President Dudley (on the dovish spectrum in his time on the FOMC) noted recently "*a tightening process will probably have to happen quite briskly*", nominating perhaps 200bps a year! (link to speech)

The week ahead

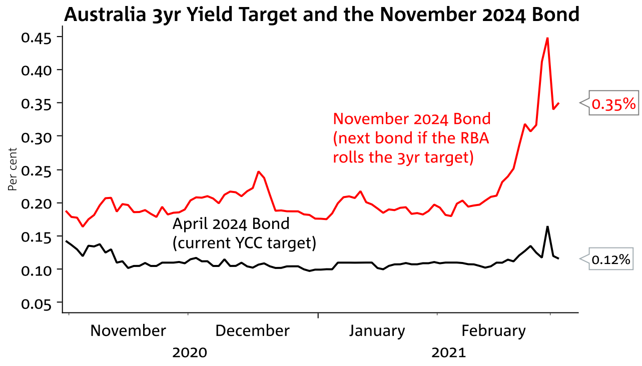
- **Australia:** Focus now shifts to tomorrow's Q4 GDP, NAB pencilling in a 2.9% q/q print, above the consensus of 2.3%. Other data include Weekly Payrolls on Wednesday and Trade and Retail on Thursday.
- **International:** The focus remains on bond and how central banks are interpreting the moves. Note US Fed Chair Powell is speaking on Thursday as is RBNZ Governor Orr. As for data: **US:** Payrolls on Friday is out after the US Services ISM on Wednesday. **CH:** Caixin Services PMI the focus after the Official Manufacturing PMIs came in softer than expected on Sunday. **EZ/UK:** a relatively quiet week with EZ CPI data on Tuesday of

Key markets over the past week

	Last	% chg week		Last	bp/% chg week
AUD	0.7757	-1.8	RBA cash	0.03	0.0
AUD/CNY	5.02	-1.9	3y swap	0.29	0.0
AUD/JPY	82.9	-0.3	ASX 200	6778	-0.9
AUD/EUR	0.645	-0.8	Iron ore	166.8	1.1
AUD/NZD	1.071	-0.6	Brent oil	63.0	-2.3

Source: Bloomberg

Chart of the week: Markets testing the RBA's 3yr target



Source: National Australia Bank, Bloomberg

Tapas Strickland, Director, Economics, Markets

RBA pushes back on the extent of yield moves

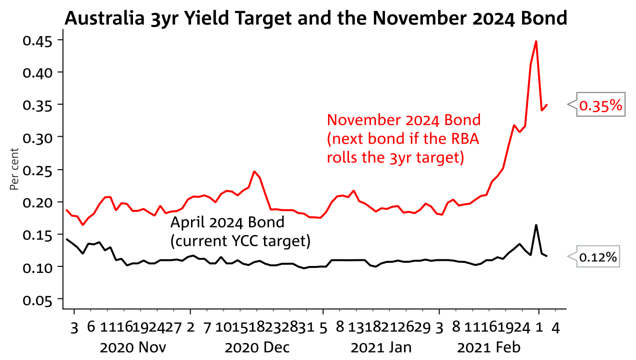
The RBA Statement today shed a little further light on the RBA's moves in pushing back on the global bond sell-off over the past week. Note the RBA purchased $7bn for 3yr YCC last week - $3bn on Friday and Thursday, after the $1bn in buying on Monday disappointed. On Monday the RBA also doubled the amount it usually purchases as part of its QE program, buying $4bn in 3-7yr bonds. This suggests to an extent the RBA is pushing back on yield moves, especially those moves in the belly of the curve.

The post-meeting Statement noted that Monday's outsized QE purchases ($4bn v. $2bn) were "*brought forward…to assist with the smooth functioning of the market. The Bank is prepared to make further adjustments to its purchases in response to market conditions*". This may mean the RBA will not always purchase $5bn a week and changes to the pace of purchases may affect the end date of the program.

