Weekly Commentary

4 December 2017

A case of nerves

With earlier drivers of growth dissipating and big changes in Government policy on the cards, business confidence has been plunging. This reinforces our expectation that we'll see softer growth over the coming year.

Businesses increasingly nervous, reinforcing our expectations for slower growth over 2018

The New Zealand economy is in for a big shake up over the next few years, with a new Government and some significant changes in economic policy on the cards. At the same time, several of the key drivers of economic activity in recent years have been dissipating. Most notably, net migration has turned, the housing market has cooled, and construction activity is slowing.

Against this backdrop, it's no surprise that businesses are feeling nervous. But what is surprising is just how far business confidence has dropped. This week's Business Outlook survey showed confidence in the economic outlook has fallen to levels we last saw in 2009 – a time when the global financial crisis was at its nadir.

We suspect that some of the recent fall in confidence was a knee-jerk reaction to the change in Government. Indeed, our own analysis shows that the Business Outlook survey tends to run 22 points lower when the Labour party is in government, even accounting for other factors like the strength of GDP growth.

However, November actually saw confidence drop by a massive 30 points. And this hasn't just been a one-off drop either. Confidence has been falling for five months now, and is down 64 points from its peak earlier this year. All this suggests that the recent fall in confidence isn't just because of the change in government.

Furthermore, it's not just confidence about the general economic environment that has declined. Businesses are nervous about what's happening to conditions in their own firms, with large falls in sentiment across industries in recent months. And that is very important. As we discussed in our latest *Economic Overview*[1], when businesses feel nervous, they're likely to hold off on investment spending and hiring. That is a key reason why we recently lowered our forecasts for economic growth over the coming year.

Our expectations for softening economic growth are in stark contrast to forecasts from the Reserve Bank, which assume continued firm economic growth over the coming year. We expect that the RBNZ will be disappointed by the state of GDP growth over 2018. Indeed, business surveys are already pointing towards weaker investment spending and hiring that the RBNZ is counting on. We expect the RBNZ will become more dovish over time, in line with our own back-of-market forecast.

Lending restriction eased as housing market slows

One area where we've already seen conditions evolving, and where we expect further significant changes, is the housing market. House prices have perked up a little in recent

1 Available here: https://www.westpac.co.nz/assets/Business/Economic-Updates/2017/Bulletins-2017/Westpac-QEO-November-2017_EMAIL.pdf

A case of nerves continued

months following falls in mortgage rates. Nevertheless, the housing market is looking a lot softer than it did a year ago – sales are down sharply, and the double-digit price gains we saw in previous years have now given way to a period of only muted nationwide price growth.

Accompanying this slowdown in the housing market have been some other important developments: Mortgage lending growth has slowed to around 6% per annum; disposable income growth has risen to around 5% per annum; and combined, these developments have seen household debt levels edging back for the first time in five years, albeit very modestly.

In response to this cooling in the housing market, the RBNZ has announced a loosening of the loan-to-value ratio (LVR) restrictions on mortgage lending. From 1 January 2018, the allowed share of new residential mortgages with an LVR of above 80% will be lifted from 10% to 15%. At the same time, the LVR cap for investors will be lifted from 60% to 65%.

Importantly, the RBNZ indicated that it is prepared to ease the LVR restrictions further, as long as housing market risks remain contained. On this front, it's important to remember that the new Government is planning on rolling out a suite of policy changes to dampen house price inflation over the coming years. This limits the risks of a large uplift in prices over the next few years, even with the loosening of lending restrictions.

In our recent Economic Overview we forecast a 2% fall in house prices over 2018, with an assumption that the RBNZ would be ready to loosen the LVR limits by the middle of next year. The fact that the RBNZ has acted sooner than we expected – and is likely to ease the restrictions further next year – means that there's some upside risk to our housing forecasts. Nevertheless, planned policy changes still leave us expecting a period of subdued house price inflation over the next few years.

Construction constrained

Rising building costs, stretched capacity, and tighter bank lending standards for property developers are all providing a brake on building activity. As a result, even though there is a large pipeline of planned residential and non-residential work, we expect that increases in construction activity will be quite gradual over the next few years. These constraints are another reason why we expect overall GDP growth will be more moderate over 2018 than government agencies are forecasting.

Consistent with this constrained outlook for building activity, figures out over the past week showed that residential consent issuance was down 9.6% in October. And while some of this was due to volatility in the lumpy apartments category, looking through the normal month-to-month volatility we see that nationwide consent issuance has been close to flat for a year now.

