Weekly Commentary

5 March 2018

Businesses and households split

The start of 2018 has seen divergent conditions across the New Zealand economy. Households have hit the ground running, and spending looks like it will remain firm for some time yet. In contrast, gauges of business sector activity remain soft.

Households resilient

Looking first at the household sector, the strength in spending that we saw at the close of 2017 has carried through into early 2018. Retail spending rose by a solid 1.4% in January, including strong gains in categories such as durables and hospitality. We expect that the February figures (out Friday) will show that spending is continuing to grow at a healthy pace.

Contributing to this firmness in spending have been the recent pick-up in the housing market and the resilience in net migration. Both of those factors were key drivers of demand growth in recent years. And while they are now off their earlier peaks, they remain in supportive territory. However, these are also areas where we expect conditions to change markedly over the next few years, and over time that will have a dampening impact on spending.

On the housing front, we have seen a bit of a second wind over the past few months as election related uncertainty has faded and mortgage rates have fallen. With fixed mortgage rates falling further in recent weeks, and the Reserve Bank slightly easing its LVR mortgage lending restrictions, we expect the current market buoyancy will continue for a few more months. Housing market conditions have a close relationship with household spending in New Zealand, particularly for durable items like home furnishings. And with both home sales and prices lifting in recent months, it's no surprise that housing spending has remained firm.

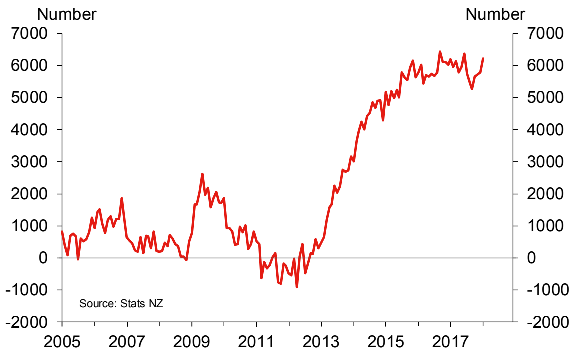
However, even with the recent pick-up, the housing market is looking softer than it did this time last year, especially in Auckland where sales are down 20% over the past year and prices have been flat. Going forward, we expect the current resurgence will eventually give way to an extended period of soft housing market activity. In part, this is because we expect fixed mortgage rates will creep higher later this year. On top of this, the Government will be rolling out a range of policies aimed at dampening housing market conditions over the next few years including restrictions on foreign buyers, an extension of the 'bright line' test for capital gains, and the ring-fencing of losses on investment properties. This combination of polices will result in a markedly different set of housing market conditions than New Zealand has experienced in recent years, with investor demand likely to be significantly curtailed.

One of the other big drivers of household spending in recent years has been rapid population growth on the back of record levels of net migration. Through mid-2017, it looked like the migration cycle had peaked, as arrivals levelled off and departures trended upwards. However, net migration has picked up again over the past few months as arrivals have pushed higher. This has seen annual net migration stabilising at a very high level of 70,000.

Businesses and households split cont.

The key question is whether we will see net migration resuming its downtrend over the coming months. Movements of New Zealanders in and out of the country have remained stable, and we are continuing to see a gradual increase in departures of non-New Zealanders. The big uncertainty relates to new arrivals. January's pickup in arrivals was large, and it wouldn't be surprising to see some pull back next month. In addition, we are seeing firmer conditions in other countries, which will make New Zealand look relatively less attractive. Putting this altogether, we continue to expect that net migration will decline over the next few years, however this may be quite gradual.

New Zealand monthly net migration



Business nervousness persists

Turning to the business sector, things are looking very different. Slowing GDP growth and the changing political backdrop saw business confidence fall sharply in late-2017. And while we have seen some recovery in early-2018, businesses remain deep in pessimistic territory.

Importantly, it's not just confidence about the general economic environment that has taken a knock. Activity indicators from both the PMI and PSI remain down on their pre-election levels. That includes a pullback in new orders, suggesting that we could see further softness over the months ahead.

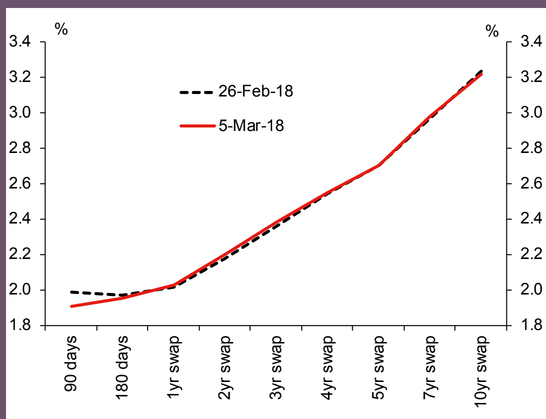
With businesses still nervous about the economic backdrop, we've been factoring in a period of softness in investment spending over the coming year. However, due to the lags associated with capital spending, we don't expect to see this coming through until mid to late 2018. Indeed, this week's trade figures actually showed that imports of capital equipment remained firm in January.