In the description of the rise in global yields, the RBA noted "*this increase partly reflects a lift in expected inflation over the medium term to rates that are closer to central bank's targets.*" Emphasising QE's importance to the exchange rate, the Statement also notes the move in yields has seen "*volatility in some other asset prices, including foreign exchange rates. The Australian dollar remains in the upper end of the range of recent years.*" ….. and that "*the current monetary policy settings are continuing to help the economy by keeping financing costs very low, contributing to a lower exchange rate than otherwise….*"

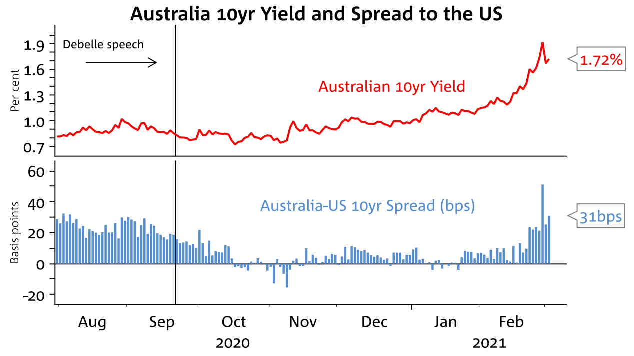
The RBA's actions, combined with some reversal of the recent sell-off globally, has seen domestic yields reverse some of the recent rises. Importantly though, yields remain elevated relative to recent history. With the domestic economy improving and signals from other central banks that the output gap/full employment could be closed/reached by the end of 2022, the market will likely continue to ponder the RBA's rates guidance and challenge the 3yr YCC commitment.

Chart 1: Market testing the rolling of the 3yr yield target



Source: National Australia Bank, Bloomberg

Chart 2: AU yields lifted sharply, some easing today



Source: National Australia Bank, Bloomberg

As for the RBA's rates guidance, the Statement repeated the familiar lines that the Board does not expect the conditions for a rate hike *"…to be met until 2024 at the earliest.*" These conditions are that actual inflation is sustainably within the 2-3% target, which the Bank describes as requiring materially faster wages growth, something that is not expected for some years. There was no comment on whether to extend the 3yr YCC target from the April 2024 bond to the November 2024 with previous guidance stating a decision would be made later in the year.

NAB's RBA views unchanged by the recent yield moves, but mindful markets will continue to price improved growth and somewhat higher inflation

NAB's forecasts, while slightly stronger than those of the RBA, are consistent with the RBA's view that the employment, wages and inflation conditions for a cash rate rise will not be in place until 2024. However, we do not expect the 3yr YCC target to be extended to the November 2024 bond as we expect recovery and the progress that will be made toward lower unemployment over the next six months, to make it questionable whether rates will continue to be unchanged until the end of 2024. NAB expects such a decision to be made around July or August, based on the timing of the decision to roll the 3-year target to the November 24.

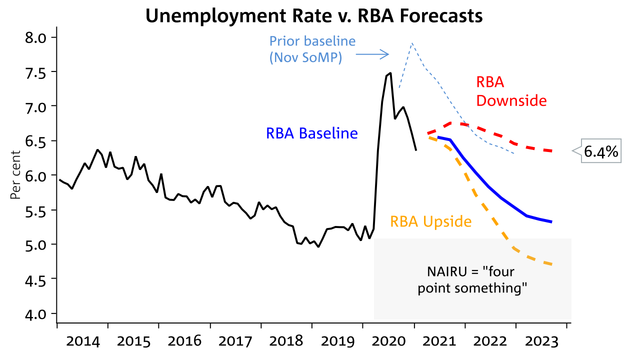
Today's Statement emphasised QE's importance to the exchange rate, the Statement also notes the move in yields has seen "*volatility in some other asset prices, including foreign exchange rates. The Australian dollar remains in the upper end of the range of recent years*". And that "*the current monetary policy settings are continuing to help the economy by keeping financing costs very low, contributing to a lower exchange rate than otherwise…*". This suggests the RBA will likely again extend the $100bn QE program after the second program ends in September, especially given the Fed is likely to continue their QE program until early 2022.

Our own forecasts do not see a significant lift in core inflation or wages growth in the next couple of years. The RBA Board has also made it clear that it "*will not increase the cash rate until actual inflation is sustainably within the 2 to 3% target range. For this to occur, wages growth will have to be materially higher than it is currently….The Board does not expect these conditions to be met until 2024 at the earliest*".

While the labour market is improving and running ahead of the RBA's optimistic scenario, it is still unclear how tight the labour market needs to be in order to see wages lift. The RBA currently thinks NAIRU is somewhere between 4-5% (previously 4.5% was given as guidance), and Governor Lowe notes the example of NSW, where unemployment got as low as 4% prior to the pandemic and this still saw little acceleration in wages.

Other reputable economists such as Ross Garnaut (former advisor to Hawke) notes full employment could be 3.5% or less and suggest policy makers allow NAIRU to be found by realised inflation so as not to prematurely tighten policy (both monetary and fiscal). Garnaut cites the experience of the US when in 2012 the Fed thought the US NAIRU was 5.5% in 2012, only to be proven wrong with unemployment falling to 3.5% without generating much in the way of inflationary pressure.

Chart 3: Labour market tightens, but NAIRU is uncertain



Source: National Australia Bank, ABS, RBA, Macrobond

Our justification for not expecting the 3yr YCC target to eb extended from the April 2024 bond to the November 2024 bond is because we do not think the RBA (or anyone) can confidently say in the next six months that rates will continue to be on hold until late 2024 or into 2025. This is especially in light of the run of better than expected data in Australia. The RBA is expected to make a decision on this by mid-year, possibly the July RBA meeting, taking into account that the RBA will be looking at "*the flow of economic data and the outlook for inflation and employment*" in making this decision. (RBA Feb 2020 Minutes)

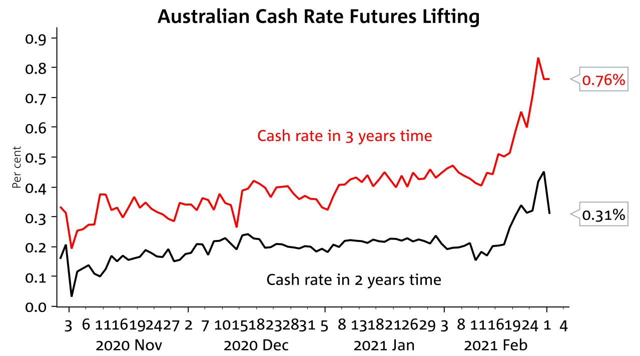
The RBA's recent focus and concern on the exchange rate also suggests the QE program, which was recently extended by 6 months and by a further $100bn, will again be extended after September.

RBA Deputy Governor Kent said the RBA's policies have meant the exchange rate was around 5% lower than where commodity prices would imply (Kent Speech Feb 2020). Governor Lowe also noted recently: "*In terms of other central banks, most have recently announced extensions of their bond purchase programs, many running until at least the end of this year. Given this, if we were to cease bond purchases in April, it is likely that there would be unwelcome upward pressure on the exchange rate.*".

In this vein it is important to note the US Fed has said it will continue its current rate of asset purchases until early 2022. According to the RBA's argument, if the Bank were to taper QE purchases ahead of this time, this may lead to further unwelcome appreciation in the currency, which of course could hamper both recovery and progress on inflation.

Notwithstanding NAB's view of the RBA, we are also mindful that markets will continue to think about the risks of an earlier tightening in policy, the risk of inflation picking up, while also asking how quick the tightening cycle will be, once rate hikes start. Market pricing currently reflects increases in cash rates well before the RBA's guidance, though to an extent this reflects the movements in long-end yields that have occurred around the world recently. (Chart 4).

Chart 4: Market pricing of future cash rate

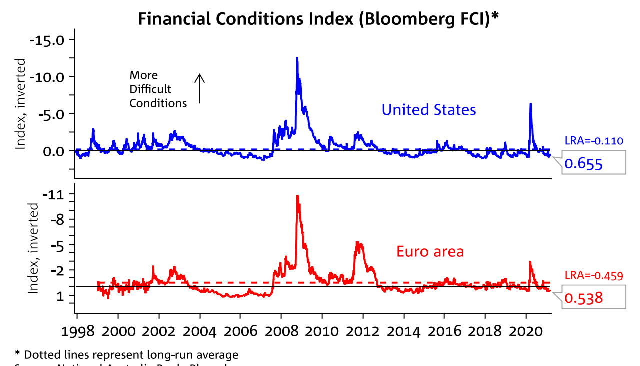


Source: National Australia Bank, Bloomberg

Globally CBs are taking a mixed view of yield moves

While it is clear the RBA has pushed back against higher yields through its QE purchases, it's worth noting that other central banks are seeing the rise in longer-dated yields as a more positive sign. Officials from the US Fed and the BoE have said yield moves largely reflect markets pricing in a better economic outlook, with little pushback apart from re-affirming current policy guidance to remain accommodative. The ECB has been a little more circumspect, warning that a rise in yields could tighten financial conditions and impede progress on its policy goals. Looking at measures of financial conditions suggest there has been a little tightening though this has not been large compared to other periods of market stress and overall, financial conditions remain very accommodative. (Chart 5).

Chart 5: Financial conditions haven't tightened much



* Dotted lines represent long-run average
Source: National Australia Bank, Bloomberg

A recent speech by the BoE's chief economist Haldane sheds some light into the BoE's thinking about the move in yields (BoE Haldane Speech). Haldane notes the UK output gap will likely be closed within 18 months (similar to US Treasury Secretary Yellen's view of the US being back to full employment by the end of 2022 given the recent the fiscal stimulus package), and accordingly in his view "*the risks to inflation in the UK are skewed to the upside, rather than being balanced*". Haldane also notes the move to average inflation targeting by many (including the Fed) means "*the greater risk at present is of central bank complacency allowing the inflationary (big) cat out of the bag.*"

Chart 6: Haldane sees the UK output gap closing in 18m

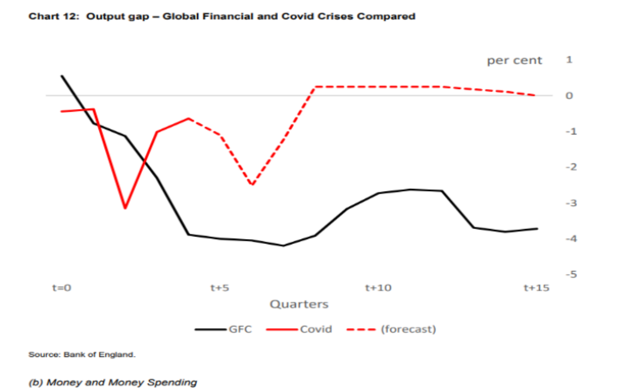
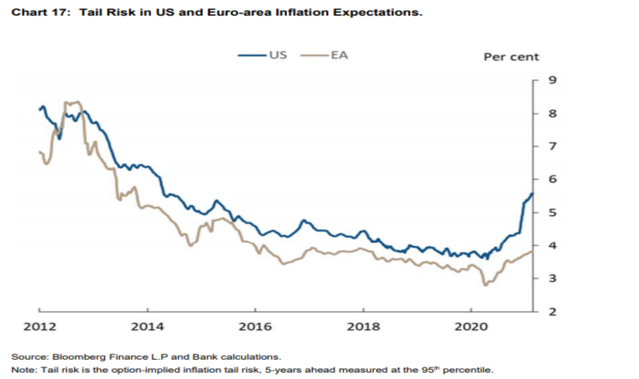


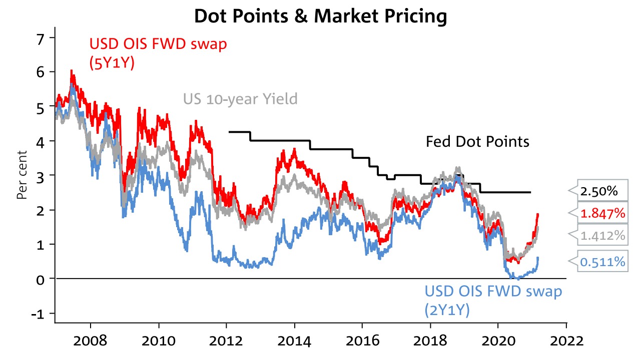
Chart 7: Markets will need to price inflation risks



The other question markets are asking is how aggressive will any tightening cycle be when it eventually does occur – though this is still likely 2-3 years away. Former NY Fed President Dudley (on the dovish spectrum in his time on the FOMC) noted recently "*a tightening process will probably have to happen quite briskly*", nominating perhaps 200bps a year!

Markets are currently debating (and beginning to price) the risk of somewhat higher inflation, recovery and the risk of central banks needing to hike rates earlier than present guidance. Time will tell whether central banks move towards market pricing or the reverse occurs. What is clear, however, is that the central bank operating paradigm is somewhat different – central banks are guiding that actual inflation will need to be pricing sustainably back in target range in Australia and averaging a bit above 2% in the US. In Australia this will require not only progress reducing unemployment, but also raising wages and inflation, which seems likely to take quite some time. This does not however mean that longer-dated borrowing rates cannot rise as our rates strategists have been forecasting for some months now as the economy recovers.

Chart 8: US Fed rate hike expectations lifting



Source: National Australia Bank, Bloomberg

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CALENDAR OF ECONOMIC RELEASES

Country	Economic Indicator	Period	Consensus	Actual	Previous	AEST
Sunday February 28						
CH	Non-manufacturing PMI	Feb	52.1	--	52.4	18:00
CH	Manufacturing PMI	Feb	51.1	--	51.3	18:00
Monday March 1						
AU	AiG Perf of Mfg Index	Feb	--	--	55.3	08:30
AU	CoreLogic House Px MoM	Feb	--	--	0.70%	10:00
AU	Melbourne Institute Inflation MoM	Feb	--	--	0.20%	11:00
AU	Company Operating Profit QoQ	4Q	2.00%	--	3.20%	11:30
AU	ANZ Job Advertisements MoM	Feb	--	--	2.30%	11:30
AU	Home Loans Value MoM	Jan	2.00%	--	8.60%	11:30
JN	Jibun Bank Japan PMI Mfg	Feb F	--	--	50.6	11:30
CH	Caixin China PMI Mfg	Feb	51.3	--	51.5	12:45
AU	Inventories SA QoQ	4Q	0.20%	--	-0.50%	14:30
AU	Commodity Index AUD	Feb	--	--	110.1	16:30
GE	Markit/BME Germany Manufacturing PMI	Feb F	60.6	--	60.6	19:55
EC	Markit Eurozone Manufacturing PMI	Feb F	57.7	--	57.7	20:00
UK	Markit UK PMI Manufacturing SA	Feb F	54.9	--	54.9	20:30
GE	Retail Sales MoM	Jan	0.90%	--	-9.60%	03/03
GE	CPI EU Harmonized MoM	Feb P	0.60%	--	1.40%	00:00
US	Fed's Williams Makes Opening Remarks at Conference					01:00
CA	Markit Canada Manufacturing PMI	Feb	--	--	54.4	01:30
US	Markit US Manufacturing PMI	Feb F	58.5	--	58.5	01:45
US	Construction Spending MoM	Jan	0.70%	--	1.00%	02:00
US	ISM Manufacturing	Feb	58.7	--	58.7	02:00
EC	Conference with ECB's Guindos, Makhlouf and Villeroy					02:20
US	Fed's Bostic, Mester and Kashkari Discuss Racism and Economy					06:00
Tuesday March 2						
NZ	Terms of Trade Index QoQ	4Q	1.00%	--	-4.70%	08:45
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Feb-28	--	--	109.2	09:30
JN	Jobless Rate	Jan	3.00%	--	2.90%	10:30
AU	BoP Current Account Balance	4Q	A$13.0b	--	A$10.0b	11:30
AU	Net Exports of GDP	4Q	-0.3	--	-2	11:30
AU	Building Approvals MoM	Jan	-2.00%	--	10.90%	11:30
AU	RBA Cash Rate Target	Mar-02	0.10%	--	0.10%	14:30
AU	RBA 3-Yr Yield Target	Mar-02	0.10%	--	0.10%	14:30
NZ	CoreLogic House Prices YoY	Feb	--	--	12.80%	16:00
GE	Unemployment Claims Rate SA	Feb	6.00%	--	6.00%	19:55
EC	CPI Core YoY	Feb P	--	--	1.40%	21:00
CA	Quarterly GDP Annualized	4Q	--	--	40.50%	00:30
US	Fed's Brainard Speaks to the Council on Foreign Relations					05:00
US	Fed's Brainard Discusses Economic Outlook					05:00
US	Fed's Daly Speaks to Economic Club of new York					06:00
Wednesday March 3						
AU	AiG Perf of Construction Index	Feb	--	--	57.6	08:30
NZ	Building Permits MoM	Jan	--	--	4.90%	08:45
AU	Markit Australia PMI Services	Feb F	--	--	54.1	09:00
NZ	ANZ Commodity Price	Feb	--	--	3.60%	11:00
AU	GDP SA QoQ	4Q	2.30%	--	3.30%	11:30
AU	GDP YoY	4Q	-2.00%	--	-3.80%	11:30
JN	Jibun Bank Japan PMI Services	Feb F	--	--	45.8	11:30
AU	Weekly Payroll Jobs and Wages in Australia (for Feb. 13)					11:30
CH	Caixin China PMI Services	Feb	51.8	--	52	12:45
UK	Official Reserves Changes	Feb	--	--	$37m	18:00
GE	Markit Germany Services PMI	Feb F	45.9	--	45.9	19:55
EC	Markit Eurozone Services PMI	Feb F	44.7	--	44.7	20:00
UK	Markit/CIPS UK Services PMI	Feb F	49.7	--	49.7	20:30
US	ADP Employment Change	Feb	165k	--	174k	00:15
CA	Building Permits MoM	Jan	--	--	-4.10%	00:30
US	Markit US Services PMI	Feb F	--	--	58.9	01:45
US	ISM Services Index	Feb	58.7	--	58.7	02:00
US	Fed's Harker Discusses Equitable Workforce Discovery					02:00
UK	BOE's Tenreyro Speaks on Negative Rate Policies					03:00
US	Fed's Evans Discusses the Economic Outlook					05:00
US	U.S. Federal Reserve Releases Beige Book					06:00
Thursday March 4						
NZ	RBNZ Governor Adrian Orr to Speak at Waikato University					07:15
AU	Retail Sales MoM	Jan F	0.60%	--	0.60%	11:30
AU	Trade Balance	Jan	A$6300m	--	A$6785m	11:30
EC	ECB's Knoot, Centeno on Panel					19:10
EC	Unemployment Rate	Jan	8.30%	--	8.30%	21:00
EC	Retail Sales MoM	Jan	--	--	2.00%	21:00
US	Challenger Job Cuts YoY	Feb	--	--	17.40%	23:30
CA	Labor Productivity QoQ	4Q	--	--	-10.30%	00:30
US	Unit Labor Costs	4Q F	6.80%	--	6.80%	00:30
US	Initial Jobless Claims	Feb-27	--	--	730k	00:30
US	Continuing Claims	Feb-20	--	--	4419k	00:30
US	Durables Ex Transportation	Jan F	--	--	1.40%	02:00
SW	Riksbank's Skingsley in Panel Discussion					02:30
US	Fed Chair Powell Discusses the U.S. Economy					04:05
Friday March 5						
AU	AiG Perf of Services Index	Feb	--	--	54.3	08:30
NZ	Volume of All Buildings SA QoQ	4Q	3.00%	--	34.60%	08:45
AU	Foreign Reserves	Feb	--	--	A$54.8b	16:30
GE	Factory Orders MoM	Jan	1.00%	--	-1.90%	18:00
CA	Int'l Merchandise Trade	Jan	--	--	-1.67b	00:30
US	Change in Nonfarm Payrolls	Feb	133k	--	49k	00:30
US	Unemployment Rate	Feb	6.40%	--	6.30%	00:30
US	Average Hourly Earnings MoM	Feb	0.20%	--	0.20%	00:30
US	Trade Balance	Jan	-$67.5b	--	-$66.6b	00:30
UK	BOE's Haskel Speaks on a Panel					01:00
CA	Ivey Purchasing Managers Index SA	Feb	--	--	48.4	02:00
US	Consumer Credit	Jan	$13.500b	--	$9.734b	07:00
Upcoming Central Bank Interest Rate Announcements						
Europe, ECB		Mar 21	-0.50	-0.50		-0.50
Japan, BoJ		Mar 19	-0.10	-0.10		-0.10
US, Federal Reserve		Mar 18	0/0.25	0/0.25		0/0.25
New Zealand, RBNZ		Apr 14	0.25	0.25		0.25
UK, BOE		Mar 18	0.10	0.10		0.25
Australia, RBA		Mar 2	0.10	0.10		0.10
Canada, BoC		Mar 11	0.25	0.25		0.25