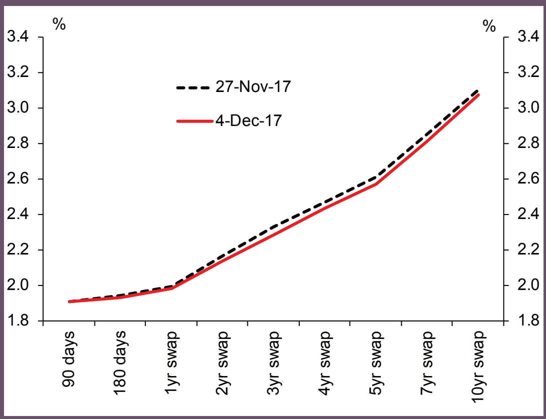
But while the overall number of consents has failed to break higher over the past year, there have been some notable changes at the regional level. Issuance in Auckland has firmed in recent months. In addition, the earlier drop in Canterbury has been arrested, with home building in the region looking like it will continue at a healthy pace for some time yet. However, issuance has eased off in a number of North Island regions.

Fixed vs Floating for mortgages

For borrowers with a deposit of 20% or more, the best value lies in the two-year rate or shorter terms. Three-to-five-year rates seem high relative to where we think short-term rates are going to go over that time. Some lending and deposit rates have been falling recently, so it may be worth waiting to see if there are further modest reductions in fixed-term rates.

Floating mortgage rates usually work out to be more expensive for borrowers than short-term fixed rates such as the six-month rate. However, floating may still be the preferred option for those who require flexibility in their repayments.

NZ interest rates



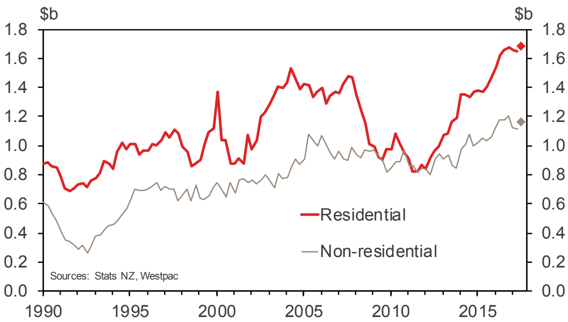
The week ahead

NZ Q3 building work put in place

Dec 5, Last: -0.5%, Westpac f/c: +2.0

- Building levels pulled back through the first half of 2017. In large part this was due to falls in non-residential investment, which can be lumpy on a quarterly basis. But we also saw falls in residential building activity. Some of this was due to the ongoing wind-back in residential investment spending in Canterbury. However, residential construction also eased back in Auckland.
- The level of construction activity is elevated and there is a large pipeline of planned work. However, rising building costs, stretched capacity in the building sector, and tighter bank lending standards for property developers are all providing some brake on building activity. As a result we expect a modest 2% rise in construction through the September quarter. The key area of risk is non-residential construction, which could surprise to the upside following its recent softening.

NZ real building work put in place

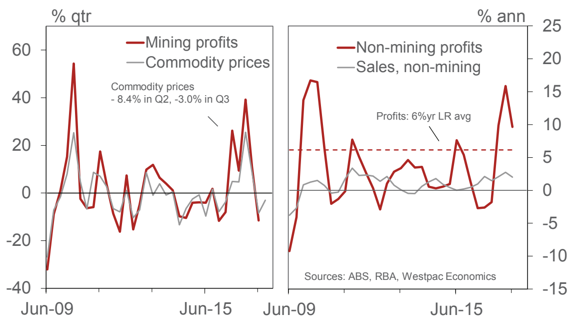


Aus Q3 company profits

Dec 4, Last: –4.5%, WBC f/c: –1.8%
Mkt f/c: 0.0%, Range: -3.0% to 4.0%

- In the June quarter, company profits fell back, -4.5%, as commodity prices stumbled. It represented a relatively modest reversal to the 40% jump in profits during the year to March, a rise centred on higher commodity prices.
- For September, we anticipate a further, modest decline in profits, -1.8%. Mining will be the main source of weakness, a forecast -4% after -11.5% in Q2, as commodity prices eased.
- Non-mining profits are expected to edge lower, broadly in line with the -0.6% outcome for Q2. Pricing power is limited, squeezing margins, at a time of patchy household demand.

