ANZ Research

New Zealand Weekly Focus

9 March 2020

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The time is now

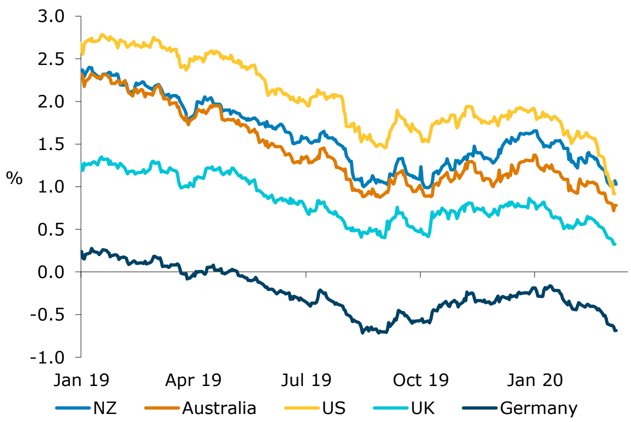
Economic overview

The global policy response to COVID-19 has ratcheted up significantly this past week with central banks slashing interest rates and governments pledging funds to mitigate the fallout and facilitate the response. We expect the RBNZ will cut the OCR 50bps at, or possibly before, its next Review on 25 March. We see the OCR reaching 0.25% by May, but think the RBNZ should tread very cautiously from there, given the risk that credit availability is impaired when policy rates go super low or negative. This is important, as banks have a key role to play in helping firms and households get through. The risk that unconventional monetary policy will be required is lifting. And it's time for the Government to up the ante on fiscal policy. The good news is that there is plenty of firepower to do this. Scrapping this year's minimum wage rise seems like a no-brainer given pressure on businesses, and there are plenty of other short- and long-term policy options that could help.

Chart of the week

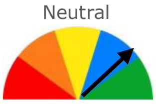
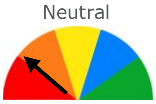
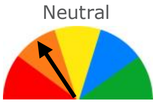
Global rates are hitting fresh lows. US 10-year yields have fallen under 1% and are back below New Zealand yields for the first time since mid-2018.

10-year yields for selected economies



Source: Bloomberg

The ANZ heatmap

Variable	View	Comment	Risks around our view
GDP	2.7% y/y for 2021 Q1	We expect a big COVID-19 dent to growth, with the persistence of the shock and outlook for the eventual recovery uncertain.	
Unemployment rate	4.2% for 2021 Q1	The labour market is "tight" but a longer growth slowdown will have ramifications in time.	
OCR	0.25% in June 2020	We are now forecasting a 50bp cut in March and 25bp in May, taking the OCR to 0.25%.	
CPI	1.9% y/y for 2021 Q1	Inflation is around where it needs to be, but the outlook is murkier as the economy navigates a complex combined demand and supply shock.	

Economic overview

Summary

The global policy response to COVID-19 has ratcheted up significantly this past week with central banks slashing interest rates and governments pledging funds to mitigate the fallout and facilitate the response. We expect the RBNZ will cut the OCR 50bps at, or possibly before, its next Review on 25 March. We see the OCR reaching 0.25% by May, but think the RBNZ should tread very cautiously from there, given the risk that credit availability is impaired when policy rates go super low or negative. This is important, as banks have a key role to play in helping firms and households get through. The risk that unconventional monetary policy will be required is lifting. And it's time for the Government to up the ante on fiscal policy. The good news is that there is plenty of firepower to do so this. Scrapping this year's minimum wage rise seems like a no-brainer given pressure on businesses, and there are plenty of other short- and long-term policy options that could help.

An urgent monetary and fiscal policy response is needed.

Forthcoming data

ANZ Truckometer – February (Tuesday 10 March, 10:00am).

Economic Survey of Manufacturing – Q4 (Tuesday 10 March, 10:45am). The PMI suggests manufacturing activity lifted in Q4, but with the December month coming in below 50 it's a line-ball call.

There's a lot of data out this week, but it will pale in significance to the global news flow.

Flash ANZ NZ Business Outlook – March (Tuesday, 10 March, 1pm). We will be releasing preliminary results from the early part of the sample period at an economy-wide level.

Speech by RBNZ Governor Adrian Orr (Tuesday, 10 March, 2pm). The RBNZ will be releasing high-level principles on how it would assess and use unconventional monetary policy tools if ever needed, with an accompanying speech by the Governor.

REINZ housing market data – February (10-17 March). After a strong end to last year, we expect momentum in the market will start to recede – the question is when, with some residual strength possible in the February data.

Food Price Index – February (Friday 13 March, 10:45am). Food prices are expected to slip slightly. Supply disruption into China presents some downside.

Rental Price Index – February (Friday 13 March, 10:45am). Continued increases in rental prices should support a quarterly rise in CPI rents.

Performance of Manufacturing Index – February (Friday 13 March, 10:30am). We might start to see early impacts of supply disruption on manufacturing, especially of food, but impacts will intensify in coming months if imports are stymied.

Performance Services Index – February (Monday 16 March, 10:30am). Tourism and travel are being affected directly, but other parts of the services sector are expected to be relatively insulated for now.

Net migration – January (Monday 16 March, 10:45am). Travel disruption started late in January, but given the volatility in these data it will be difficult to gauge the impacts of COVID-19 disruption.

What's the view?

Global policymakers have rightly responded to accelerating global risks.

Market reaction and global policy response to COVID-19 has been swift

The market response to the accelerating economic risks associated with COVID-19 has been swift, given the global slowdown that is now underway (see our FX/rates overview on page 10 for our thinking on where to now).

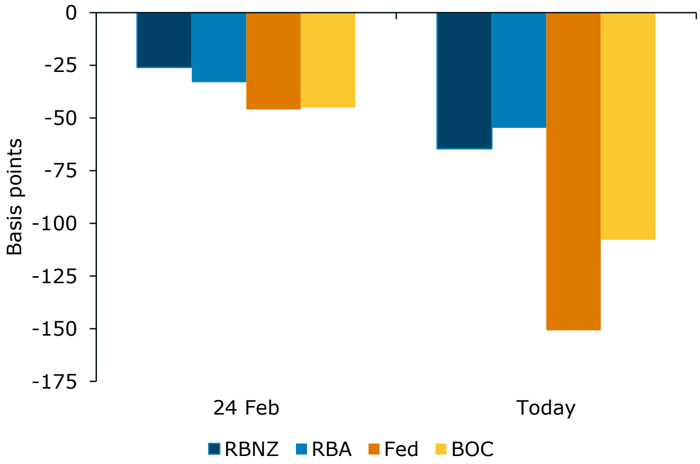
Justifiably, **the global monetary and fiscal policy response has ratcheted up over the past week**. The RBA eased by 25bps at its scheduled meeting on 3 March, the Federal Reserve delivered an emergency 50bp out-of-meeting cut, the Bank of Canada cut

50bps at its scheduled meeting. In addition to central bank easing, a range of other responses have been seen. For example, the IMF has made available USD50bn for COVID-19 loans to poorer countries (they will be interest free), the US Congress made USD8.3bn available for virus-related spending, Italy has pledged €7.5bn, and Australia's Treasurer has hinted that billions in additional spending is in the pipeline. Drastic measures of containment are also taking place outside of China; a quarter of the Italian population is now in lockdown.

Global central banks have responded with lower rates, and further moves are expected.

Further easing from central banks is expected, with cumulative moves (including cuts delivered last week) of 55bps and 140bps priced in by the RBA and Fed respectively by year end (figure 1).

Figure 1: Market pricing for the RBNZ, RBA, Fed and Bank of Canada (includes cuts since 24th February) by year end



Urgent OCR cuts are warranted.