FORECASTS

Economic Forecasts

	Annual % change				Quarterly % change															
					2019				2020				2021				2022			
Australia Forecasts	**2019**	**2020**	**2021**	**2022**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Household Consumption	1.2	-6.0	7.2	3.7	0.4	0.3	0.0	0.4	-1.3	-12.5	7.9	3.6	1.2	2.0	1.7	1.5	0.5	0.6	0.4	0.4
Underlying Business Investment	-2.3	-6.7	-1.9	5.9	0.5	-0.9	-0.6	-0.9	-0.6	-3.6	-5.6	1.5	-0.9	1.4	0.8	1.1	2.1	1.6	1.2	1.5
Residential Construction	-7.1	-6.4	6.3	-0.1	-2.5	-2.9	-0.9	-2.5	-0.5	-5.2	0.6	3.1	1.3	3.4	2.6	-0.8	0.0	-1.0	-1.2	-0.7
Underlying Public Spending	5.5	6.4	6.7	3.4	1.2	2.1	1.4	0.7	1.6	1.9	1.8	2.0	2.0	1.2	1.2	0.8	0.8	0.8	0.8	0.8
Net Exports (a)	1.0	-1.0	-1.9	-0.7	0.3	0.5	0.3	-0.1	0.5	0.8	-1.9	-0.3	-0.4	-0.6	-0.5	-0.3	-0.2	-0.2	-0.1	-0.2
Inventories (a)	-0.3	-0.1	0.4	-0.1	0.0	-0.3	0.0	0.2	-0.2	-0.5	0.8	0.3	-0.1	0.1	0.0	-0.1	0.0	0.0	0.0	0.0
Domestic Demand (q/q %)	--	--	--	--	0.3	0.5	0.4	0.3	-0.4	-7.5	4.5	2.9	1.3	1.8	1.5	1.2	0.7	0.7	0.6	0.6
Dom Demand (y/y %)	1.2	-2.8	6.3	3.9	1.0	1.2	1.2	1.4	0.7	-7.3	-3.5	-1.0	0.8	11.0	7.8	6.0	5.4	4.2	3.2	2.7
Real GDP (q/q %)	--	--	--	--	0.5	0.6	0.6	0.4	-0.3	-7.0	3.3	2.9	0.8	1.2	1.0	0.7	0.5	0.5	0.4	0.5
Real GDP (y/y %)	1.9	-2.6	4.4	2.6	1.9	1.7	2.0	2.2	1.4	-6.4	-3.8	-1.5	-0.4	8.5	6.0	3.8	3.5	2.8	2.1	1.9
CPI headline (q/q %)	--	--	--	--	0.0	0.6	0.5	0.7	0.3	-1.9	1.6	0.8	0.5	0.3	0.4	0.6	0.4	0.3	0.5	0.5
CPI headline (y/y %)	1.6	0.8	2.0	1.7	1.3	1.6	1.7	1.8	2.2	-0.3	0.7	0.9	1.0	3.2	2.0	1.7	1.6	1.7	1.8	1.7
CPI underlying (q/q %)	--	--	--	--	0.2	0.4	0.4	0.4	0.5	0.0	0.4	0.4	0.5	0.3	0.3	0.4	0.4	0.4	0.5	0.4
CPI underlying (y/y %)	1.4	1.3	1.5	1.7	1.5	1.4	1.4	1.4	1.7	1.2	1.2	1.2	1.2	1.6	1.5	1.5	1.5	1.6	1.8	1.8
Private wages (q/q %)	--	--	--	--	0.5	0.5	0.5	0.5	0.5	0.1	0.1	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Private wages (y/y %)	2.2	1.5	0.9	1.0	2.4	2.3	2.2	2.2	2.1	1.7	1.2	0.9	0.7	0.8	1.0	1.0	1.0	1.0	1.0	1.0
Unemployment Rate (%)	5.1	6.5	6.1	5.4	5.1	5.1	5.1	5.2	5.1	7.0	7.0	6.8	6.4	6.3	6.0	5.7	5.4	5.4	5.4	5.3
Terms of trade	5.7	0.3	8.0	1.6	3.3	1.5	0.6	-4.3	0.4	0.8	0.7	6.4	0.4	1.9	1.2	0.8	0.5	-0.4	-0.4	-0.1
Current Account (% GDP)	0.7	2.5	2.1	1.3	-0.5	0.9	1.6	0.7	1.4	3.5	2.1	2.9	2.5	2.2	2.0	1.8	1.6	1.4	1.1	1.0

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

Exchange Rate Forecasts

	2-Mar	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Majors						
AUD/USD	0.776	0.80	0.81	0.83	0.83	0.82
NZD/USD	0.72	0.74	0.75	0.76	0.76	0.75
USD/JPY	106.8	102	101	101	100	99
EUR/USD	1.20	1.26	1.28	1.30	1.32	1.34
GBP/USD	1.39	1.45	1.48	1.50	1.52	1.54
USD/CNY	6.47	6.35	6.25	6.15	6.05	6.00
USD/CAD	1.27	1.26	1.24	1.23	1.23	1.23
USD/CHF	0.92	0.87	0.86	0.85	0.84	0.83
Australian Cross Rates						
AUD/NZD	1.07	1.08	1.08	1.09	1.09	1.09
AUD/JPY	82.9	81	82	83	83	81
AUD/EUR	0.65	0.63	0.63	0.64	0.63	0.61
AUD/GBP	0.56	0.55	0.55	0.55	0.55	0.53
AUD/CNY	5.02	5.08	5.06	5.10	5.02	4.92
AUD/CAD	0.98	1.01	1.01	1.02	1.02	1.01
AUD/CHF	0.71	0.70	0.70	0.71	0.70	0.68

Interest Rate Forecasts

	2-Mar	Jun-21	Sep-21	Dec-21	Mar-22
Australian Rates					
RBA cash rate	0.10	0.10	0.10	0.10	#N/A
3 month bill rate	0.03	0.01	0.02	0.05	#N/A
3 Year Swap Rate	0.29	0.15	0.27	0.27	#N/A
10 Year Swap Rate	1.78	1.43	1.53	1.55	#N/A
Offshore Policy Rates					
US Fed funds	0.25	0.25	0.25	0.25	#REF!
ECB deposit rate	-0.50	-0.50	-0.50	-0.50	#REF!
BoE repo rate	0.10	0.10	0.10	0.10	#REF!
BoJ excess reserves rate	-0.10	-0.10	-0.10	-0.10	#REF!
RBNZ OCR	0.25	0.25	0.25	0.25	#REF!
10-year Bond Yields					
Australia	1.73	1.40	1.50	1.50	#N/A
United States	1.41	1.25	1.40	1.50	#N/A
New Zealand	1.76	1.35	1.40	1.50	#N/A

Sources: NAB Global Markets Research; Bloomberg; ABS

Global GDP

	2019	2020	2021
Australia	1.9	-2.6	4.4
United States	2.2	-3.5	4.5
Eurozone	1.3	-6.8	4.7
United Kingdom	1.4	-10.0	4.5
Japan	0.3	-5.1	2.9
China	6.0	2.3	9.5
India	4.9	-7.7	10.1
New Zealand	2.3	-2.4	5.3
World	2.8	-3.5	5.8

Commodity prices ($US)

	2-Mar	Jun-21	Sep-21	Dec-21	Mar-22
Brent oil	63.0	53	55	56	57
Gold	1714	1750	1850	1950	2000
Iron ore	174	120	110	100	95
Hard coking coal*	131	128	138	138	148
Thermal coal	84	72	74	79	81
Copper	9089	7750	7850	7950	8000
LNG**	7	7	7	8	7

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

*** Implied Australian LNG export prices*

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