Company profits: Q2 & Q3 hit from commodities

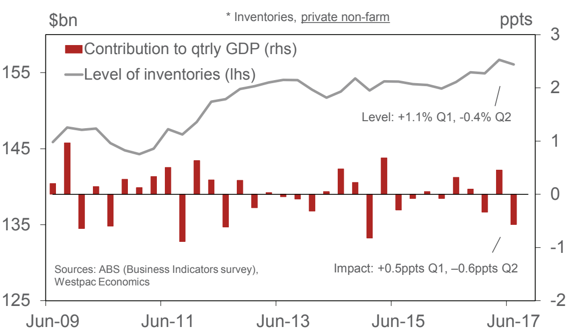


Aus Q3 inventories

Dec 4, Last: -0.4%, WBC f/c: 0.2% (+0.2ppts)
Mkt f/c: 0.0%, Range: -0.5% to 1.0%

- Inventories were volatile over the first half of 2017, impacted by weather disruptions.
- In Q1, inventories jumped 1.1%, as rail links to ports were temporarily closed due to flooding. Then, as rail links were re-opened in Q2, goods were shipped and inventories were cleared, declining by 0.4% in aggregate.
- In Q3, inventory levels are expected to broadly stabilise, edging up 0.2%. That would see inventory levels around 1.0% above the level of a year earlier.
- On our forecast, inventories would add around 0.2ssppts to activity in Q3, following a -0.6ppts impact in Q2 and a +0.5ppts in Q1.

Inventories: volatile 2017H1, weather impacts

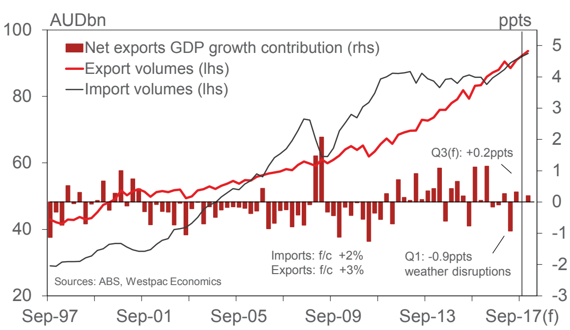


Aus Q3 net exports, ppts cont'n

Dec 5, Last: 0.3, WBC f/c: 0.2
Mkt f/c: 0.3, Range: 0.0 to 0.4

- Net exports were also volatile over the first half of 2017 as weather disruptions impacted exports of coal and iron ore.
- In Q1, net exports subtracted 0.9ppts (inventories added 0.5ppts) as export deliveries to ports were delayed. In Q2, net exports added 0.3ppts (inventories were -0.6ppts) as deliveries of coal and iron ore resumed. For Q3, a further recovery in export shipments will see net exports added a forecast 0.2ppts to activity.
- Export volumes rose an estimated 3%, to be 6½% higher over the year, with gains in coal, iron ore and services.
- Import volumes grew an estimated 2% in Q3 and increased by 7% over the past year, to meet rising domestic demand, including a lift in business investment.

Net exports: f/c +0.2ppts in Q3



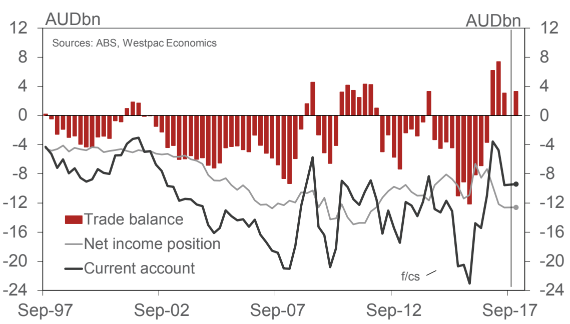
The week ahead

Aus Q3 current account, AUDbn

Dec 5, Last: -9.6, WBC f/c: -9.4, Mkt f/c: -8.9, Range: -10.0 to -6.7

- Australia's current account deficit is low by recent historical standards, at 2.1% of GDP, up from 1% at the start of 2017.
- In Q2, the current account widened to $9.6bn, from $4.8bn, due to a narrowing of the trade surplus as commodity prices dipped, as well as a $0.5bn rise in the income deficit. For Q3, the current account deficit is expected to consolidate, at $9.4bn, rounding down from $9.6bn.
- The trade surplus inched higher in Q3, to $3.3bn from $3.2bn in Q2 (revised up from $3.1bn). Export volume growth outpaced that for imports in the period, although this was largely offset by a 0.7% fall in the terms of trade. The net income deficit is expected to stabilise temporarily, at $12.2bn, having widened from $6.9bn a year earlier. Recent softer commodity prices have dented export earnings, and in turn, returns to offshore investors.

Current account: f/c –$9.4bn in Q3

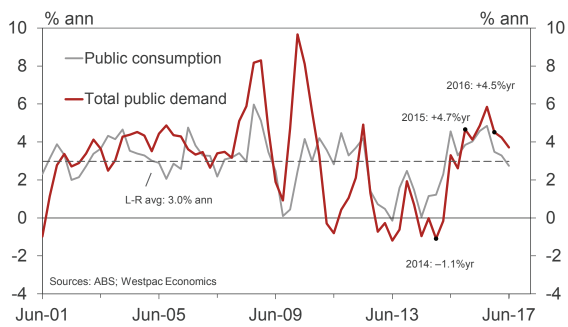


Aus Q3 public demand

Dec 5, Last: 1.8%, WBC f/c: 0.6%

- Public demand is a growth driver, expanding at an above trend pace. Public demand grew by 4.7% through 2015 and by 4.5% in 2016.
- An upswing in public investment is underway, lifting from recent lows, as governments commit to additional projects - particularly transport infrastructure - now that earlier fiscal pressures at the state level have receded.
- In Q2, public demand increased by 1.8%qtr, boosted by a 4.5% rise in investment (which is often volatile quarter to quarter).
- For Q3, we anticipate a 0.6% rise in public demand, with investment to advance by 0.6%, building upon the strength of the previous period.

Public demand: 2 years of above trend growth

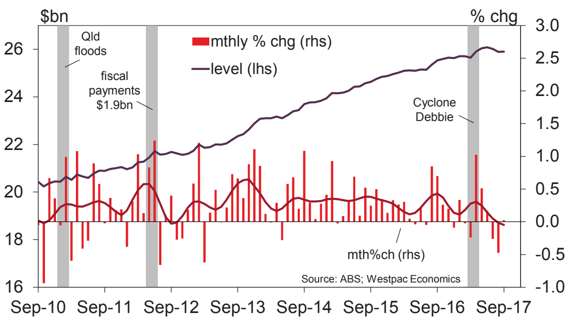


Aus Oct retail trade

Dec 5, Last: flat, WBC f/c: 0.3%
Mkt f/c: 0.3%, Range: 0.1% to 0.6%

- Retail sales have undershot expectations in recent months, most recently with a flat result in Sep that followed a 0.5% decline in Aug and a 0.3% fall in Jul. A combination of lacklustre demand and aggressive price competition is putting intense pressure on sales.
- Consumer sentiment nudged into slight positive territory in Oct but slipped back into negative in Nov. Pressures on family finances remain evident, albeit with some shifts (a likely reduced drag from mortgage rate and electricity price rises but ongoing pressure from weak wage gains, and slowing house price growth). Risk aversion has remained elevated. Private sector business surveys suggest retail conditions improved in Oct. On balance, we expect a better but still weak 0.3% gain.

Monthly retail sales

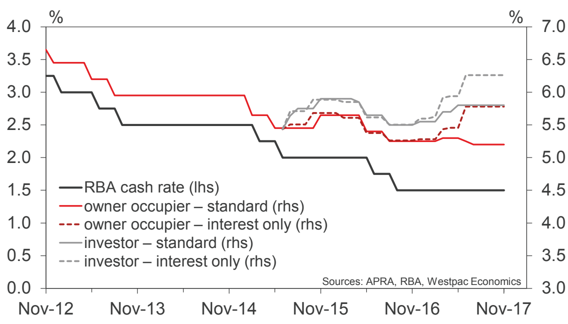


Aus RBA policy announcement

Dec 5, Last: 1.50%, WBC f/c: 1.50%
Mkt f/c: 1.50%, Range: 1.50% to 1.50%

- The RBA left interest rates unchanged throughout calendar 2017 - with the Board certain to make no change at the December meeting. Despite this, financial conditions were tightened this year, leading to a cooling of the housing market. Macro-prudential measures lead to a tightening of lending conditions and commercial banks raised mortgage rates. RBA Governor Lowe in his final speech this year concluded: "the continuing spare capacity in the economy and the subdued outlook for inflation mean that there is not a strong case for a near-term adjustment in monetary policy". We agree, and expect rates to remain on hold in 2018. The key weakness is the consumer, with households under pressure from weak wages growth and high household debt. This, a looming downturn in home building and a slowing in China will see growth moderate to below trend next year.