Source: ANZ Research, Bloomberg

Spotlight now on the RBNZ

The spotlight now turns to the RBNZ, with the economic fallout here expected to be significant too. As we predicted last week, OCR cuts are likely to be delivered urgently, and the market agrees: 64bp of OCR cuts are priced in by year end, with 43bp by 25 March.

Monetary policy can't fix the problem, but it is part of the toolkit.

We expect the RBNZ to cut the OCR by 50bps at its March meeting – a sizeable move reflecting the enormity of evolving risks – followed by another 25bp cut in May, taking the OCR to a record-low 0.25%. However, given how rapidly the situation is evolving and the clear urgency of a response, **we wouldn't be surprised to see an out-of-cycle emergency cut sooner than that**.

OCR cuts won't fix the problem and are not the most important weapon in the armoury – that's fiscal policy – but rate cuts will nonetheless help at the margin. Monetary policy easing will help to relieve financial pressure on firms and households (which could be significant), lower the NZD, and help to facilitate the eventual recovery.

Risks of a more marked or prolonged slowdown are rising.

Although we think monetary and fiscal policy will – must! – respond to the imminent slowdown, the idea of a short-lived hit to GDP has evaporated. The economic impacts are looking increasingly ugly, and more likely to be prolonged. Our current forecasts incorporate a muted recovery in growth through the second half the year, but this is looking more unlikely. With the global spread increasing and associated disruption looking like it will go on for a while, flow-on effects to domestic industries are looking more likely to be widespread and we wouldn't be surprised to see sentiment slide, even without a sustained outbreak here.

We will update our forecasts again this week, with further downgrades expected. There is downside risk to consumption, investment and house prices.

Significant uncertainty remains, however, about the scope and duration of the slowdown. Over time, we will be looking to see how households and businesses respond to get a better sense of the domestic hit. But as the outlook deteriorates, **risks are clearly increasing that even more policy stimulus is needed.**

How low can the OCR go?

We see the OCR heading to around its useful limit

So one has to ask: if the OCR reaches 0.25% and more monetary stimulus is required – what then? The RBNZ has a speech out this week on exactly that topic, which we will watch with interest, but we have some thoughts of our own.

We are expecting the OCR to be dropped to 0.25% by May, around where we see its useful limit (figure 2). Technically, the OCR could be dropped as low as -0.25% (assuming that financial market infrastructure can accommodate that; it may in practice be an obstacle). But this would require some technical changes and re-pricing to rates (and/or changes to tiers) in the cash settlement system, in order for negative rates to be achieved.

There are risks of strained credit supply at super-low or negative rates.

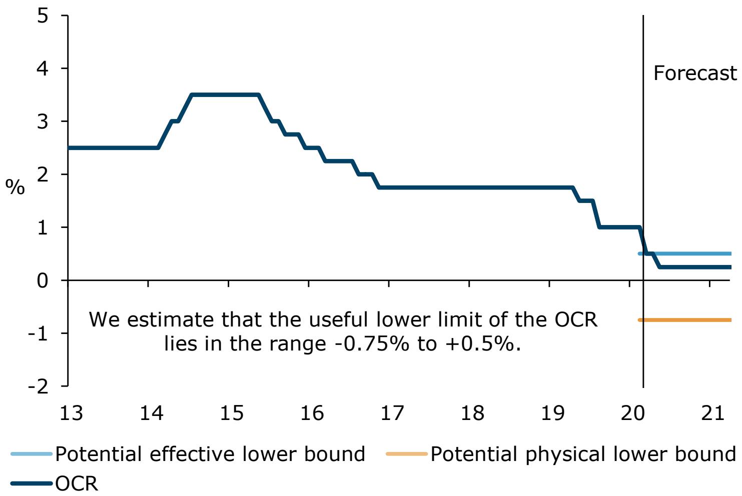
And even if the OCR can go this low, it's entirely possible that the costs of a lower OCR would start to outweigh the benefits before we get there. It's hard to know at what level a lower OCR might no longer be useful. We estimate that this "effective" lower bound could be anywhere between 0.5% and -0.75% (see our ANZ New Zealand Economic Insight for more details), but that's a wide range. For now, we are cautiously assuming that it is around +0.25%, particularly since it is currently unclear whether more work would be needed to ready market infrastructure for negative rates.

We expect the OCR will reach 0.25%, but suggest treading cautiously from there.

As the OCR goes ever lower, banks' net interest margins become squeezed since there is a limit to how low deposit rates can go, given the reliance of the banking system on deposit funding (see our ANZ Weekly Focus for more details). And this in turn limits the scope for mortgage rates to go lower. And it's not the just the price – if deposit growth declines, the availability of credit could reduce. The behaviour of deposits is difficult to predict, as it depends on the prevailing attitude to investment risk and the risk-adjusted returns available on alternative investments. But it is clear that lower term deposit rates aren't going to do anything to attract funds. The all-important mortgage lending channel could thus become ineffective and credit availability strained. The NZD and expectations of the yield curve would still be helpfully impacted by a lower OCR, but risks around the supply of credit are a concern.

A tightening in credit supply would be particularly unhelpful at the moment.

Figure 2: ANZ OCR expectations and range of potential lower bound



Source: RBNZ, ANZ Research

We are particularly conscious that anything that tightens credit further should be avoided at the current juncture. Credit availability is already constrained, as we discussed here. Any additional constraints on banks' ability to lend as a result of a super-low or negative

But the RBNZ may have a different view on where the effective lower bound lies.

OCR would be particularly undesirable, since banks have an important role to play in helping affected firms and individuals get through the current slowdown, with increased reliance on credit lines likely. **This is the sort of environment where ensuring smooth functioning of the banking system and extension of credit is crucial.**

If stresses in the financial system started to emerge, there could be a case for the RBNZ to use the counter-cyclical capital buffer to temporarily lower capital requirements (by 1.5% of risk-weighted assets), which would help credit keeps flowing. Likewise, liquidity provision would be important if there were financial system stress.

So we would advocate for a cautious approach in lowering the OCR to super-low rates or into negative territory, given possible risks to the functioning of the financial system at a time when it really matters. However, the level at which these constraints start to bind is uncertain, and the RBNZ might have different views on where the effective lower bound lies. As such, we wouldn't rule out the RBNZ taking the OCR lower – potentially to as low as -0.25% – if the outlook were to worsen and the RBNZ thought it would be effective.

Chances of quantitative easing are growing.

Risk of quantitative easing rising

With risks of a more pronounced slowdown rising, unconventional monetary policy is clearly a possibility. Should more monetary stimulus be required once the OCR is at 0.25%, we think the first step would be for the RBNZ to signal aggressively that rate hikes are a distant prospect, in order to ensure that the yield curve is flat and that longer-term interest rates remain low.

This has its own risks, but would be worth it in a synchronised global slowdown.

Beyond that, we think the RBNZ would engage in quantitative easing – and risks are rising that this could be required sooner rather than later. We think the best approach would be to inject cash into the banking system via a term auction facility; transact swaps to reduce interest rate premia; and purchase government bonds and collateralised mortgages. There would be some technical changes necessary for the RBNZ to engage in unconventional policy, and they would need an indemnity from the Government in order to expand their balance sheet. See our ANZ Economic Insight for more details.

We've said before that there would be numerous challenges, costs and risks associated with engaging in unconventional monetary policy, and that remains the case no matter how strong the imperative to undertake it. Risks to the RBNZ's balance sheet, market functioning, and bank profitability would be of particular concern. But a synchronised global shock like the one emerging – if severe – is exactly the sort of situation where such a policy response would likely be deemed worth the risks.

Fiscal policy has to do the heavy lifting.

Fiscal policy needs to step up

Discretionary fiscal policy has an important role to play at the moment. And coordination of fiscal and monetary policy could lessen the extent to which unconventional monetary policy is required. The good news is that after a decade of prudent fiscal management by successive governments there is ample fiscal muscle power to do this. **Fiscal buffers have been built up for a reason – the inevitable rainy day – and the sky is looking pretty black.**

The Government has implemented several measures…

The Government has already implemented measures, including offering businesses tax relief, setting up an $11 million fund to help identify alternative tourism markets to China, giving the Regional Business Partner Network an extra $4 million to protect jobs and the economy, allowing some of this year's uncaught crayfish harvest to be carried forward to next season, setting up sixteen rapid-response Ministry of Social Development teams to assist with moving workers into other employment and referring those in need of further support to other government agencies, and scrapping the typical stand-down period for displaced workers applying for jobseeker support. They are even providing $1 million to the WHO in Suva to support their Pacific Action Plan for COVID-19.

… but they are simply not going to be enough.

It's a good start, but against the hundreds of millions of dollars in lost or delayed exports, and the drag on domestic activity that's potentially in the pipeline, the measures announced so far to help businesses are simply not going to be enough. The Government has signalled that more will be announced this week.

At this stage, the Government is using a micro-policy response (targeted at specific industries). But as the economic slowdown becomes more synchronised, this will become increasingly difficult to implement rapidly, and unavoidably piecemeal. **The Government needs to consider a broader (macro) policy response**, while ensuring it is timely, temporary, and targeted. Easier said than done, of course – there's an unavoidable trade-off between timeliness and careful policy design when the economic situation turns as abruptly as it is currently doing.

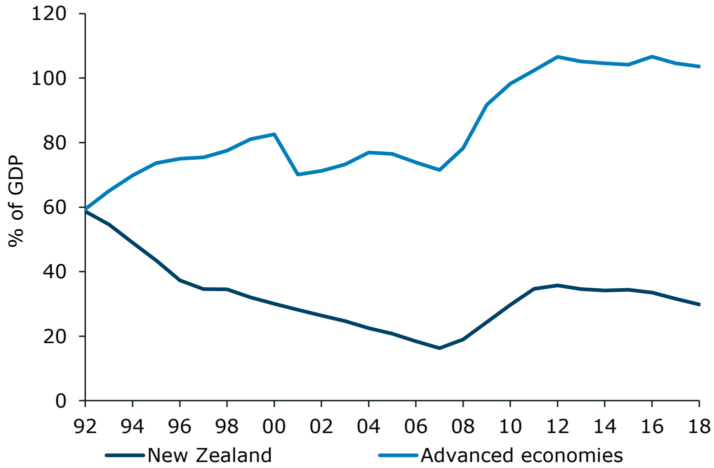
The Government needs to let debt rise.

But it's clear that **the Government needs to be ready to step outside its 15-25% target range for net core Crown debt to GDP – at least temporarily.** In fact, a significant economic disruption could well do that anyway, as automatic stabilisers kick in (via higher benefit payments and lower tax revenues). But fiscal stimulus needs to go a lot further than just letting sluggish automatic stabilisers do their thing – particularly given monetary policy has so little ammo left.

There's plenty of fiscal headroom.

Government debt in New Zealand is low by international standards, so there is plenty of scope to do this (figure 3). Many other countries would love to have the options New Zealand has on the table.

Figure 3: Gross debt position



Source: IMF

In the past, the Treasury has appeared quite relaxed about the prospect of the Government maintaining net debt around 30% of GDP, and that's in normal times. We fully agree with this assessment. This "prudent" debt ratio accounts for the possibility that a very, very bad shock (such as a combination of the GFC and Canterbury earthquakes) could add a further 20-30%pts to the debt ratio, lifting it to 50-60% – the point where the costs are expected to outweigh the benefits. The future is obviously highly uncertain, but that's still a big buffer.

Relaxing debt targets would allow for a wider range of policy responses.

Relaxing the "normal times" debt target to say 30% opens the door to a wider range of policy responses – that's because the Government doesn't have to worry as much about ensuring the entire discretionary response is temporary (ie needs to be able to be unwound at a later date).

Changes to tax and transfer settings would then be possible.

A looser, but still prudent, debt target would enable meaningful tax-setting adjustments, increased transfer payments (such as Working for Families), and other operational spending to be part of the mix. This kind of fiscal stimulus can be very effective at leaning against the wind, as it increases household disposable incomes fairly quickly (unlike, say, spending on infrastructure, which, while very much needed, takes a great deal of time to plan and implement). However, what households do with any income windfall will also matter. With household debt levels high and sentiment poised to deteriorate, they might save it, implying the kick to economic activity could be muted – at least in the near term while the outlook remains so uncertain. But it would at the least help accelerate the economy when the mood changes.

Mobilising resources in health will be needed.

But first and foremost, the Government needs to consider how best to manage the immediate impacts – and not just from reduced trade and people flows. This includes **mobilising resources to the health sector**, as seen overseas this past week or so. And not just for treating COVID-19 patients. The Government has very appropriately prioritised addressing mental health issues in New Zealand, and that's also an area that is likely to come under increased pressure during these uncertain times.

It's not a good time to increase the minimum wage.

During hard times for businesses, it's particularly important that Government creates an environment where businesses are incentivised (and able) to maintain staffing levels. **And that means putting minimum wage rises on hold for the time being.** In tougher times, households quite rightly become relatively more concerned about keeping their job than wage rises. The legislated minimum wage increases were always explicitly subject to prevailing economic conditions, and current conditions do not support a lift in minimum wages this year.

Yes, the labour market has been tight, but the labour market generally lags economic activity, and activity is poised to slow markedly. Higher wage bills could exacerbate the slowdown and lead to more business failing, or at least cutting staff. In this environment, a lift in the minimum wage is more likely to result in higher unemployment than lead to better social outcomes.

Measures targeted at exporters aren't straightforward.

Giving direct Government assistance to affected exporters may not be straight-forward as subsidies to exporters can be seen as anti-competitive. Fiscal policy options for the exporting sector are constrained by World Trade Organisation (WTO) rules, which New Zealand tends to interpret in the purest form, using this as a leveraging tool in trade negotiations. While that view should be applauded, it could limit the options available to Government here and now.

Practical and monetary support for farmers would be helpful.

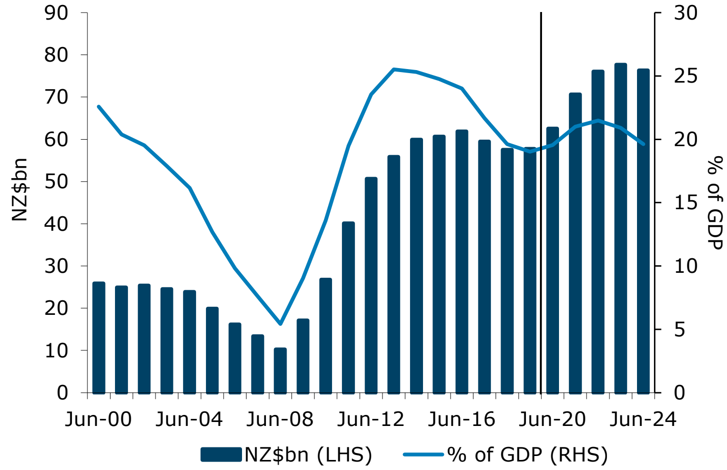
Farmers have already been facing something of a perfect storm, of tougher environmental regulation, tightening credit availability, rising wage and feed costs, and in many areas, very dry conditions. If commodity prices take a sustained hit as well, that's a very painful combination. A fiscal response is required. This doesn't mean changing the direction for reducing emissions and improving water quality but rather putting more government resource into providing more practical and monetary support to help our farmers through these uncertain times.

Allowing businesses to claim depreciation would ease pressure.

Every effort needs to be made to ensure that the policy response supports the fundamentals for economic activity over the medium term, and therefore facilitates the recovery. To do that, we'll need more investment – by both government and businesses. The story of productivity growth in New Zealand is, let's be honest, a very sad tale. But the good news is that the Tax Working Group has already tabled some great options that could facilitate higher investment and productivity. One promising proposal is restoring the ability to claim building depreciation at 1% to industrial, commercial and multi-unit residential buildings (higher density housing will help NZ reduce its carbon footprint too). This would reduce the effective tax rate on businesses and change the incentives for business investment.

In the seven months to January, net core Crown debt was sitting at 19.5% of GDP, and at December's Half-Year Update was forecast to peak at 21.5% in 2022 before slipping below 20% by 2024 (figure 4). Given how much the world has changed since December, we think the Government's comfort level for net debt in the near term should be closer to 40% of GDP. That's allowing for a debt ratio of 30% in the longer run, and a temporary lift for other near-term discretionary measures and automatic stabilisers. In dollar terms, 20% of GDP is around $60bn. That ought to make a difference.

Figure 4: Net core Crown debt



Source: The Treasury

Fiscal policy can respond, but does have its limits.

But like monetary policy, fiscal policy has its limits. The full brunt of a significant shock can't be completely absorbed by policy measures, but it can sure make the ride a lot smoother. Fiscal stimulus needs an exit strategy for when the recovery sets in, but also needs to ensure the fundamentals are there to facilitate the planned stimulus. Depending on how much capacity opens up, it might not be feasible to bring existing planned projects forward, but making sure delays don't slow things down when activity is lifting once again could go a long way. Lengthening the infrastructure pipeline could also shore up confidence in the medium-term outlook and thereby encourage hiring and investment.

Spending more than needed wouldn't be a bad thing.

We think the risk of the Government being too heavy footed on the accelerator is small. Monetary policy has been looking for mates for a while now, and if the fiscal boost on the other side is looking a little stronger than expected – well, good! That'll provide more scope for the Reserve Bank to normalise monetary settings before the next inevitable rainy day arrives. Yes, there are medium-term risks around the fact that austerity isn't fun and politicians quite like getting re-elected. But New Zealand has a strong track record of fiscal responsibility, so we have a better chance than most of avoiding that trap.

The week ahead

It's a busy week ahead on the data front, but the backward-looking nature of some of it lowers its relevance, and it will be in the background relative to the global news flow. Our ANZ Truckometer is out on Tuesday. **We will also be releasing a flash estimate of our March Business Outlook** on Tuesday at 1pm. The publication will include survey indicators at an economy-wide level only based on survey responses received via internet collection (which makes up the vast majority of responses) before Monday 9 March. The internet collection opened at 5pm on Monday 2 March. Typically, around 60% of internet responses are received in the first week of the survey opening. The final results are scheduled for release on Tuesday 31 March. The February Business NZ-BNZ PMI and PSI are out on Friday and Monday. Early COVID-19 impacts are likely, especially for exports exposed to visitor arrivals.

There's also a scattering of price data, with February rents and food prices out on Friday. Rent inflation is expected to remain solid at around 0.2% m/m, and food prices are expected to dip slightly. COVID-19 impacts on prices are uncertain. Prices for foods that we export in bulk, such as meat and seafood, may be lower than otherwise, but imported food impacted by shipping disruptions may be higher than otherwise.

REINZ housing market data are out in the next week or so**.** After a strong end to last year, we expect momentum in the market will start to recede – the question is when, with some residual strength possible in the February data.

Economic overview

January net migration data (out next Monday) are expected to offer little insight. These data are noisy and prone to large revisions, but looking at the more-reliable 9-month-old data, we'll be looking for confirmation that the cycle has been easing. Going forward, given the volatility in these data it will be difficult to gauge the impacts of COVID-19 disruption on net migration. Risks are not one-way, as New Zealanders abroad might decide to come home while reduced employment opportunities in New Zealand might lower arrivals overall. Short-term visitor arrivals have clearly fallen sharply.

Local data

Terms of Trade – Q4. The terms of trade lifted 2.6% q/q, with export prices up 3% and import prices up 0.3%. But given how much the world has changed since Q4, these data are ancient history.

Provisional NZ trade with China – up to 23 February. These data show New Zealand's exports to China were down 8% y/y. Total exports were down 2% y/y. We suspect this will be revised lower in time.

Building Consents – January. Consents dipped 2% m/m, but that follows a strong monthly gain (9.8% m/m) in December.

GlobalDairyTrade auction. The GDT Price Index fell just 1.2% overnight with the whole milk powder (WMP) index back 0.5%. This was considerably stronger than the market had anticipated. Demand from North Asia was reported to be down but strength in other markets minimised price falls.

ANZ Commodity Price Index – February. The ANZ World Commodity Price Index fell just 2.1% in February. The impact on export prices of the recent coronavirus outbreak in China is only partially captured in this month's data.

Work Put in Place – Q4. Work put in place fell 0.8% q/q, on the back of slightly larger-than-expected weakness in non-residential work. This presents mild downside risk to our forecast of 0.6% q/q for Q4 GDP.

What you may have missed

Please contact us if you would like to be added to the distribution list for any of these publications. Otherwise click on the links below to view reports.

- ANZ Commodity Price Index – More downside to come
- ANZ Business Outlook - Sound the alarm
- ANZ NZ Roy Morgan Consumer Confidence - Started solid
- NZ Insight - OCR cut odds rising rapidly

FX / rates overview

Summary

Interest rates still going lower, NZD on borrowed time

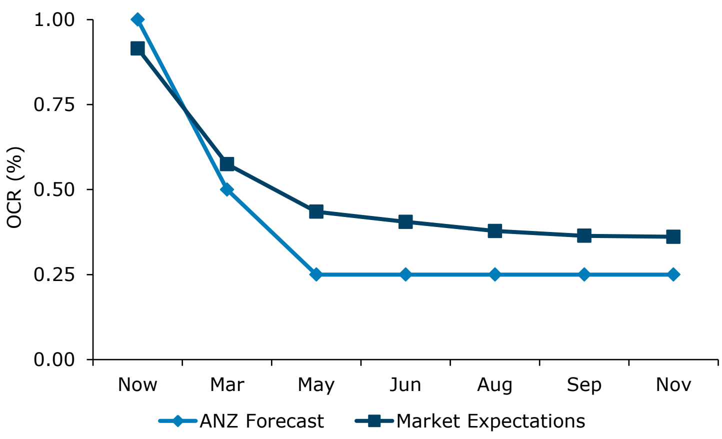
Interest rates have fallen rapidly over the past week (to record lows both here and in the US). Despite that, prospects for a meaningful correction seem thin and we expect the entire term structure to continue grinding lower as markets gravitate to our expectation of 75bps of OCR cuts, and price in deeper downside risks. The NZD has been resilient as the USD has come under pressure, but with deep cuts now priced into the US and the NZD a key shock absorber, it looks to be on borrowed time. We have also downgraded our US and NZ bond forecasts, which now have yields taking another leg lower.

Special report: Markets have responded swiftly – where to now?

With cuts from the RBNZ expected imminently, we expect the entire term structure of New Zealand rates to continue to fall, led by the short end. Moves seen so far have been significant, but we see scope for further downside, given our forecast for 75bps of OCR cuts by May, which is still more than what's priced in (figure 1).

Markets pricing remains less than what we expect.

Figure 1: What's priced in



Source: Bloomberg

How the shape of the curve and various spreads move will be very nuanced. While historical cycles provide a guide, we are mindful that things will be different this time around because:

Nuanced moves from here.

- we are seeing a late extension of the easing cycle;
- rates are already at or near-record lows,
- we are seeing synchronised cuts in other countries, and
- there are strong expectations for a co-ordinated fiscal response.

That calls for additional interpretation. The textbook evolution of the term structure at this point in the cycle would normally follow a phased process like this: first, the curve flattens in anticipation of cuts, led by the long end. This phase is then typically followed by a period of steepening as cuts are delivered, and the process is concluded by a final phase of further steepening as the long end prices in some sort of recovery.

The first phase has already played out, with the 2yr-10yr curve flattening from post-MPS disappointment levels as the threat of COVID-19 started getting priced in.

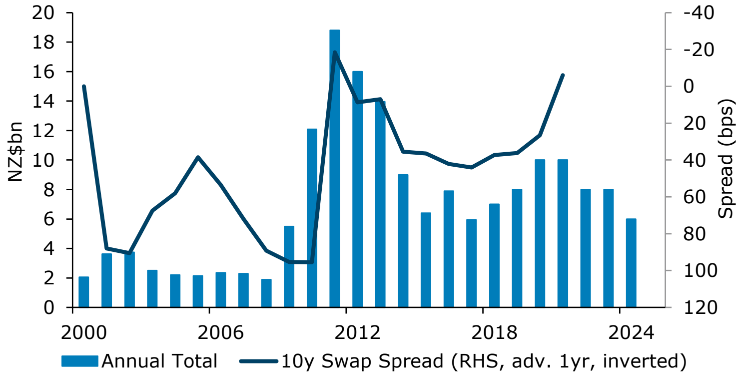
The second (steepening) phase is now in train, and arguably has a little further to run. A 50bp cut later this month will deliver only 7bps of "shock value", whereas our expectations for a follow-up 25bp cut in May would have 19bps of "shock value". However, in the lead-up to the May MPS, we expect the swap curve to start re-flattening – in contrast to the textbook view. That's because we expect the market would start to factor in the risk of unconventional policy, as opposed to a rebound in activity, assuming disruption in the global economy continued. This may not occur if we see signs of policy traction and/or the COVID-19 situation changes quickly (eg if there is an early breakthrough on a vaccine or something similar). But at this stage the risks seem skewed towards a more prolonged interruption in economic activity.

If that were the case, markets would quickly start contemplating unconventional policy. Although this type of flattening was not seen during the first round of QE in the US market (QE1), it was seen after the announcement of QE2 and QE3, fuelled by the synchronised pursuit of similar policies elsewhere (primarily Europe, the UK and Japan). Given the G7 commitment to a co-ordinated policy response and the lack of monetary policy flexibility locally and globally, markets have to prepare for the possibility of unconventional policy at the tail end of the current easing cycle.

Fiscal policy will do more work.

Moves in swap spreads are likely to make the path of long-end bond yields even more nuanced. Government bond yields have plummeted to fresh all-time lows, but they have not kept up with swap yields. That is a natural response, given there is expected to be a significant fiscal response, underscored by the reality that fiscal policy has far more flexibility at than monetary policy at the moment and also NZDM's well publicised strategy of terming out liabilities.

Figure 2: NZGB issuance and swap spreads



Sources: ANZ, NZDM, Bloomberg

Being a finite market (unlike derivatives, where demand and supply are essentially unbounded), bonds are extremely sensitive to issuance. In the past, big swings in spreads have corresponded with changes in issuance. The Treasury's HYEFU projections have the NZGB programme falling to just $6bn by 2024. That's a significant decline from this year's $10bn in nominal terms and an even more impressive fall in percentage of GDP terms (nominal GDP grew by around 24% in the 4 years to September 2019). Although these projections are highly sensitive to growth revisions, outright levels also matter.

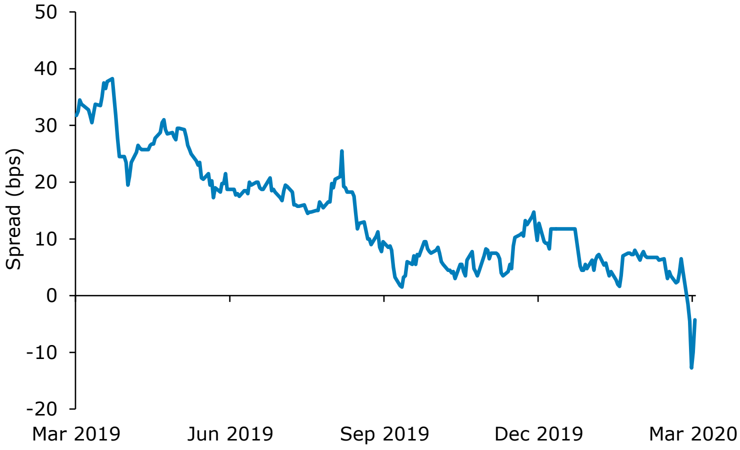
Some narrowing in swap spreads expected

Some narrowing in swap spreads (ie bonds underperforming swaps) is warranted given fiscal risks, as we noted in last Monday's *Weekly Focus*. However, we do think markets have over-reacted, with swap spreads on longer NZGBs back in negative territory for the first time since 2011 by the middle of last week.

But perhaps not that quickly this early.

Friday saw some recovery, and while we are cautious, the very rapid fiscal deterioration that the market looks to be pricing in is probably a story for down the track. In the immediate future, NZDM has significant capacity to ramp up T-Bill issuance if it needs to, and we would expect that to be an appealing initial funding lever. Indeed, there are only $2.3bn T-Bills on issue, well down from post-GFC outstandings of over $10bn. In an environment of a generalised fall in interest rates, it is also reasonable to expect demand for duration to keep a lid on bond yields, with other markets unavailable or unappealing to some investors. To be blunt, if the OCR is headed to 0.25%, then a yield of around 1.35% (on the 2037s) still looks pretty attractive. Additionally, there is also the possibility that the RBNZ might be forced into QE if the outlook really sours, all of which should help limit further underperformance of bonds in the short term.

Figure 3: NZ 10-year swap spreads



Sources: Bloomberg, ANZ

Lower US and NZ bond yield forecasts

Our US and New Zealand bond forecasts were updated over the weekend (table 1). We now expect the bellwether US 10-year bond yield to fall to a low of 0.50% by the end of June. US bond yields have already come a long way (closing at around 0.76% on Friday), but we expect a further overshoot as markets digest the rapidly evolving (and unfortunately, rapidly deteriorating) news flow. Clearly there is significant uncertainty, and such a forecast implies that markets will start to explore a return in the Fed Funds rate to its post-GFC low of 0.25%, which is below our forecasts. However, we expect markets to continue to price in deeper downside risks to the outlook given the tone of the news flow, especially with liquidity very thin and risk in general still extremely volatile.

Following last week's 50bp cut in the Fed Funds rate, we see a further 75bps of cuts, which will help anchor bond yields, but we assume that the stimulus provided and the eventual post-COVID rebound will see growth and risk appetite recover, which is, in turn, expected to see US 10-year bond yields rise gradually to 1% by year-end. New Zealand bond yields are expected to follow a similar profile, underperforming a touch as the Fed Funds rate falls further than the OCR. US bond yields are the primary driver of New Zealand bond yields, and our forecasts assume a high correlation, with adjustment for the local growth outlook and relative monetary settings.