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 fixed 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



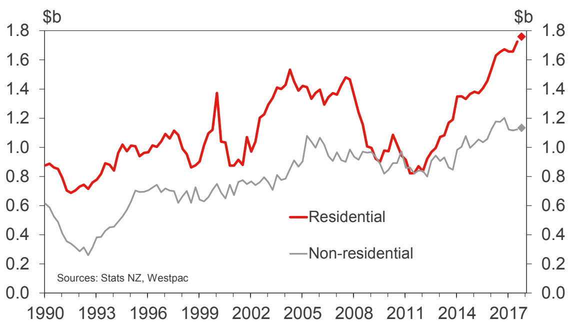
The week ahead

NZ Q4 building work put in place

Mar 7, Last: +2.7%, Westpac f/c: +1.6%, Market f/c: 1.0%

- Construction activity picked up in September, rising by 2.7%. This was underpinned by a lift in residential construction that offset softness in non–residential activity. The aggregate building figures are masking stark regional differences in construction. Building activity in Canterbury is continuing its gradual post–quake wind–down. At the same time, activity is firming in other regions, including 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 difficulties accessing credit are all providing some brake on how quickly building activity can ramp up to meet demand. As a result, we expect a modest 1.6% rise in construction through the December quarter. The key area of risk is non–residential construction, which could surprise to the upside following its recent softness.

NZ real building work put in place

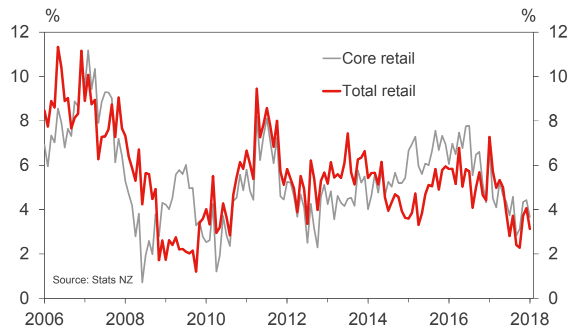


NZ Feb retail card spending

Mar 9, Last: +1.4%, WBC f/c: +0.6%, Market f/c: 0.3%

- Retail spending posted a solid rise of 1.4% in January, underpinned by a lift in durable spending. Stats NZ have attributed this to spending associated with increased purchases of 'back to school' supplies, which increasingly include electronic devices. However, we have also seen a second–wind in the housing market that is likely to have boosted spending on durable items. Spending on hospitality was also up.
- With mortgage rates edging down, renewed strength in the housing market, and migration remaining firm, we expect to see spending increase by 0.6% in February. Spending is expected to be up in most categories (though we are likely to see a pullback in durables spending following last month's strong gain).

Card transactions, annual % change

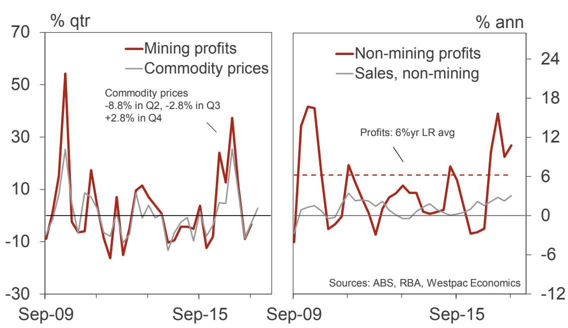


Aus Q4 company profits

Mar 5, Last: –0.2%, WBC f/c: 4.0%
Mkt f/c: 1.5%, Range: -1.5% to 6.0%

- In Q3, company profits were little changed, -0.2%, to be 1.7% higher for the year to date. Falls in mining (on lower commodity prices) and real estate (as housing cools) were offset by gains across business service sectors. For Q4, we anticipate a rise of 4.0%qtr, inflated by higher prices boosting the value of inventories (which is booked as a profit). However, on a national accounts basis (abstracting from this valuation adjustment) a more modest rise is likely, around +1.3%. Mining profits are expected to rise by almost 6% in Q4, having received a boost from higher commodity prices. Non-mining profits are trending higher, supported by a strengthening of domestic demand, but are mixed by industry, given an uneven expansion. For Q4, we anticipate a rise of around 3% (incorporating the artificial boost from the inventory valuation adjustment).

Company profits: mining to rebound in Q4

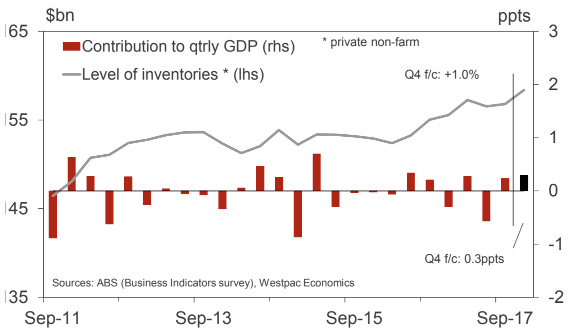


Aus Q4 inventories

Mar 5, Last: 0.2%, WBC f/c: 1.0% (0.3ppts)
Mkt f/c: 0.5%, Range: -0.3% to 5.6%

- Inventories were volatile in 2017, in part due to the impact of weather disruptions over the first half of the year. In Q3, inventory levels broadly stabilised, expanding by 0.2% ($0.3bn), to be 1.0% above the level of a year earlier. Inventories added 0.2ppts to activity in the period. For Q4, we expect a return to volatility, with a 1.0% ($1.6bn) rise in inventories, adding 0.3ppts to activity. Notably, imports of goods (ex fuel) spiked in the month of December, up 6% ($1.3bn), suggesting an abnormal clustering of shipments ahead of the new year. Some of these imported items will show-up initially as inventories. Another consideration, mining inventories contracted sharply in Q3, -$0.7bn (in part to facilitate a lift in export shipments), a result that is unlikely to be repeated in Q4.
- As always with inventories, we note the elevated uncertainty.

Inventories Q4 f/c: +1.0.%; +0.3ppts cont'n



The week ahead

Aus Jan dwelling approvals

Mar 5, Last: –20%, WBC f/c: 1.0%
Mkt f/c: 5.0%, