

## NEW ZEALAND ECONOMICS MARKET FOCUS

9 May 2016

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### NZ ECONOMICS TEAM

#### Cameron Bagrie Chief Economist

Telephone: +64 4 802 2212  
E-mail: Cameron.Bagrie@anz.com  
Twitter @ANZ\_cambagrie

#### Philip Borkin Senior Economist

Telephone: +64 9 357 4065  
Email: Philip.Borkin@anz.com

#### David Croy Senior Rates Strategist

Telephone: +64 4 576 1022  
E-mail: David.Croy@anz.com

#### Mark Smith Senior Economist

Telephone: +64 9 357 4096  
E-mail: Mark.Smith2@anz.com

#### Sam Tuck Senior FX Strategist

Telephone: +64 9 357 4086  
E-mail: Sam.Tuck@anz.com

#### Kyle Uerata Economist

Telephone: +64 4 802 2357  
E-mail: kyle.uerata@anz.com

#### Con Williams Rural Economist

Telephone: +64 4 802 2361  
E-mail: Con.Williams@anz.com

#### Sharon Zöllner Senior Economist

Telephone: +64 9 357 4094  
E-mail: Sharon.Zollner@anz.com

## RIDING IN KANGA'S POUCH?

### ECONOMIC OVERVIEW

The RBA has thrown the cat amongst the pigeons by cutting and flagging more to come. We're not buying into the notion there's enough in that to seal the deal on a June cut from the RBNZ on fear of the NZD/AUD moving up more. There are wider considerations at play and to us the Fed will have a far greater bearing on RBNZ action than the RBA will. We still feel the RBNZ will get dragged back to the easing table more than once, but to us June is still a line-ball call; the economy doesn't appear to need it at present. This week's RBNZ *Financial Stability Report* should highlight concern, and the possibility of further macro-prudential action.

Data should show respectable consumer spending, while two of our proprietary indicators (Truckometer and Monthly Inflation Gauge) will give an early signal on Q2 activity and inflation.

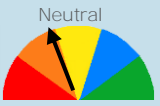
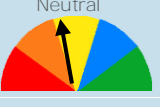


### INTEREST RATE STRATEGY

Markets were caught on the hop following last week's surprise RBA cut, which has seen markets increase pricing for the RBNZ to follow suit. We're ho-hum on what it all means. A June RBNZ OCR cut remains a line-ball call in our eyes, although we continue to buy into the theme of New Zealand rates converging to global peers over time. That makes the belly of the curve the sweet spot, and we expect the long-end to be dominated by this theme. Markets are now gravitating more towards our view of 50bps of cuts to come and as such, we expect the bellwether 2-year swap to remain biased lower still despite it having come a long way of late.

### CURRENCY STRATEGY

NZD/USD has been helped lower by last week's RBA action and we expect this theme to persist as expectations evolve towards more than one further cut from the RBA. Softer China data and already very low Fed expectations also suggest NZD/USD strength will face challenges, despite resilient local data. NZD/AUD support (below 0.90) has been endorsed by the RBA change, and with the NZ yield advantage expected to continue, NZD/AUD is likely to squeeze higher as markets reweight RBA expectations.

### THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.5% y/y for 2016 Q4	While growth momentum looks reasonable now, tighter financial conditions suggest a more moderate backdrop over 2H 2016.	
Unemployment rate	5.4% for 2016 Q4	The unemployment rate should continue to trend lower. Wage inflation is contained, but a turn may be in sight.	
OCR	1.75% by Dec 2016	A further 50bps of cuts this year despite housing. Growth is set to moderate, inflation is low, and global risks abound.	
CPI	1.0% y/y for 2016 Q4	Lower petrol prices and further ACC levy cuts from July expected to keep headline inflation low this year. Core inflation measures to remain historically low.	

# ECONOMIC OVERVIEW

## SUMMARY

The RBA has thrown the cat amongst the pigeons by cutting and flagging more to come. We're not buying into the notion there's enough in that to seal the deal on a June cut from the RBNZ on fear of the NZD/AUD moving up more. There are wider considerations at play and to us the Fed will have a far greater bearing on RBNZ action than the RBA will. We still feel the RBNZ will get dragged back to the easing table more than once, but to us June is still a line-ball call; the economy doesn't appear to need it at present. This week's RBNZ *Financial Stability Report* should highlight concern, and the possibility of further macro-prudential action. Data should show respectable consumer spending, while two of our proprietary indicators (Truckometer and Monthly Inflation Gauge) will give an early signal on Q2 activity and inflation.

## FORTHCOMING EVENTS

### REINZ Housing Market Statistics – April

(sometime this week). Anecdote is consistent with strong activity over most parts of the country. We expect these figures to confirm that, with nationwide house price growth continuing to accelerate.

**ANZ Truckometer – April** (10:00am, Tuesday, 10 May).

**Government Monthly Financial Statements – March** (10:00am, Tuesday, 10 May). Tax revenue is running ahead of forecast as solid activity growth offsets the impact of low inflation and commodity prices.

**Electronic Card Transactions – April** (10:45am, Tuesday, 10 May). We have pencilled in a modest 0.5% m/m lift in total retail spending.

**ANZ Monthly Inflation Gauge – April** (1:00pm, Tuesday, 10 May).

**RBNZ Financial Stability Report** (9:00am, Wednesday, 11 May). The financial system is reasonably sound. However, risks are growing and we expect concerns to again be raised over housing, dairy and the global scene.

**BNZ-Business NZ Manufacturing PMI – April** (10:30am, Thursday, 12 May). Even if the index does tick a little lower, it will no doubt still point to this sector outperforming international peers.

**Food Price Index – April** (10:45am, Thursday, 12 May). A flat to slightly positive increase is expected for the month.

**Retail Trade Survey – Q1** (10:45am, Friday, 13 May). We expect a 1.1% q/q lift in total sales volumes, with core volumes likely to have fared even better over the quarter.

## WHAT'S THE VIEW?

**Does the RBA's latest rate cut and associated soft nuances seal the deal on a June OCR cut from the RBNZ?** The market has certainly taken note, moving from pricing in roughly a 55% chance of a cut to 80% odds, and the 2 year swap has fallen to 2.18% – close to an all-time low.

**We're somewhat sceptical over what it means in terms of 'guilt by association'.**

- With regards to the most-cited reason – that the RBNZ needs to cut simply because the NZD/AUD is one of the few crosses it can influence – **we note:**
  - Historically, a ~50bps cash rate differential between the two nations (together with growth and commodity price differentials) has meant a NZD/AUD with a 9 handle. Thus, **sub-90 cents looked cheap.**
  - We think **fair value for the NZD/AUD has risen**; exporters by-and-large are not uncomfortable with the cross in the low 90's.
  - **The elasticity of manufacturing exports to the NZD/AUD is actually quite low** (around 0.15). Airfares have historically been a more important driver of Australian visitor arrivals (42% of total) than the currency.
  - **Microeconomic factors are equally – if not more – important for exporter performance** as the currency. An example is the increased number of Trans-Tasman airline seats (a very competitive tourist route).
  - The export sector under the greatest pressure is **dairying** and **for that the NZD/USD is most relevant**, not NZD/AUD.
  - The **RBA cutting actually helps drag the NZD/USD down as the commodity complex follows** in association. In fact, the NZD TWI is below where it was prior to the RBA cut.
- **The RBA has some local considerations of which to be mindful. One is a pending election.** Businesses could easily go into 'shovels down' mode given the uncertainty that can be associated with elections, dropping growth further below trend. That's untenable when inflation is low. So the fire needed to be stoked.
- **The Australian housing market has moderated.** Six month annualised house price growth is now less than 5%, and while auction clearance rates are still above average in Sydney and Melbourne, they are lower than a year ago. **The same can't be said in New Zealand.**

## ECONOMIC OVERVIEW

**We'd argue the Fed is more relevant, and it is looking even less likely to hike any time soon.**

That means more currency strength across the board.

**That is one reason why we continue to look for a further 50bps of easing from the RBNZ before year end.**

There are strong domestic reasons for the RBNZ to hold (core inflation is showing signs of picking up, and the strength in housing make June a line-ball call), but it seems inevitable that the RBNZ will ease again eventually. Any central bank that's not easing gets battered into submission by the currency. Currency divergence from fundamentals means yields must converge to bring the former back to realistic territory. That's the reality of a coupled world.

**This week our near-term focus is the RBNZ's bi-annual *Financial Stability Report (FSR)*. While the RBNZ will reiterate that New Zealand's financial system is sound, we expect it to note that risks are growing.**

In November, it singled out three broad areas of concern: 1) the global backdrop (China especially); 2) dairy sector strain; and 3) excessive house price growth in Auckland. We have little doubt that those concerns will again all be raised. Since November we note:

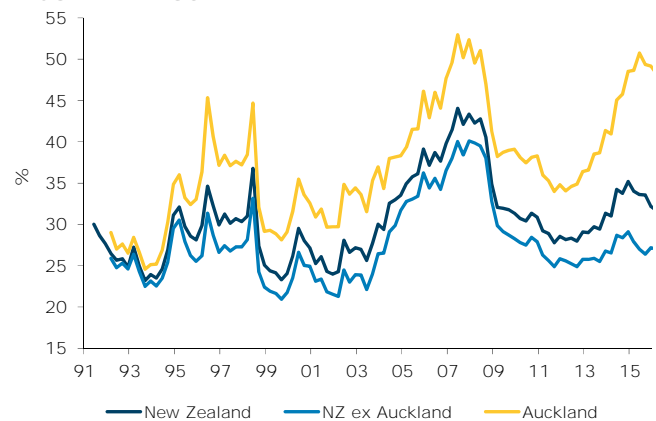
- The global backdrop has deteriorated.** The RBNZ reiterated its cautiousness about the global situation in last month's *OCR Review*. Global growth forecasts have been lowered, and funding markets have weakened (though they are in better shape than earlier this year). The past few weeks have seen financial markets improve but that doesn't look sustainable. Growth numbers are tracking lower and more questions are being asked over the side effects of aggressive central bank stimulus. Microeconomic reform prospects (a necessary condition to improving growth) are limited amidst growing political fragmentation in key jurisdictions.
- Dairy pressures have intensified.** Since November, Fonterra has downgraded its payout forecast twice, and expectations of a recovery in global prices continue to be pushed out. Of the scenarios presented in the November *FSR*, the outlook is looking far more like its "medium" stress scenario than its base case. That said, the RBNZ has subsequently conducted stress tests of major lenders' dairy portfolios, concluding loss rates will be "manageable for the banking system as a whole."
- Housing market strength has broadened.** RBNZ concern has previously centred on Auckland, with it taking a more watchful stance regarding some regional markets. Tweaks to LVR restrictions and tax changes implemented last year were

expected to see Auckland house prices moderate. While that looked the case for a time, evidence is mounting that the Auckland market is coming back to the boil. Not only that, but many regional markets are now strengthening, well beyond just the Tauranga and Hamilton markets that the RBNZ highlighted it was watching last time.

**It is because of the latter that we believe the chances are growing that the RBNZ will respond by implementing further macro-prudential tools.**

We don't have any specific expectations, but it would be easy for the RBNZ to broaden the Auckland investor LVR restriction to apply across the country. It also has the ability to increase risk weights on specific sectoral lending. Other options would be restrictions to interest-only lending and debt-to-income or debt servicing restrictions.

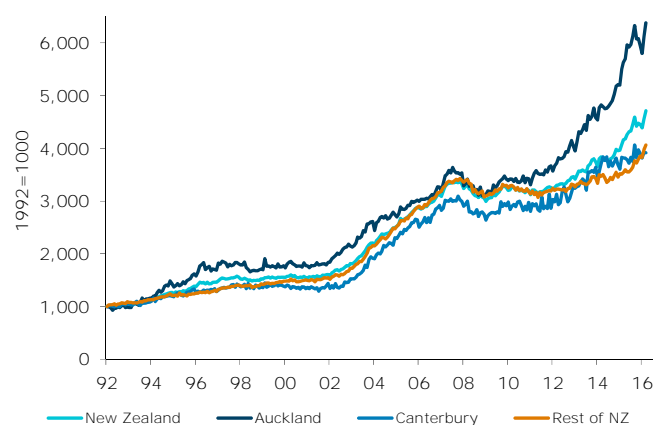
**FIGURE 1. REGIONAL MORTGAGE PAYMENTS TO INCOME RATIOS**



Source: ANZ, REINZ, RBNZ, Statistics NZ

**In other events/data this week, REINZ housing market figures for April will likely be strong.**

**FIGURE 2. REGIONAL HOUSE PRICES**



Source: ANZ, REINZ

Housing markets across the country (perhaps with the exception of Christchurch) continue to strengthen. Activity in some regions such as Wellington, Waikato,

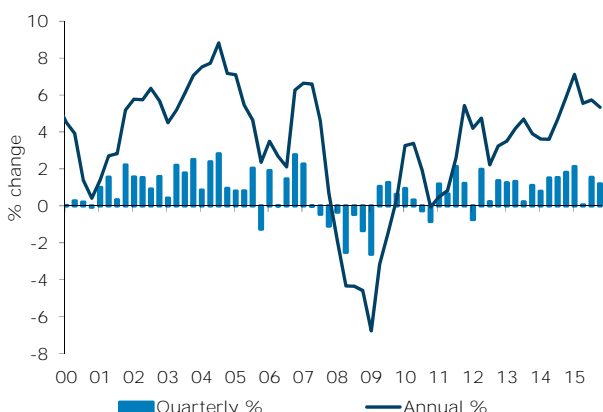
## ECONOMIC OVERVIEW

Bay of Plenty, and Central Otago are described as especially strong, and Auckland is coming back to the boil. A lack of stock is becoming more of an issue. Open home attendance is reportedly strong and auction clearance rates are rising again. Monthly volatility needs to be considered, but we expect the REINZ figures to show falling days to sell and nationwide house price growth lifting further.

**We expect updates on retail spending to paint a respectable picture overall.**

- **We have pencilled in a 0.5% m/m increase in Electronic Card Transactions for April.** This would continue a respectable underlying trend. But the underlying detail is likely to be mixed, with hospitality spending continuing to outperform, while the warmer-than-normal weather may continue to hamper apparel spending.
- **Retail sales volumes are forecast to have risen 1.1% q/q in Q1.** With only the odd blip, retail sales volumes have been growing in excess of 1.0% q/q for close to two years now. Retail spending has been supported of late by strong population growth, booming tourism, decent overall labour income growth (despite low wage growth), net wealth gains from rising house prices, and ongoing mortgage rate falls. More recently, lower petrol prices have also given households a discretionary cash-flow boost. While a 1.1% q/q increase would be a little softer than the average increase over this period, we are expecting core volumes growth to be stronger over the quarter.

**FIGURE 3. RETAIL SALES VOLUMES**



Source: ANZ, Statistics NZ

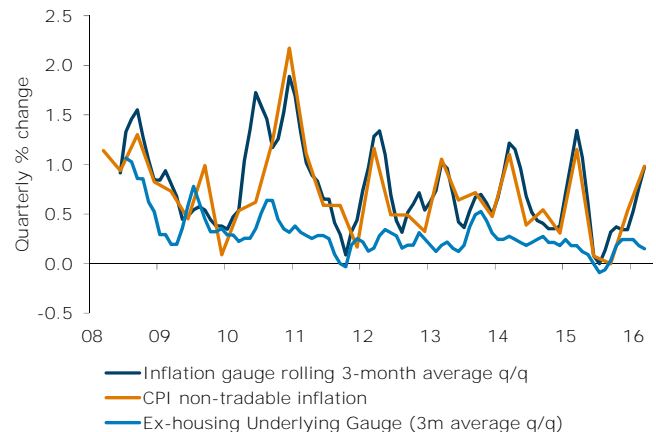
**Two of our key proprietary indicators will provide an early indication on how Q2 activity and inflation is tracking.**

- **Truckometer for April:** The Heavy Traffic Index has been volatile of late. After falling sharply in January (-4.4%), it rose in February and March but nonetheless suggests a softer pace of

economic momentum in Q1. The April data will give an early indicator of whether that moderating trend has continued, or whether domestic economic momentum is continuing to hold up well.

- **Monthly Inflation Gauge for April:** Our Gauge, which rose 1.0% 3m/3m in March, proved consistent with the subsequent Q1 CPI data, which showed non-tradable inflation lifting 1.0% q/q – a touch higher than the RBNZ's expectations. The message from our Gauge has long been that outside of housing, pressures are benign. We are now detecting a few more pressures (eg in accommodation services) hinting at demand-pull forces, but it is far from widespread.

**FIGURE 4. MONTHLY INFLATION GAUGE & NON-TRADABLE CPI**



Source: ANZ, Statistics NZ

**The Government's financial statements for the nine months to March will be the last update ahead of the Budget. They should paint a reasonable picture.** Tax revenue has been running ahead of HYEPU forecasts as stronger-than-expected activity growth has more than offset the impact of low inflation and commodity price weakness. It sets the scene for the possibility the Budget will show a modestly improved fiscal outlook versus previous projections.

**Finally, the Business NZ manufacturing PMI for April is also due, and like the Truckometer, will provide an early signal on how Q2 activity is tracking.** Looking overseas at comparable manufacturing measures suggests a possible deterioration (the JP Morgan Global Manufacturing PMI index sits at just 50.1 – barely expansionary). However, we do not see that as a given because New Zealand's manufacturing sector has long been outperforming its global peers and we expect that to have continued in April. Despite structural overcapacity issues plaguing manufacturing globally, the sector locally is benefiting from a solid domestic economy, and in particular strong construction.

## ECONOMIC OVERVIEW

### LOCAL DATA

**GlobalDairyTrade Auction.** The GDT-TWI fell 1.4%, with whole milk powder prices up just 0.7%.

**Labour Market Statistics – Q1.** At 1.2% q/q, employment growth was strong. The unemployment rate rose 0.3%pts to 5.7%, courtesy of a 0.5%pt increase in the participation rate (to 69.0%).

**QV House Prices – Apr.** Nationwide prices rose 2.1% 3m/3m to be up 12% y/y.

**ANZ Commodity Price Index – Apr.** The index fell a further 0.8%, to be down 17% y/y. Dairy led the weakness. However, non-dairy prices also fell 0.3% m/m.

# INTEREST RATE STRATEGY

## SUMMARY

Markets were caught on the hop following last week's surprise RBA cut, which has seen markets increase pricing for the RBNZ to follow suit. We're ho-hum on what it all means. A June RBNZ OCR cut remains a line-ball call in our eyes, although we continue to buy into the theme of New Zealand rates converging to global peers over time. That makes the belly of the curve the sweet spot, and we expect the long-end to be dominated by this theme. Markets are now gravitating more towards our view of 50bps of cuts to come and as such, we expect the bellwether 2-year swap to remain biased lower still despite it having come a long way of late.

## THEMES

- The local curve flattens, leaving local rates at (or close to) post OCR lows. Markets are moving closer to our core view of 50bps of cuts over 2016, but with June still a line ball call and almost 80% priced we would ease up on June bets.
- We doubt last week's RBA cut was a 'one and done' move and expect at least one follow-up cut by August. This may delay NZ/AU rates convergence, but any delay gives opportunity to enter convergence trades.
- With prospects increasing that the Fed won't be hiking any time soon, this means a supported NZD and more pressure for local interest rates to converge to global peers.
- That being said, we retain a steepening bias given our expectation of eventual and gradual Fed hikes and a belief that we are past the lows for inflation. We continue to expect further convergence between local and global bond yields despite increased local supply.

## PREFERRED STRATEGIES – INVESTORS

KEY VIEWS – FOR INVESTORS		
GAUGE	DIRECTION	COMMENT
Duration	Neutral	Near-term reasonable; long-end rates still high in global context.
2s10s Curve	Steeper	OCR biased lower, but long end still biased mildly higher.
Geographic 10yr spread	Narrower	Divergent policy biases argue for gradual narrowing.
Swap spreads	Neutral	Risk of narrowing, given increased bond supply.

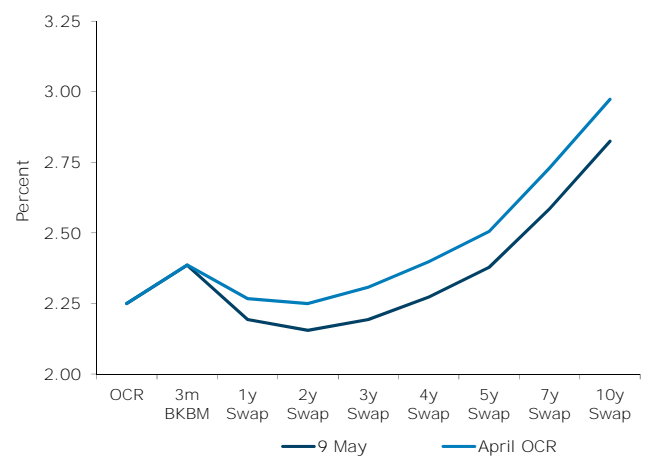
## POST OCR LOWS

**Markets were caught by surprise following last Tuesday's RBA cut, with a surge of receiving in Australian rates.** Markets have priced in further

easing post the RBA cut, with another full cut priced in by the end of the year. Friday's RBA Statement on Monetary Policy showed a significant downgrade to its inflation forecasts, after the surprising weakness in the Q1 CPI numbers. Forecasts for headline and underlying inflation were revised lower (both 1-2% over 2016), with inflation forecasts for subsequent years (1½-2½%) straddling the lower bound of the RBA 2-3% inflation target. We doubt last week's RBA cut was a 'one and done' move. At least one more cut looks in prospects. This will maintain pressure on the RBNZ to be following suit.

**Local yields have fallen sharply and the curve flattened, with rates for most tenors at (or close to) post OCR lows.** With New Zealand inflation lower than in Australia and with our policy rate 50bps higher, markets are of the view that the RBNZ will follow suit, and reasonably quickly, with 80% odds of a June OCR cut and close to 40bps of cuts priced over 2016. Market pricing is increasingly consistent with our core view of 50bps of OCR cuts and the OCR ending 2016 at 1.75%.

FIGURE 1: NZD SWAP RATES



Source: ANZ, Bloomberg

## Two factors this week could push the market even closer to fully pricing RBNZ cuts.

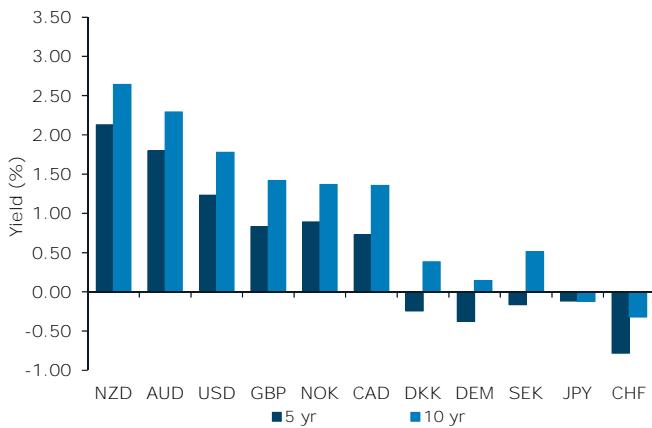
Tomorrow's Monthly Inflation Gauge will be useful for ascertaining whether the inflation backdrop is not an impediment to taking the OCR lower, particularly with next week's RBNZ Survey of Expectations readings for inflation widely expected to be low. Wednesday's *Financial Stability Report* will provide more clarity on whether further non-OCR measures will be contemplated to address housing market buoyancy. Whilst the expectation is that the RBNZ will not reveal too much, there is the risk it does, providing more scope for the OCR to head lower without further inflaming the housing market.

# INTEREST RATE STRATEGY

While we have pencilled in OCR cuts for June and November, we have sympathy with the view that the RBNZ will gain little from further rate cuts in the near-term. Above trend growth, strong credit growth and a better non tradable inflation pulse (outside of one-offs) argue for caution. Moreover, cutting the OCR in the current instance with a view towards getting the NZD down is simply not working given dovish nuances from other central banks.

However, it must be stressed that we continue to have expectations that further monetary policy support will be required over time. The combination of a wobbly global scene (we are not buying into the bounce in financial market sentiment or commodities), rising average cost of funds for banks and the lagged impact from low dairy prices dragging overall activity growth back towards trend at a time inflation is low, are powerful forces. While the likes of the 6month/1yr (2.11) and 1yr/1yr (2.18) and 2yr/2yr (2.43) have come a long way in the current instance, they have scope to move lower still. We continue to take odds with market expectations of the OCR moving up in the back half of 2017. Cash-flow pressures into the dairy sector will not be receding by them.

FIGURE 2. SOVEREIGN BOND YIELDS



Source: ANZ, Bloomberg

A key thematic underpinning our expectations of further moves lower in the OCR is also that divergences in currency markets will drive closer convergence in rates markets. Kiwi government bond yields may be around record lows, but at around 2.60% for the 10 year tenor are standouts in relation to the 0.9% average for the remainder of the G10. Thursday's NZD100m tender of the 2035 bond will provide the next key test. Increased supply would tend to count against further yield falls, but with just NZD75bn outstanding, the NZGB market is small and modest increases in supply are unlikely to significantly dilute demand.

## PREFERRED STRATEGIES – BORROWERS

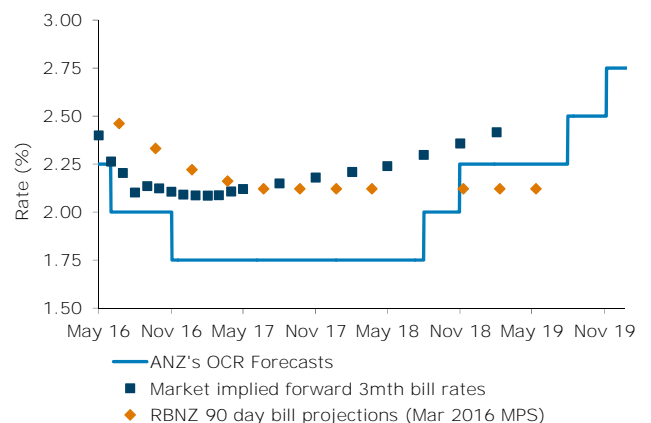
Local rates are at historical lows and it is cheap to fix, particularly with a flatter borrowing curve. Our bias is for rates to gradually drift higher, but with few catalysts on the horizon to signal an impending 'snap' higher in longer-term yields, borrowers can afford to wait on the side lines. Credit spreads are likely to remain volatile and subject to swings in global sentiment. Swap hedges are ineffectual in protecting against movements in credit spreads and could prove counter-productive if swap rates fall. This, and the volatile trading environment, has us biased towards favouring an option-based strategy when it comes to new hedging. This makes the decision to take on more expensive term hedging a difficult one.

KEY VIEWS – FOR BORROWERS		
GAUGE	VIEW	COMMENT
Hedge ratio	Majority hedged	Options preferred so as to maintain exposure to lower floating interest rates.
Value	Cheap	Low, but the catalyst for an immediate rise is absent.
Uncertainty	Elevated	The key reason for caution.

## MARKET EXPECTATIONS

Odds remain skewed towards a June OCR cut, with 20bps of cuts priced in. There is also 29bps of cuts priced by August and 38bps by the end of the year. This is becoming more consistent with our view of the risk profile relative to the 50bps of cuts we forecast for the remainder of the year. Current market pricing, in which hikes from mid-2017 are signalled, looks premature considering the lack of inflationary pressure and we expect lower rates for longer tenors.

FIGURE 3: ANZ OCR FORECAST VS MARKET-IMPLIED FWD 3MTH BILL RATES AND RBNZ 90-DAY PROJECTION



Source: ANZ, Bloomberg



# CURRENCY STRATEGY

## SUMMARY

NZD/USD has been helped lower by last week's RBA action and we expect this theme to persist as expectations evolve towards more than one further cut from the RBA. Softer China data and already very low Fed expectations also suggest NZD/USD strength will face challenges, despite resilient local data. NZD/AUD support (below 0.90) has been endorsed by the RBA change, and with the NZ yield advantage expected to continue, NZD/AUD is likely to squeeze higher as markets reweight RBA expectations.

TABLE 1: KEY VIEWS

CROSS	WEEK	MONTH	YEAR
NZD/USD	↔	Awaiting catalysts	Profile still lower
NZD/AUD	↔/↑	Still supported	Remain above long-run averages
NZD/EUR	↔	Still in range	Political risks for EUR
NZD/GBP	↔	Brexit risks lifting	GBP resurgence
NZD/JPY	↔/↑	Oversold?	JPY returning to averages

## THEMES AND RISKS

- We expect NZ data this week to continue the resilient trend that has been supporting NZD, but NZD will remain at the whims of offshore factors.
- We would not be surprised if the RBNZ *FSR* signals measures against house prices, but these are unlikely to overtly drive the currency.
- Markets continue to debate when we might reach peak USD pessimism. We aren't ready to call it, but with just half a hike priced in 2016, the peak can't be too far away.
- The BoE this week is unlikely to surprise markets, but if they do, it will be with a dovish turn.

TABLE 2: KEY UPCOMING EVENT RISK

EVENT		WHEN (NZST)	IMPACT RISK
NZD	Truckometer	Tue 10:00	NZD
NZD	Card spending	Tue 10:45	NZD ↔
NZD	ANZ Inflation gauge	Tue 13:00	NZD
CNY	CPI, PPI	Tue 13:30	NZD/CNY ↑
EUR	German & French IP	Tue 18:45	NZD/AUD ↑
USD	Small Business opt.	Tue 22:00	NZD/USD ↓
NZD	RBNZ <i>FSR</i>	Wed 09:00	NZD ↓
AUD	Home lending	Wed 13:30	NZD/AUD ↓
GBP	IP & MP	Wed 20:30	NZD/GBP ↑
NZD	Business PMI	Thu 10:30	NZD ↑
NZD	Food prices	Thu 10:45	NZD ↔
NOK	Norges Bank	Thu 20:00	NZD
EUR	Industrial production	Thu 21:00	NZD/EUR ↓
GBP	BoE & inflation report	Thu 23:00	NZD/GBP ↓
NZD	Q1 retail sales	Fri 10:45	NZD ↔/↑
JPY	BoJ Kuroda	Fri 15:30	NZD/JPY ↔/↑
USD	Retail sales	Sat 00:30	NZD/USD ↓
USD	May Michigan conf.	Sat 02:00	NZD/USD ↓
CNY	April data	Sat 17:30	NZD/CNY ↑

## EXPORTERS' STRATEGY

Current levels are better for exporters with short-term commitments, and we caution global drivers remain the primary influence on NZD/USD.

## IMPORTERS' STRATEGY

Importers could take advantage of any NZD strength as long-term factors suggest strength will be transient.

## DATA PULSE

**AUD fell, driven by an RBA cut and a dovish inflation outlook in the SoMP.** However, activity indicators remain reasonable, with business confidence at solid levels, and positive surprises from retail sales and trade numbers.

**NZD/USD followed AUD lower,** but local data remains mixed. The employment report was solid, house prices lifted, but the GDT auction was disappointing and the ANZ Commodity Price Index showed small declines in non-dairy commodity prices.

**The USD was fairly stable** despite starting the week with a falling manufacturing ISM. The ISM non-manufacturing was strong, factory orders lifted and despite the soft headline, payrolls details were solid.

**Chinese data is again softening** with disappointing results from both the manufacturing and services Caixin PMIs. This was backed up by a generally softer result from the ASEAN PMIs. The Chinese trade numbers continued this trend, with imports weak.

**GBP weakened** as all three PMIs (manufacturing, services, and construction) softened notably.

**EUR attempted higher** despite mixed data, with the PMIs missing expectations at the final read.

TABLE 3: NZD VS AUD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔	FV is above long-run averages
Yield	↑	Yields have gone in NZ's favour
Commodities	↔/↑	Iron ore reversing
Data	↔/↓	Australian data solid, despite cut
Techs	↔	Back to mid-range
Sentiment	↔	Equal reactions to sentiment
Other	↑	RBA signalling further cuts
<b>On balance</b>	↔	<b>Mid-range</b>

TABLE 4: NZD VS USD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔	Closer to fair value
Yield	↔/↓	RBA cut applies pressure
Commodities	↔	Risks reasonably well priced
Risk aversion	↔/↑	Resilience to risk notable
Data	↔/↓	US data has been soft and NZD strong, leaving risks one way
Techs	↔/↑	Still in a stronger trend.
Other	↔/↓	Global sentiment improving, which releases the Fed
<b>On balance</b>	↔/↓	<b>Factors point lower, but near-term catalysts missing</b>



# CURRENCY STRATEGY

## TECHNICAL OUTLOOK

**FIGURE 1. NZD/USD DAILY CANDLES WITH RSI & MA**



**The uptrend in NZD/USD is under threat.** The major uptrend support sits around 0.68, where the 55dma also sits. Pivotal support is still in the zone occupied by the 100dma (0.6726), and the pivot around 0.67 will need to be broken to confirm a return to the range. The 0.7050 resistance is building, with the recent double top. But overall the profile still points to strength.

**FIGURE 2. NZD/AUD DAILY CANDLES WITH RSI & MA**



**The 0.9050–0.9100 pivot is well and truly broken and now becomes a major support.** Strength is plausible all the way up to the resistance from the mid 0.94's to 0.95. However, early indicators are that there will be resistance to a move around 0.9380.

TABLE 5: KEY TECHNICAL ZONES		
CROSS	SUPPORT	RESISTANCE
NZD/USD	0.6710 – 0.6750 0.6600 – 0.6650	0.7050 – 0.7080 0.7160 – 0.7200
NZD/AUD	0.9010 – 0.9060 0.8780 – 0.8820	0.9400 – 0.9430 0.9480 – 0.9520
NZD/EUR	0.5800 – 0.5850	0.6200 – 0.6230
NZD/GBP	0.4630 – 0.4660	0.4930 – 0.4980
NZD/JPY	69.80 – 70.20	77.70 – 78.50

## POSITIONING

EUR and GBP shorts continue to shrink, but with JPY and AUD longs also shrinking by equivalent amounts, USD positioning was relatively unchanged. MXN longs grew, a sign of faith in EM currencies, while NZD longs were also increased.

## GLOBAL VIEWS

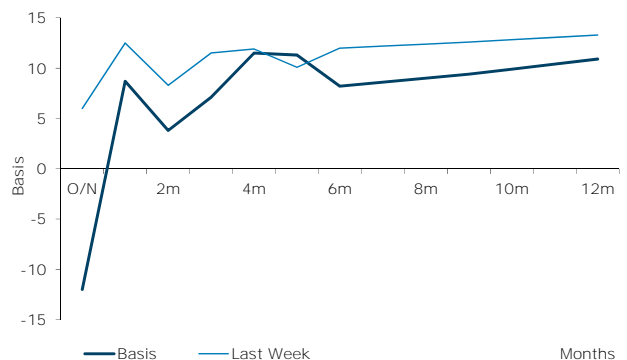
The RBA surprised markets by cutting rates to 1.75% last week (a full 50bps below NZD rates). Added to this was Friday's downgrade of inflation forecasts for 2016 and 2017 in the Statement on Monetary Policy.

The RBA action has caused the NZ rates markets to price a higher chance of further RBNZ cuts, which has helped to weigh broadly on the NZD (outside of the NZD/AUD). But it should be noted that we continue to believe that non-Australasian influences remain the primary driver of NZD, and that NZD's yield advantage over the G10 remains impressive.

However, RBA action has ensured that NZD will continue to have a yield advantage over AUD and this implies that NZD/AUD should remain in the 0.90's. We continue to see strength above 0.95 as a step too far, implying importers should take advantage of moves higher, but the support below 0.90 has been reinforced and exporters may wish to utilise any dips that may occur.

## FORWARDS: CARRY AND BASIS

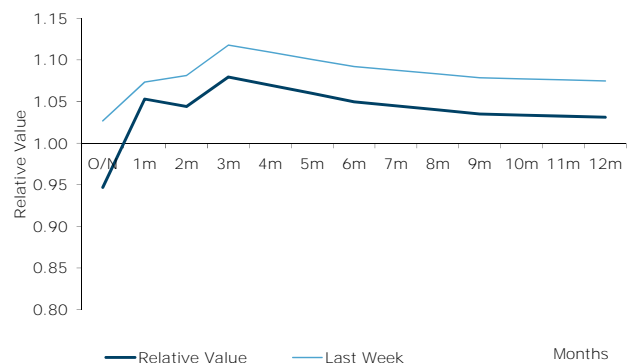
**FIGURE 3. NZD/USD SHORT BASIS CURVE**



Source: ANZ, Bloomberg, Reuters

The RBA cut has lowered the yield curve, driving a basis contraction. Overnight cash has returned to negative territory, implying the high frequency markets are flush with NZD – long on spot.

**FIGURE 4. RELATIVE ATTRACTION OF THE FWD CURVE**



Source: ANZ, Bloomberg, Reuters

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
9-May	AU	ANZ Job Advertisements MoM - Apr	--	0.2%	13:30
	GE	Factory Orders MoM - Mar	0.6%	-1.2%	18:00
	GE	Factory Orders WDA YoY - Mar	0.1%	0.5%	18:00
	UK	Halifax House Prices MoM - Apr	-0.3%	2.6%	19:30
	UK	Halifax House Price 3Mths/Year - Apr	9.6%	10.1%	19:30
	EC	Sentix Investor Confidence - May	6.0	5.7	20:30
	CH	Foreign Direct Investment YoY CNY - Apr	5.0%	7.8%	9-12 May
10-May	NZ	ANZ Truckometer Heavy MoM - Apr	--	2.5%	10:00
	NZ	Card Spending Retail MoM - Apr	0.5%	0.1%	10:45
	NZ	Card Spending Total MoM - Apr	--	0.4%	10:45
	AU	ANZ-RM Consumer Confidence Index - 8-May	--	113.9	11:30
	NZ	ANZ Inflation Gauge MoM - Apr	--	0.2%	13:00
	CH	CPI YoY - Apr	2.3%	2.3%	13:30
	CH	PPI YoY - Apr	-3.7%	-4.3%	13:30
	GE	Industrial Production SA MoM - Mar	-0.2%	-0.5%	18:00
	GE	Industrial Production WDA YoY - Mar	1.1%	1.3%	18:00
	GE	Trade Balance - Mar	€20.6B	€20.2B	18:00
	GE	Current Account Balance - Mar	€25.0B	€20.0B	18:00
	GE	Exports SA MoM - Mar	0.0%	1.3%	18:00
	GE	Imports SA MoM - Mar	-0.3%	0.5%	18:00
	UK	Visible Trade Balance GBP/Mn - Mar	-£11450	-£11964	20:30
	UK	Trade Balance Non EU GBP/Mn - Mar	-£3600	-£3357	20:30
	UK	Trade Balance - Mar	-£4200	-£4840	20:30
	US	NFIB Small Business Optimism - Apr	93.1	92.6	22:00
	NZ	REINZ House Sales YoY - Apr	--	8.2%	10-16 May
	US	Mortgage Delinquencies - Q1	--	4.77%	10-14 May
	US	MBA Mortgage Foreclosures - Q1	--	1.77%	10-14 May
	CH	New Yuan Loans CNY - Apr	815.0B	1370.0B	10-15 May
	CH	Aggregate Financing CNY - Apr	1300.0B	2336.0B	10-15 May
	CH	Money Supply M0 YoY - Apr	4.3%	4.4%	10-15 May
	CH	Money Supply M1 YoY - Apr	21.6%	22.1%	10-15 May
	CH	Money Supply M2 YoY - Apr	13.5%	13.4%	10-15 May
11-May	US	Wholesale Inventories MoM - Mar	0.1%	-0.5%	02:00
	US	JOLTS Job Openings - Mar	5400	5445	02:00
	NZ	RBNZ Financial Stability Report	--	--	09:00
	AU	Westpac Consumer Conf Index - May	--	95.1	12:30
	AU	Westpac Consumer Conf SA MoM - May	--	-4.0%	12:30
	AU	Home Loans MoM - Mar	-1.5%	1.5%	13:30
	AU	Investment Lending - Mar	--	4.1%	13:30
	AU	Owner-Occupier Loan Value MoM - Mar	--	1.7%	13:30
	UK	Industrial Production MoM - Mar	0.5%	-0.3%	20:30
	UK	Industrial Production YoY - Mar	-0.4%	-0.5%	20:30
	UK	Manufacturing Production MoM - Mar	0.3%	-1.1%	20:30
	UK	Manufacturing Production YoY - Mar	-1.9%	-1.8%	20:30
	US	MBA Mortgage Applications - 6-May	--	-3.4%	23:00
12-May	UK	NIESR GDP Estimate - Apr	--	0.3%	02:00
	US	Monthly Budget Statement - Apr	\$110.0B	\$156.7B	06:00
	NZ	BusinessNZ Manufacturing PMI - Apr	--	54.7	10:30

Continued on following page

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
12-May	NZ	Food Prices MoM - Apr	--	0.5%	10:45
	UK	RICS House Price Balance - Apr	35%	42%	11:01
	JN	BoP Current Account Balance - Mar	¥2963.9B	¥2434.9B	11:50
	JN	BoP Current Account Adjusted - Mar	¥1899.8B	¥1733.5B	11:50
	JN	Trade Balance BoP Basis - Mar	¥906.0B	¥425.2B	11:50
	AU	Consumer Inflation Expectation - May	--	3.6%	13:00
	AU	Credit Card Balances - Mar	--	\$A51.9B	13:30
	AU	Credit Card Purchases - Mar	--	\$A24.8B	13:30
	GE	Wholesale Price Index MoM - Apr	--	0.3%	18:00
	GE	Wholesale Price Index YoY - Apr	--	-2.6%	18:00
	EC	Industrial Production SA MoM - Mar	0.0%	-0.8%	21:00
	EC	Industrial Production WDA YoY - Mar	1.1%	0.8%	21:00
	UK	Bank of England Bank Rate - May	0.50%	0.50%	23:00
	UK	BoE Asset Purchase Target - May	£375B	£375B	23:00
	UK	Bank of England Inflation Report	--	--	23:00
13-May	US	Import Price Index MoM - Apr	0.6%	0.2%	00:30
	US	Import Price Index YoY - Apr	-5.3%	-6.2%	00:30
	US	Initial Jobless Claims - 7-May	270k	274k	00:30
	US	Continuing Claims - 30-May	2120k	2121k	00:30
	NZ	Retail Sales Ex Inflation QoQ - Q1	1.0%	1.2%	10:45
	NZ	Non Resident Bond Holdings - Apr	--	67.4%	15:00
	GE	CPI MoM - Apr F	-0.4%	-0.4%	18:00
	GE	CPI YoY - Apr F	-0.1%	-0.1%	18:00
	GE	CPI EU Harmonized MoM - Apr F	-0.5%	-0.5%	18:00
	GE	CPI EU Harmonized YoY - Apr F	-0.3%	-0.3%	18:00
	GE	GDP SA QoQ - Q1 P	0.6%	0.3%	18:00
	GE	GDP WDA YoY - Q1 P	1.5%	1.3%	18:00
	GE	GDP NSA YoY - Q1 P	1.2%	2.1%	18:00
	UK	Construction Output SA MoM - Mar	-3.2%	-0.3%	20:30
	UK	Construction Output SA YoY - Mar	-2.7%	0.3%	20:30
	EC	GDP SA QoQ - Q1 P	0.6%	0.6%	21:00
	EC	GDP SA YoY - Q1 P	1.6%	1.6%	21:00
14-May	US	Retail Sales Advance MoM - Apr	0.8%	-0.4%	00:30
	US	Retail Sales Ex Auto MoM - Apr	0.5%	0.1%	00:30
	US	Retail Sales Ex Auto and Gas - Apr	0.3%	0.1%	00:30
	US	Retail Sales Control Group - Apr	0.3%	0.1%	00:30
	US	PPI Final Demand MoM - Apr	0.3%	-0.1%	00:30
	US	PPI Final Demand YoY - Apr	0.2%	-0.1%	00:30
	US	PPI Ex Food and Energy MoM - Apr	0.1%	-0.1%	00:30
	US	PPI Ex Food and Energy YoY - Apr	0.9%	1.0%	00:30
	US	Business Inventories - Mar	0.2%	-0.1%	02:00
	US	U. of Mich. Sentiment - May P	89.5	89.0	02:00
	CH	Industrial Production YoY - Apr	6.5%	6.8%	17:30
	CH	Industrial Production YTD YoY - Apr	6.1%	5.8%	17:30
	CH	Retail Sales YoY - Apr	10.6%	10.5%	17:30
	CH	Retail Sales YTD YoY - Apr	10.4%	10.3%	17:30
	CH	Fixed Assets Ex Rural YTD YoY - Apr	11.0%	10.7%	17:30

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

Domestic economic momentum is reasonable at present, albeit moderating. However, downside risks exist (mainly from offshore) and with inflation already low, we believe the RBNZ will cut the OCR twice more this year.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
10-16 May	REINZ Housing Market Statistics – Apr	Boom times	Almost every region is strengthening markedly. Another month of that would confirm the trend.
Tue 10 May (10:00am)	ANZ Truckometer – Apr	--	--
Tue 10 May (10:00am)	Government Financial Statements – Mar	Decent	Tax revenue is running ahead of forecast as stronger real activity offsets the impact of low inflation.
Tue 10 May (10:45am)	Electronic Card Transactions – Apr	Holding up	Strong population growth, lower interest rates, an improving labour market and low petrol prices are supporting spending.
Tue 10 May (1:00pm)	Monthly Inflation Gauge – Apr	--	--
Wed 11 May (9:00am)	RBNZ Financial Stability Report	Increased concern	More concern will be highlighted. We wouldn't rule out additional macro-prudential measures being signalled.
Thu 12 May (10:30am)	BNZ-Business NZ Manufacturing PMI – Apr	Moderating	Activity is holding at a reasonable level, but does look to be moderating from the strong pace seen earlier in the year.
Thu 12 May (10:45am)	Food Price Index – Apr	Benign	A flat to slightly positive increase is expected for the month.
Fri 13 May (10:45am)	Retail Trade Survey – Q1	Solid	Another decent lift in sales volumes is likely, with support from population growth, low interest rates and discounting.
Mon 16 May (10:30am)	BNZ-Business NZ Services PSI – Apr	Holding	Services sector activity has moderated off strong levels. We expect it to continue to hold at a decent level overall.
Tue 17 May (3:00pm)	RBNZ Survey of Expectations – Q2	Stable	Inflation expectations are likely to stabilise at a low level, although recent petrol price increases imply some upside.
Wed 18 May (early am)	GlobalDairyTrade Auction	Still low	We still believe the fundamental backdrop is not yet conducive of a meaningful recovery in prices.
Wed 18 May (10:45am)	PPI – Q1	Lower	Commodity price movements will continue to dominate, with both input and output price indices likely to be lower.
Thu 19 May (10:00am)	ANZ Job Ads – Apr	--	--
Thu 19 May (1:00pm)	ANZ-Roy Morgan Consumer Confidence – May	--	--
Fri 20 May (10:45am)	International Travel & Migration – Apr	Strong	Last month showed a softer net inflow, although we are not yet ready to call a turn in the migration cycle.
Wed 25 May (10:45am)	Overseas Merchandise Trade – Apr	Export recovery	Seasonally adjusted export values fell sharply in March (and February). We expect some recovery.
Thu 26 May (2:00pm)	Budget	Slowly on the mend	An ongoing gradual pace of fiscal improvement. The figures overall looking good relative to many international peers.
Tue 31 May (10:45am)	Building Consent Issuance – Apr	Trending higher	Issuance has been volatility recently. We have some concerns over capacity constraints, but issuance should still trend higher.
Tue 31 May (1:00pm)	ANZ Business Outlook – May	--	--
Tue 31 May (3:00pm)	RBNZ Credit Aggregates – Apr	Re-leveraging	Credit growth may not accelerate from current elevated rates, but it remains well above income growth.
Wed 1 Jun (10:45am)	Overseas Trade Indexes – Q1	Terms of trade fall	The lagged impact of previous commodity price falls is still impacting. We expect a further fall in the terms of trade.
Fri 3 Jun (10:45am)	Building Work Put in Place – Q1	Modest lift	Modest increases (circa 2% q/q) in both residential and non-residential volumes are likely.
<b>On balance</b>		<b>Data watch</b>	<b>Reasonable momentum at present, but with risks. Inflation remains low.</b>

## KEY FORECASTS AND RATES

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
GDP (% qoq)	0.9	<b>0.7</b>	<b>0.7</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
GDP (% yoy)	2.3	<b>2.8</b>	<b>3.1</b>	<b>2.8</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>
CPI (% qoq)	-0.5	0.2	<b>0.4</b>	<b>0.4</b>	<b>0.0</b>	<b>0.6</b>	<b>0.4</b>	<b>0.7</b>	<b>0.3</b>	<b>0.6</b>
CPI (% yoy)	0.1	0.4	<b>0.4</b>	<b>0.5</b>	<b>1.0</b>	<b>1.4</b>	<b>1.4</b>	<b>1.7</b>	<b>1.9</b>	<b>1.9</b>
Employment (% qoq)	1.0	1.2	<b>0.6</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>
Employment (% yoy)	1.4	2.0	<b>2.3</b>	<b>3.3</b>	<b>2.7</b>	<b>1.9</b>	<b>1.7</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>
Unemployment Rate (% sa)	5.4	5.7	<b>5.5</b>	<b>5.4</b>	<b>5.4</b>	<b>5.3</b>	<b>5.2</b>	<b>5.2</b>	<b>5.1</b>	<b>5.0</b>
Current Account (% GDP)	-3.0	<b>-3.3</b>	<b>-3.5</b>	<b>-4.0</b>	<b>-4.6</b>	<b>-5.0</b>	<b>-5.1</b>	<b>-5.0</b>	<b>-4.8</b>	<b>-4.6</b>
Terms of Trade (% qoq)	-2.0	<b>-1.9</b>	<b>-3.0</b>	<b>-2.7</b>	<b>-0.4</b>	<b>0.8</b>	<b>1.8</b>	<b>2.7</b>	<b>1.8</b>	<b>0.8</b>
Terms of Trade (% yoy)	-3.2	<b>-6.1</b>	<b>-10.3</b>	<b>-9.3</b>	<b>-7.8</b>	<b>-5.3</b>	<b>-0.6</b>	<b>5.0</b>	<b>7.3</b>	<b>7.2</b>

	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
Retail ECT (% mom)	0.4	0.4	0.9	0.1	0.8	0.2	0.3	0.6	0.1	--
Retail ECT (% yoy)	5.6	4.2	6.1	5.8	4.6	6.6	5.2	9.2	6.2	--
Credit Card Billings (% mom)	1.7	1.5	-2.0	1.7	0.7	-0.7	1.8	-0.5	-1.1	--
Credit Card Billings (% yoy)	9.7	10.4	7.3	7.8	8.5	7.4	8.2	7.3	4.8	--
Car Registrations (% mom)	0.5	-2.3	0.0	-1.3	-2.0	3.1	-2.8	5.8	-3.6	6.3
Car Registrations (% yoy)	10.7	7.8	5.0	3.8	1.3	2.4	-1.1	7.4	-0.2	8.7
Building Consents (% mom)	22.2	-7.1	-4.8	5.0	1.7	2.7	-8.4	10.3	-9.8	--
Building Consents (% yoy)	21.8	11.1	17.5	14.6	7.2	17.7	4.9	26.7	0.6	--
REINZ House Price Index (% yoy)	14.9	17.3	20.1	14.1	12.5	12.6	10.7	11.9	13.3	--
Household Lending Growth (% mom)	0.7	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	--
Household Lending Growth (% yoy)	6.0	6.3	6.7	6.9	7.2	7.4	7.5	7.6	7.7	--
ANZ Roy Morgan Consumer Conf.	113.9	109.8	110.8	114.9	122.7	118.7	121.4	119.7	118.0	120.0
ANZ Business Confidence	-15.3	-29.1	-18.9	10.5	14.6	23.0	..	7.1	3.2	6.2
ANZ Own Activity Outlook	19.0	12.2	16.7	23.7	32.0	34.4	..	25.5	29.4	32.1
Trade Balance (\$m)	-730	-1090	-1140	-905	-795	-42	12	367	117	--
Trade Bal (\$m ann)	51643	52446	52287	52101	52648	52510	52764	52834	52677	--
ANZ World Commodity Price Index (% mom)	-5.5	-5.3	5.6	7.1	-5.6	-1.8	-2.3	0.5	-1.3	-0.8
ANZ World Comm. Price Index (% yoy)	-22.1	-23.6	-18.2	-11.6	-15.3	-12.9	-14.7	-17.8	-22.4	-16.8
Net Migration (sa)	5740	5500	5610	6150	6240	5540	6090	5990	5330	--
Net Migration (ann)	59639	60290	61234	62477	63659	64930	65911	67391	67619	--
ANZ Heavy Traffic Index (% mom)	-0.1	-0.3	1.8	0.9	0.2	3.0	-4.4	1.7	2.5	--
ANZ Light Traffic Index (% mom)	-0.3	-0.5	2.6	-0.4	-1.1	1.0	-1.4	2.3	0.8	--

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)						
	Feb-16	Mar-16	Today	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
NZD/USD	0.661	0.693	0.684	0.65	0.63	0.59	0.58	0.58	0.60	0.62
NZD/AUD	0.925	0.902	0.928	0.88	0.88	0.88	0.88	0.88	0.88	0.89
NZD/EUR	0.606	0.609	0.601	0.59	0.59	0.55	0.52	0.50	0.50	0.51
NZD/JPY	74.62	77.81	73.39	68.3	66.2	62.0	58.0	58.0	60.0	62.0
NZD/GBP	0.477	0.481	0.474	0.48	0.43	0.39	0.37	0.37	0.38	0.38
NZ\$ TWI	71.0	72.2	73.0	68.6	67.1	63.4	61.4	60.9	61.8	63.1
INTEREST RATES	Feb-16	Mar-16	Today	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
NZ OCR	2.50	2.25	2.25	2.00	2.00	1.75	1.75	1.75	1.75	1.75
NZ 90 day bill	2.56	2.34	2.36	2.20	2.10	2.00	2.00	2.00	2.00	2.00
NZ 10-yr bond	2.97	2.93	2.64	3.00	2.90	2.90	3.10	3.20	3.40	3.50
US Fed funds	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50
US 3-mth	0.63	0.63	0.63	0.83	0.83	1.08	1.08	1.33	1.33	1.58
AU Cash Rate	2.00	2.00	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50
AU 3-mth	2.29	2.29	2.04	2.30	2.30	2.40	2.40	2.40	2.40	2.40

	6 Apr	2 May	3 May	4 May	5 May	6 May
Official Cash Rate	2.25	2.25	2.25	2.25	2.25	2.25
90 day bank bill	2.33	2.38	2.38	2.37	2.38	2.36
NZGB 12/17	2.06	2.12	2.15	2.07	2.06	2.00
NZGB 03/19	2.14	2.21	2.24	2.15	2.13	2.05
NZGB 04/23	2.70	2.70	2.73	2.64	2.58	2.47
NZGB 04/27	2.85	2.85	2.88	2.78	2.72	2.61
2 year swap	2.18	2.27	2.30	2.25	2.24	2.24
5 year swap	2.34	2.42	2.47	2.40	2.36	2.36
RBNZ TWI	72.2	73.49	73.71	72.88	73.04	72.94
NZD/USD	0.6809	0.70	0.70	0.69	0.69	0.69
NZD/AUD	0.90	0.92	0.91	0.92	0.92	0.93
NZD/JPY	75.14	74.50	74.85	73.89	73.91	73.49
NZD/GBP	0.48	0.48	0.48	0.47	0.48	0.47
NZD/EUR	0.60	0.61	0.61	0.60	0.60	0.60
AUD/USD	0.76	0.76	0.77	0.75	0.75	0.74
EUR/USD	1.14	1.15	1.15	1.15	1.15	1.14
USD/JPY	110.35	106.57	106.20	107.21	107.15	107.14
GBP/USD	1.42	1.46	1.47	1.45	1.45	1.45
Oil (US\$/bbl)	34.52	45.98	44.75	43.65	43.77	44.33
Gold (US\$/oz)	1229.69	1292.40	1293.15	1279.40	1282.15	1278.20
Electricity (Haywards)	6.43	6.72	6.69	6.82	6.70	6.63
Baltic Dry Freight Index	500	--	682	652	642	631
Milk futures (USD)	39	45	44	44	45	45

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