RBA cash rate and mortgage interest rates



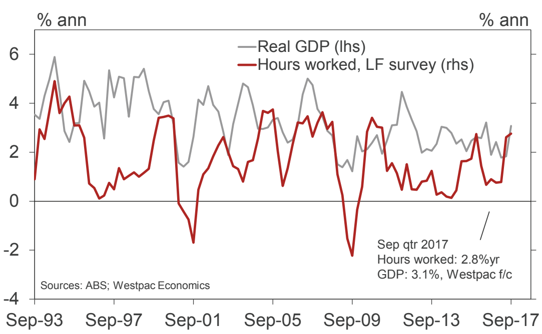
The week ahead

Aus Q3 GDP

Dec 6, Last: 0.8%qtr, 1.8%yr; WBC f/c: 0.8%qtr, 3.1%yr
Mkt f/c: 0.7%, Range: 0.2% to 0.9%

- The Australian economy gained momentum in 2017, mirroring improved global conditions, as well as a greatly diminished drag from the mining investment wind-down and the boost to national income from recent higher commodity prices. Hours worked grew by 0.6% in Q3 to be 2.8% higher over the year, matching the 2015 outcome, which was the fastest pace since the start of 2011. Real GDP expanded by a forecast 0.8% in Q3, with domestic demand up 0.4%, and both inventories and net exports adding 0.2ppts. Annual growth jumps to around 3%, with a -0.4% dropping out of the calculation. Business investment (a f/c +0.9% in Q3) and public demand (0.6%) are both growth drivers, focused on a lift in construction activity. Consumer spending was subdued (0.4%) despite positive jobs momentum, constrained by weak wages growth and high debt, while home building fell in Q3 (-1.5%), dragged down by renovations.

Hours worked & GDP

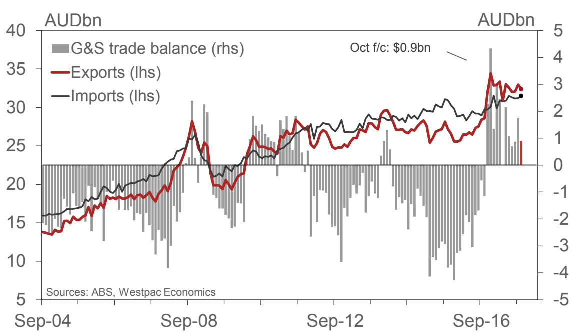


Aus Oct trade balance, AUDbn

Dec 7, Last: 1.7, WBC f/c: 0.9, Mkt f/c: 1.4, Range: 0.3 to 2.1

- Australia's trade balance has been in surplus for 11 consecutive months. For October, we expect another surplus, albeit narrowing to $0.9bn from $1.75bn.
- Export earnings are forecast to decline by 1.7%, -$550mn. Iron ore earnings most likely fell back sharply, by around $1bn, reversing gains of the past two months, on lower prices, as well as softer volumes (most likely for lower grade ore). Coal volumes are down in the wake of moves by China to reduce thermal coal use. LNG volumes bounced back following recent disruptions, providing a partial offset.
- The import bill is expected to rise by 0.9%, $0.3bn, as the weaker currency made imports more expensive. The AUD fell by 2.3% against the US dollar, to 77.9¢, and declined by 1.4% on a TWI basis.

Australia's trade balance

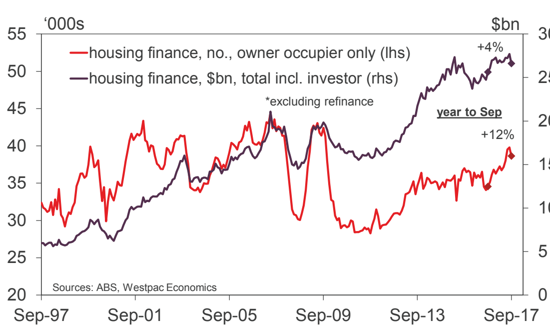


Aus Oct housing finance (no.)

Dec 8, Last: –2.3%, WBC f/c: –3.0%
Mkt f/c: –1.3%, Range: –5.1% to 1.0%

- The Sep housing finance report showed a broad-based pull back with the number of owner occupier approvals down 2.3%, the value of investor loan approvals down 6.3% and the detail weak. Approvals were coming off surprisingly strong gains in Aug, with both owner occupier and investor finance approvals holding up better than other market measures in 2017. We suspect the latter is being supported by refi activity associated with recent macroprudential measures (the ABS does not provide an 'ex-refi' measure for investor loans). The Oct update is shaping up as negative. Industry data points to a further sharp fall in owner occupier loans which are likely to be down 3% in the month. The pull back in investor loans could be sharper still depending on the uncertain picture around refi activity.

New finance approvals*

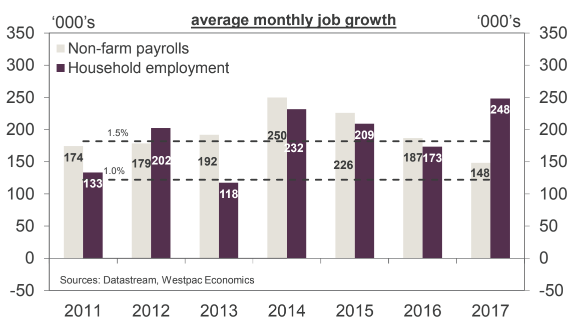


US Nov employment report

Dec 8, nonfarm payrolls, last 261k, WBC 185k
Dec 8, unemployment rate, last 4.1%, WBC 4.1%

- The past two nonfarm payroll outcomes have been heavily affected by hurricane season. After an initially reported employment decline of 33k in September (revised to +18k), employment growth surged back in October, payrolls rising 261k. That brought the six month and year-to-date averages back to 163k and 169k. Albeit down on 2016, this growth pace is still well ahead of that necessary to keep the unemployment rate unchanged (circa 100k).
- In November, we expect another robust outcome of 185k, which will see the year-to-date average sustained. Following the sizeable positive revision reported last month (+90k), there is some risk of a modest downward revision to prior months in November. Turning to the household survey, it is most likely that the unemployment rate will remain unchanged; the risk is that it edges higher to 4.2%.

US job creation still strong



Data calendar

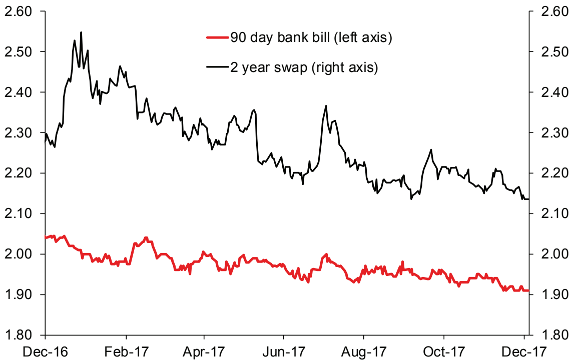
		Last	Market median	Westpac forecast	Risk/Comment
Mon 4					
Aus	Q3 company profits	–4.5%	0.0%	–1.8%	Lower on softer commodity prices, margin squeeze.
	Q3 inventories	–0.4%	0.0%	0.2%	Consolidation after weather disruption impacts.
	Nov ANZ job ads	1.4%	–	–	Job ads trending higher, pointing to further jobs momentum.
	Nov MI inflation gauge %yr	2.6%	–	–	Inflation pressures largely absent at present.
Eur	Dec Sentix investor confidence	34.0	–	–	Strong, and will remain so.
UK	Nov Markit/CIPS construction PMI	50.8	–	–	Private spending (esp. commercial) remains weak.
Tue 5					
NZ	Q3 building work put in place	–0.5%	–	2.0%	Building up after earlier weakness but capacity limits gains.
	Nov commodity price index	–0.3%	–	–	Dairy prices have continued to soften, indicating further fall.
	RBNZ Acting Gov. Spencer speaking	–	–	–	Speech: low inflation and its implications for monetary policy.
Aus	Q3 net exports, ppts cont'n	0.3	0.3	0.2	Further recovery, lift in exports, imports also expanding.
	Q3 current account, AUDbn	–9.6	–8.9	–9.4	Consolidation, trade surplus little changed.
	Q3 public demand	1.8%	–	0.6%	Above par trend growth, public investment upswing.
	Oct retail sales	0.0%	0.3%	0.3%	A better month but retail conditions still very difficult.
	Nov AiG PSI	51.5	–	–	Services mixed, with softness in consumer focused areas.
	RBA policy decision	1.50%	1.50%	1.50%	RBA to complete year on hold.
Chn	Nov Caixin China PMI services	51.2	–	–	Dated compared to NBS measure.
Eur	Nov Markit services PMI	56.2	–	–	Service sector aided by domestic and foreign demand.
	Q3 GDP 3rd estimate	0.6%	–	0.6%	Third estimate to confirm flash estimates.
UK	Nov Markit/CIPS services PMI	55.6	–	–	Domestic demand remains weak.
US	Oct trade balance $bn	–43.5	–45.4	–	Remains in deficit.
	Nov Markit services PMI	54.7	55.3	–	More restrained than ISM, but robust nonetheless.
	Nov ISM non–manufacturing	60.1	59.0	–	October outcome was historic high.
Wed 6					
NZ	GlobalDairyTrade auction	–3.4%	–	–	Dairy prices continue to soften, but futures suggest a rise.
	Nov QV house prices, yr%	3.9%	–	–	House prices ticked up recently, but new govt policy looms.
Aus	Q3 GDP	0.8%	0.7%	0.8%	Investment (business & public) + exports driving growth.
	Q3 GDP, %yr	1.8%	3.0%	3.1%	Annual growth jumps, a –0.4% drops out of calculation.
US	Nov ADP employment change	235k	190k	–	Bounced back in October after storms.
	Q3 nonfarm productivity final	3.0%	3.2%	–	Very weak, and outlook uncertain.
Thu 7					
Aus	Oct trade balance, AUDbn	1.7	1.4	0.9	Exports –1.7%, lower iron ore price, imports +0.9%, higher prices.
Chn	Nov foreign reserves USD bn	3,109	3,110	–	Authorities have had great success in stabilising reserves.
US	Initial jobless claims	238k	–	–	At historic lows.
Fri 8					
NZ	Q3 manufacturing activity	3.9%	–	–	Lower meat and dairy processing through Sep quarter.
Aus	Oct housing finance	–2.3%	–1.3%	–3.0%	A weak month, investor loan figs could be sharply lower.
Chn	Nov trade balance USD bn	38.19	36.4	–	Imports surged in Oct, narrowing surplus.
	Nov foreign direct investment %yr	5.0%	–	–	High tech manufacturing and services seeing strong growth.
UK	Oct industrial production	0.7%	–	–	The lower pound is supporting manufacturing...
	Oct trade balance, £m	–2754	–	–	... however, it's also pushing up import prices.
	Oct construction output	–1.6%	–	–	Economic uncertainty dampening commercial spending.
US	Oct consumer credit	–	–	–	Autos and consumer credit drive growth.
	Nov non–farm payrolls	261k	210k	185k	To settle down after Oct surge and upward revisions.
	Nov unemployment rate	4.1%	4.1%	4.1%	Has surprised to downside of late. Risk it edges higher.
	Oct wholesale inventories	–0.4%	–	–	A strong support for growth in Q3.
	Dec Uni. of Michigan sentiment prel.	98.5	98.9	–	Households positive on outlook, aided by labour market.
Sat 9					
Chn	Nov CPI %yr	1.9%	1.8%	–	Inflation remains benign for consumers...
	Nov PPI %yr	6.9%	5.8%	–	... despite commodity–led momentum upstream.
Sun 10					
Chn	Nov M2 money supply %yr	8.8%	8.9%	–	Tentative date.
	Nov new loans, CNYbn	663.2	825.0	–	Tentative date.
	Nov aggregate financing, CNYbn	1038.7	1430.0	–	Tentative date.

New Zealand forecasts

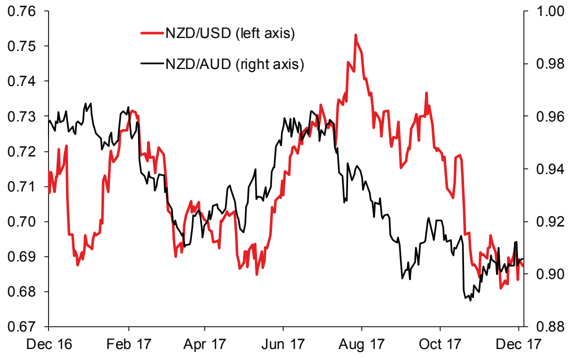
Economic Forecasts	2017				Calendar years			
% change	Jun	Sep	Dec	Mar	2015	2016	2017f	2018f
GDP (Production) ann avg	0.8	0.4	0.7	0.5	2.5	3.0	2.4	2.4
Employment	-0.1	2.2	-0.2	0.6	1.4	5.8	3.1	1.6
Unemployment Rate % s.a.	4.8	4.6	4.5	4.5	5.0	5.3	4.5	4.7
CPI	0.0	0.5	0.6	0.3	0.1	1.3	2.1	1.4
Current Account Balance % of GDP	-2.8	-2.4	-2.3	-1.9	-3.2	-2.5	-2.3	-2.5

Financial Forecasts	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Cash	1.75	1.75	1.75	1.75	1.75	1.75
90 Day bill	1.95	1.95	1.95	1.95	1.95	1.95
2 Year Swap	2.10	2.10	2.20	2.30	2.40	2.50
5 Year Swap	2.60	2.70	2.80	2.95	3.10	3.20
10 Year Bond	2.95	3.10	3.20	3.35	3.40	3.45
NZD/USD	0.68	0.67	0.66	0.64	0.63	0.63
NZD/AUD	0.89	0.89	0.89	0.89	0.90	0.91
NZD/JPY	77.5	76.4	75.9	74.5	73.1	73.7
NZD/EUR	0.59	0.58	0.58	0.57	0.56	0.57
NZD/GBP	0.52	0.51	0.51	0.51	0.50	0.50
TWI	72.6	71.8	71.2	69.9	69.2	69.6

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 4 December 2017

Interest Rates	Current	Two weeks ago	One month ago
Cash	1.75%	1.75%	1.75%
30 Days	1.77%	1.76%	1.78%
60 Days	1.84%	1.83%	1.86%
90 Days	1.91%	1.91%	1.94%
2 Year Swap	2.14%	2.16%	2.16%
5 Year Swap	2.57%	2.65%	2.61%

NZ foreign currency mid-rates as at 4 December 2017

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.6873	0.6804	0.6912
NZD/EUR	0.5793	0.5774	0.5949
NZD/GBP	0.5111	0.5152	0.5286
NZD/JPY	77.54	76.31	78.83
NZD/AUD	0.9057	0.8989	0.9028
TWI	72.74	72.33	73.60

International forecasts

Economic Forecasts (Calendar Years)	2014	2015	2016	2017f	2018f	2019f
Australia						
Real GDP % yr	2.8	2.4	2.5	2.5	3.0	2.5
CPI inflation % annual	1.7	1.7	1.5	1.7	2.0	2.0
Unemployment %	6.2	5.8	5.7	5.5	6.1	6.0
Current Account % GDP	-3.0	-4.7	-2.7	-1.6	-2.2	-2.6
United States						
Real GDP %yr	2.6	2.9	1.5	2.2	2.1	2.0
Consumer Prices %yr	1.6	0.1	1.3	2.0	1.8	1.8
Unemployment Rate %	6.2	5.3	4.9	4.4	4.1	4.1
Current Account %GDP	-2.3	-2.3	-2.3	-2.6	-2.5	-2.4
Japan						
Real GDP %yr	0.3	1.1	1.0	1.3	1.1	0.9
Euroland						
Real GDP %yr	1.3	2.0	1.8	2.2	1.8	1.7
United Kingdom						
Real GDP %yr	3.1	2.2	1.8	1.6	1.6	1.5
China						
Real GDP %yr	7.3	6.9	6.7	6.8	6.2	5.9
East Asia ex China						
Real GDP %yr	4.2	3.8	3.9	4.1	4.1	4.2
World						
Real GDP %yr	3.6	3.4	3.2	3.7	3.6	3.6
Forecasts finalised 10 November 2017						

Interest Rate Forecasts	Latest	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Australia								
Cash	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
90 Day Bill	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80
10 Year Bond	2.65	2.85	2.85	2.95	3.00	3.00	3.00	3.00
International								
Fed Funds	1.125	1.375	1.375	1.625	1.625	1.875	1.875	1.875
US 10 Year Bond	2.41	2.40	2.60	2.75	2.90	3.00	3.00	3.00
ECB Deposit Rate	-0.40	–0.40	–0.40	–0.40	–0.40	–0.40	–0.30	–0.30

Exchange Rate Forecasts	Latest	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
AUD/USD	0.7565	0.76	0.75	0.74	0.72	0.70	0.69	0.68
USD/JPY	112.42	114	114	115	116	116	117	118
EUR/USD	1.1908	1.15	1.15	1.14	1.13	1.12	1.11	1.10
AUD/NZD	1.1063	1.12	1.12	1.12	1.12	1.11	1.10	1.08

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