Table 1: Updated US and NZ Interest Rate Forecasts

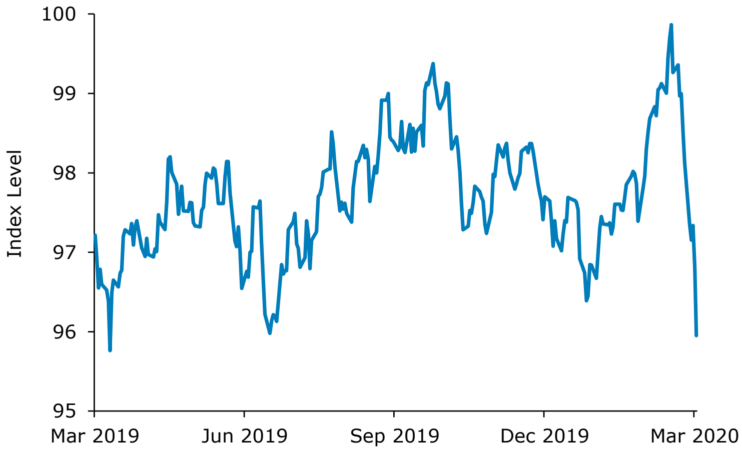
Forecast	Current (Friday)	Jun 2020	Sep 2020	Dec 2020
Fed Funds Rate	1.25	0.75	0.50	0.50
US 2yr Bond	0.51	0.5	0.5	0.75
US 10yr Bond	0.76	0.50	0.75	1.00
NZ OCR	1.00	0.50	0.25	0.25
NZ 10yr Bond	0.94	0.65	1.00	1.25

Source: ANZ Research

Lower USD justified …

For foreign exchange markets, the big question is; how quickly will economic activity return to normal? Last week's rate cuts by global central banks saw a fresh round of repricing in FX markets, with USD weakness the overarching theme as the market shifted from pricing in around two cuts by year-end to getting two cuts, and expecting three more. With carry and funding always significant drivers of G3 exchange rates, the USD correction seems well justified.

Figure 4: USD DXY index



Sources: ICE, Bloomberg

… but not for much longer.

From here though, we see the exchange rate channel as a key shock absorber for New Zealand, and expect mild further NZD weakness. Recent NZD/USD strength has stemmed largely from the USD's collapse, but with the market under-pricing OCR cuts in our view (reaching 0.36% versus our forecast of 0.25%) and over-pricing our year-end Fed Fund forecasts (0.25% versus our forecast of 0.50%), we expect the NZD to struggle in coming weeks.

Key events this week

High-frequency COVID-19 headlines remain the key thematic. Tomorrow's flash estimate of the March ANZ Business Outlook survey will give a timely read on sentiment in NZ. In the US we have CPI and PPI, which, while backward-looking, are still important to the Fed.

NZD/USD: We remain of the view that the NZD is the main and natural shock absorber at a time like this, and we see the upside as being very limited. However, we remain alert to USD weakness stemming from much lower rates there, which has us constantly questioning our thesis. Our baseline is that Kiwi will weaken as rate-cut expectations play catch-up here.

NZD/AUD: Breaks higher and lower have been more about timing than a genuine shift in relative expectations or any credible change on the relative economic outlook. At a high level, stability will come from a commonality of drivers.

NZD/EUR: The euro has been the primary beneficiary of USD weakness borne of significantly lower rates and compressed US/EU spreads. As with NZD/AUD, prospects for stability for this cross come from a commonality of drivers.

NZD/GBP: Once USD influences settled down, we expect NZD weakness to be the primary driver of this cross, with GBP structurally supported by post-Brexit confidence and expansionary fiscal policy.

NZD/JPY: In consolidation mode, and we see the risks poised to the downside given our NZD thesis and JPY's (possibly undeserved) safe-haven status. Stability will likely continue to stem from USD influences, as with some of the other crosses.

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
9-Mar	JN	BoP Current Account Balance - Jan	¥530.3B	¥524.0B	12:50
	JN	BoP Current Account Adjusted - Jan	¥1659.8B	¥1714.7B	12:50
	JN	Trade Balance BoP Basis - Jan	-¥1114.9B	¥120.7B	12:50
	JN	GDP SA QoQ - Q4 F	-1.7%	-1.6%	12:50
	JN	GDP Annualized SA QoQ - Q4 F	-6.7%	-6.3%	12:50
	JN	GDP Nominal SA QoQ - Q4 F	-1.3%	-1.2%	12:50
	JN	GDP Deflator YoY - Q4 F	1.3%	1.3%	12:50
	GE	Trade Balance - Jan	--	€15.2B	20:00
	GE	Current Account Balance - Jan	--	€29.4B	20:00
	GE	Exports SA MoM - Jan	1.0%	0.2%	20:00
	GE	Imports SA MoM - Jan	--	-0.5%	20:00
	GE	Industrial Production SA MoM - Jan	1.6%	-3.5%	20:00
	GE	Industrial Production WDA YoY - Jan	-4.2%	-6.8%	20:00
	EC	Sentix Investor Confidence - Mar	-13.1	5.2	22:30
10-Mar	NZ	ANZ Truckometer Heavy MoM - Feb	--	4.8%	10:00
	NZ	Mfg Activity SA QoQ - Q4	--	0.9%	10:45
	NZ	Mfg Activity Volume QoQ - Q4	--	-0.3%	10:45
	AU	ANZ-RM Consumer Confidence Index - 8-Mar	--	104.8	11:30
	NZ	ANZ Business Outlook - Mar P	--	-19.4	13:00
	AU	NAB Business Conditions - Feb	--	3	13:30
	AU	NAB Business Confidence - Feb	--	-1	13:30
	CH	PPI YoY - Feb	-0.3%	0.1%	14:30
	CH	CPI YoY - Feb	5.2%	5.4%	14:30
	GE	Labor Costs SA QoQ - Q4	--	0.9%	20:00
	GE	Labor Costs WDA YoY - Q4	--	3.1%	20:00
	EC	Employment QoQ - Q4 F	--	0.3%	23:00
	EC	Employment YoY - Q4 F	--	1.0%	23:00
	EC	Gross Fix Cap QoQ - Q4	--	-3.8%	23:00
	EC	Household Cons QoQ - Q4	--	0.5%	23:00
	EC	Govt Expend QoQ - Q4	--	0.4%	23:00
	US	NFIB Small Business Optimism - Feb	102.5	104.3	23:00
	EC	GDP SA QoQ - Q4 F	0.1%	0.1%	23:00
	EC	GDP SA YoY - Q4 F	0.9%	0.9%	23:00
	NZ	REINZ House Sales YoY - Feb	--	3.2%	10-17 Mar
	CH	Aggregate Financing CNY - Feb	1592.8B	5067.4B	10-15 Mar
	CH	New Yuan Loans CNY - Feb	1100.0B	3340.0B	10-15 Mar
	CH	Money Supply M2 YoY - Feb	8.5%	8.4%	10-15 Mar
11-Mar	NZ	Card Spending Retail MoM - Feb	--	-0.1%	10:45
	NZ	Card Spending Total MoM - Feb	--	0.3%	10:45
	AU	Westpac Consumer Conf Index - Mar	--	95.5	12:30
	AU	Westpac Consumer Conf SA MoM - Mar	--	2.3%	12:30
	AU	Investor Loan Value MoM - Jan	--	2.8%	13:30
	AU	Home Loans Value MoM - Jan	--	4.4%	13:30
	AU	Owner-Occupier Loan Value MoM - Jan	--	5.1%	13:30
	UK	Monthly GDP (3M/3M) - Jan	0.1%	0.1%	22:30
	UK	Monthly GDP (MoM) - Jan	0.2%	0.3%	22:30
	UK	Index of Services MoM - Jan	0.3%	0.3%	22:30
	UK	Index of Services 3M/3M - Jan	0.1%	0.1%	22:30

Continued on following page

Data calendar

Date	Country	Data/event	Mkt.	Last	NZ time
11-Mar	UK	Industrial Production MoM - Jan	0.3%	0.1%	22:30
	UK	Industrial Production YoY - Jan	-2.5%	-1.8%	22:30
	UK	Manufacturing Production MoM - Jan	0.3%	0.3%	22:30
	UK	Manufacturing Production YoY - Jan	-3.5%	-2.5%	22:30
	UK	Visible Trade Balance GBP/Mn - Jan	-£7000M	£845M	22:30
	UK	Trade Balance Non EU GBP/Mn - Jan	-£1000M	£6721M	22:30
	UK	Trade Balance GBP/Mn - Jan	-£211M	£7715M	22:30
	UK	Construction Output MoM - Jan	0.0%	0.4%	22:30
	UK	Construction Output YoY - Jan	2.4%	5.0%	22:30
12-Mar	US	MBA Mortgage Applications - 6-Mar	--	15.1%	00:00
	UK	UK Government Announces 2020 Budget	--	--	00:30
	US	CPI MoM - Feb	0.0%	0.1%	01:30
	US	CPI YoY - Feb	2.2%	2.5%	01:30
	US	CPI Ex Food and Energy MoM - Feb	0.2%	0.2%	01:30
	US	CPI Ex Food and Energy YoY - Feb	2.3%	2.3%	01:30
	US	Monthly Budget Statement - Feb	-$238.5B	-$234.0B	07:00
	JN	PPI MoM - Feb		-0.3%	0.2%
	JN	PPI YoY - Feb	1.0%	1.7%	12:50
	AU	Consumer Inflation Expectation - Mar	--	4.0%	13:00
	UK	RICS House Price Balance - Feb	20%	17%	13:01
	EC	Industrial Production SA MoM - Jan	1.2%	-2.1%	23:00
	EC	Industrial Production WDA YoY - Jan	-3.4%	-4.1%	23:00
13-Mar	US	PPI Final Demand MoM - Feb	-0.1%	0.5%	01:30
	US	PPI Final Demand YoY - Feb	1.8%	2.1%	01:30
	US	PPI Ex Food and Energy MoM - Feb	0.2%	0.5%	01:30
	US	PPI Ex Food and Energy YoY - Feb	1.7%	1.7%	01:30
	US	Initial Jobless Claims - 7-Mar	--	216k	01:30
	US	Continuing Claims - 29-Feb	--	1729k	01:30
	EC	ECB Main Refinancing Rate - Mar	0.00%	0.00%	01:45
	EC	ECB Marginal Lending Facility - Mar	0.25%	0.25%	01:45
	EC	ECB Deposit Facility Rate - Mar	-0.60%	-0.50%	01:45
	NZ	BusinessNZ Manufacturing PMI - Feb	--	49.6	10:30
	NZ	Food Prices MoM - Feb	--	2.1%	10:45
	GE	CPI MoM - Feb F	0.4%	0.4%	20:00
	GE	CPI YoY - Feb F	1.7%	1.7%	20:00
	GE	CPI EU Harmonized MoM - Feb F	0.6%	0.6%	20:00
	GE	CPI EU Harmonized YoY - Feb F	1.7%	1.7%	20:00
14-Mar	US	Import Price Index MoM - Feb	-1.0%	0.0%	01:30
	US	Import Price Index YoY - Feb	--	0.3%	01:30
	US	Export Price Index MoM - Feb	-0.4%	0.7%	01:30
	US	Export Price Index YoY - Feb	--	0.5%	01:30
	US	U. of Mich. Sentiment - Mar P	96.7	101.0	03:00

Key: AU: Australia, EC: Eurozone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States, CH: China.
Source: Dow Jones, Reuters, Bloomberg, ANZ Bank New Zealand Limited. All $ values in local currency.
Note: All surveys are preliminary and subject to change

Local data watch

Global slowdown is expected to dent activity over H1, with a muted recovery in H2. Exports will be hit, but domestic demand is also expected to be soft. Risks of a sharp slowdown have increased. An imminent policy response is needed. We expect the OCR will be lowered at the March meeting, if not before.

Date	Data/event	Economic signal	Comment
Tue 10 Mar (10:00am)	ANZ Truckometer – February	--	--
Tue 10 Mar (10:45am)	Economic Survey of Manufacturing– Q4	Line ball	The PMI suggests manufacturing activity lifted in Q4, but with the December month coming in below 50 it's a line-ball call.
10 -17 Mar	REINZ housing data – February	Up	The market has tightened and we may see some residual strength, but a softening at some stage is likely.
Fri 13 Mar (10:45am)	Food Price Index – February	Dip	Food prices are expected to slip slightly. Supply disruption into China presents some downside.
Fri 13 Feb (10:45am	Rental Price Index – February	Small rise	Continued increases in rental prices should support a quarterly rise in CPI rents.
Mon 16 Feb (10:45am)	Net Migration – January	Easing	These data are noisy, but we'll be looking for confirmation that the cycle has been easing, albeit with a 3 quarter lag.
Mon 16 Mar (1:00pm)	ANZ Monthly Inflation Gauge – February	--	--
Wed 18 Mar (early am)	GlobalDairyTrade auction	Weaker	Concerns of a slow global economic growth is expected to weigh on dairy prices
Wed 18 Mar (10:45am)	Balance of Payments – Q4	Stable	We expect the annual current account deficit to remain stable as a share of GDP at 3.3%.
Thu 19 Mar (10:45am)	GDP – Q4	The last hurrah?	Quarterly growth of 0.6% is expected to see annual growth slow to 1.8%. COVID-19 impacts mean annual growth is likely to slow further in Q1 2020.
Wed 25 Mar (10:45am)	Overseas Merchandise Trade – February	Disruption	We'll be watching these data closely for a signal on how COVID-19 disruption has weighed on both sides of the trade balance.
Fri 27 Mar (10:00am)	ANZ Roy Morgan Consumer Confidence – March	--	--
Tue 31 Mar (3:00pm)	RBNZ sectoral lending – February	Watching	The funding gap has been widening recently. We'll be watching to see how that evolves, with credit an emerging headwind. Though emerging risks could see a move back into deposits.
Tue 31 Mar (10:45am)	Building Consents – February	High	Consents have been holding at a high level. While downside risks remain, recent resurgence in the housing market is expected to provide continued support.
Tue 31 Mar (1:00pm)	ANZ Business Outlook – March	--	--
Mon 6 Apr (1:00pm)	ANZ Commodity Price Index – March	--	--
Tue 7 Apr (10:00am)	NZIER Quarterly Survey of Business Opinion – Q1	Hit	With COVID-19 uncertainty weighing and a near-tern hit to activity in the pipeline, expect sentiment to slide.
Wed 8 Apr (early am)	GlobalDairyTrade auction	Weaker	Concerns of a slow global economic growth is expected to weigh on dairy prices
Thu 9 Apr (10:00am)	ANZ Truckometer – March	--	--
Tue 14 Apr (10:45am)	Net Migration – February	Easing	These data are noisy, but we'll be looking for confirmation that the cycle has been easing, albeit with a 3 quarter lag.
14-17 Apr	REINZ housing data – March	More muted?	We expect a slowing at some point soon.
Wed 15 Apr (10:45am)	Food Price Index – March	Dip	Food prices are expected to slip slightly. Supply disruption into China presents some downside.
Wed 15 Apr (10:45am)	Rental Price Index – March	Small rise	Continued increases in rental prices should support a quarterly rise in CPI rents.
Thu 16 Apr (1:00pm)	ANZ Monthly Inflation Gauge – March	--	--
Mon 20 Apr (10:45am)	Consumer Price Index – Q1	Above 2%	We've pencilled in 0.4% q/q (2.1% y/y) for headline inflation, but the price impacts of COVID-19 disruption are uncertain. Risks to the medium-term outlook are to the downside.
On balance		**Data watch**	**Risks are clearly tilted to the downside, with global developments evolving rapidly.**

Key forecasts and rates

	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
GDP (% qoq)	0.7	**0.6**	**-0.1**	**0.2**	**0.9**	**0.9**	**0.7**	**0.7**	**0.7**
GDP (% yoy)	2.3	**1.8**	**1.3**	**1.4**	**1.6**	**1.9**	**2.7**	**3.2**	**3.0**
CPI (% qoq)	0.7	0.5	**0.4**	**0.2**	**0.8**	**0.3**	**0.6**	**0.3**	**0.7**
CPI (% yoy)	1.5	1.9	**2.1**	**1.7**	**1.8**	**1.7**	**1.9**	**2.1**	**2.0**
LCI Wages (% qoq)	0.6	0.6	**0.4**	**0.8**	**0.5**	**0.5**	**0.4**	**0.8**	**0.5**
LCI Wages (% yoy)	2.3	2.4	**2.5**	**2.5**	**2.4**	**2.3**	**2.3**	**2.3**	**2.3**
Employment (% qoq)	0.2	0.0	**0.3**	**0.2**	**0.1**	**0.2**	**0.6**	**0.7**	**0.4**
Employment (% yoy)	1.0	1.0	**1.3**	**0.8**	**0.6**	**0.8**	**1.1**	**1.6**	**1.9**
Unemployment Rate (% sa)	4.1	**4.0**	**4.2**	**4.3**	**4.4**	**4.3**	**4.2**	**4.1**	**4.1**
Current Account (% GDP)	-3.3	**-3.3**	**-3.5**	**-3.9**	**-4.3**	**-4.5**	**-4.6**	**-4.4**	**-4.2**
Terms of Trade (% qoq)	1.9	0.9	**1.0**	**-4.6**	**0.4**	**1.3**	**0.3**	**0.3**	**0.2**
Terms of Trade (% yoy)	1.0	5.3	**5.3**	**-0.9**	**-2.3**	**-2.0**	**-2.7**	**2.3**	**2.1**

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20
Retail ECT (% mom)	-0.6	0.3	0.0	1.2	0.2	-0.5	3.0	-0.9	-0.1	--
Retail ECT (% yoy)	3.4	1.5	2.0	3.1	0.6	1.6	5.1	3.9	4.2	--
Car Registrations (% mom)	-2.1	-2.8	5.1	-0.1	6.7	-6.8	-1.3	2.3	-4.5	4.6
Car Registrations (% yoy)	-12.6	-11.0	-5.4	-5.2	4.7	-6.6	3.0	5.6	-3.5	-0.3
Building Consents (% mom)	16.2	-4.2	-1.2	0.8	6.9	-1.3	-8.5	9.8	-2.0	--
Building Consents (% yoy)	8.3	9.5	18.7	12.5	23.6	18.6	8.0	15.8	1.6	--
REINZ House Price Index (% yoy)	1.7	1.8	1.6	2.7	3.2	3.8	5.5	6.5	6.9	--
Household Lending Growth (% mom)	0.5	0.5	0.5	0.6	0.5	0.5	0.6	0.6	0.6	--
Household Lending Growth (% yoy)	6.0	5.9	5.9	6.0	6.1	6.2	6.3	6.5	6.6	--
ANZ Roy Morgan Consumer Conf.	119.3	122.6	116.4	118.2	113.9	118.4	120.7	123.3	122.7	122.1
ANZ Business Confidence	-32.0	-38.1	-44.3	-52.3	-53.5	-42.4	-26.4	-13.2	..	-19.4
ANZ Own Activity Outlook	8.5	8.0	5.0	-0.5	-1.8	-3.5	12.9	17.2	..	12.0
Trade Balance ($m)	175	330	-732	-1642	-1310	-1038	-785	384	-340	--
Trade Bal ($m ann)	-5602	-4987	-5516	-5591	-5321	-5055	-4836	-4460	-3866	--
ANZ World Comm. Price Index (% mom)	0.0	-3.9	-1.4	0.3	0.0	1.2	4.3	-3.4	-0.9	-2.1
ANZ World Comm. Price Index (% yoy)	0.7	-2.4	-0.5	0.9	3.4	7.2	12.4	8.7	5.6	0.6
Net Migration (sa)	3860	3370	4080	4270	3850	3770	2490	3930	--	--
Net Migration (ann)	47661	47273	47285	47344	46790	46751	44966	43765	--	--
ANZ Heavy Traffic Index (% mom)	0.9	-2.3	2.2	-3.5	3.4	2.8	-1.3	-2.5	4.8	--
ANZ Light Traffic Index (% mom)	0.8	-2.0	1.4	0.3	-0.3	0.2	1.3	-2.2	2.0	--
ANZ Monthly Inflation Gauge (% mom)	0.2	0.5	0.5	0.3	0.3	0.3	0.1	0.4	0.6	--

Figures in bold are forecasts. mom: Month-on-Month; qoq: Quarter-on-Quarter; yoy: Year-on-Year

Key forecasts and rates

FX Rates	Actual			Forecast (end month)					
	Jan-20	Feb-20	Today	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
NZD/USD	0.646	0.625	0.633	0.62	0.63	0.64	0.64	0.64	0.64
NZD/AUD	0.966	0.959	0.957	0.95	0.95	0.96	0.96	0.96	0.96
NZD/EUR	0.583	0.566	0.558	0.56	0.57	0.59	0.60	0.60	0.59
NZD/JPY	70.04	67.39	65.98	68.8	70.6	71.7	71.7	71.7	71.7
NZD/GBP	0.489	0.487	0.484	0.48	0.49	0.49	0.49	0.48	0.47
NZ$ TWI	71.63	70.01	70.30	69.7	70.9	71.9	72.2	72.2	71.7
Interest rates	Jan-20	Feb-20	Today	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
NZ OCR	1.00	1.00	1.00	0.50	0.25	0.25	0.25	0.25	0.25
NZ 90 day bill	1.26	1.06	0.83	0.97	0.47	0.47	0.47	0.47	0.47
NZ 10-yr bond	1.30	1.06	0.94	0.80	0.65	1.00	1.25	1.50	1.75
US Fed funds	1.75	1.75	1.25	1.25	0.75	0.50	0.50	0.50	0.50
AU Cash Rate	0.75	0.75	0.50	0.75	0.50	0.25	0.25	0.25	0.25
AU 3-mth	0.88	0.81	0.55	0.95	0.70	0.45	0.45	0.45	0.45

	6-Feb	2-Mar	3-Mar	4-Mar	5-Mar	6-Mar
Official Cash Rate	1.00	1.00	1.00	1.00	1.00	1.00
90 day bank bill	1.26	0.87	0.90	0.77	0.82	0.83
NZGB 05/21	1.00	0.60	0.59	0.55	0.55	0.55
NZGB 04/23	1.03	0.67	0.69	0.66	0.69	0.60
NZGB 04/27	1.24	0.92	0.96	0.93	0.97	0.85
NZGB 04/33	1.54	1.21	1.26	1.24	1.30	1.17
2 year swap	1.17	0.71	0.74	0.64	0.70	0.71
5 year swap	1.25	0.79	0.82	0.74	0.80	0.77
RBNZ TWI	72.02	69.69	69.96	70.07	69.93	70.18
NZD/USD	0.6465	0.6266	0.6270	0.6295	0.6326	0.6350
NZD/AUD	0.9588	0.9577	0.9551	0.9519	0.9548	0.9580
NZD/JPY	70.98	67.49	67.72	67.67	67.57	66.97
NZD/GBP	0.4987	0.4903	0.4905	0.4926	0.4898	0.4878
NZD/EUR	0.5877	0.5652	0.5642	0.5652	0.5663	0.5625
AUD/USD	0.6743	0.6542	0.6565	0.6613	0.6626	0.6636
EUR/USD	1.1001	1.1085	1.1113	1.1136	1.1170	1.1284
USD/JPY	109.80	107.72	108.00	107.50	106.81	105.39
GBP/USD	1.2963	1.2779	1.2784	1.2779	1.2916	1.3048
Oil (US$/bbl)	50.95	46.75	47.18	46.78	45.90	41.28
Gold (US$/oz)	1566.90	1609.50	1599.70	1641.80	1647.28	1673.83
NZX 50	11604	11103	11346	11418	11641	11426
Baltic Dry Freight Index	431	539	549	562	599	617
NZX WMP Futures (US$/t)	2970	2805	2805	2905	2905	2890

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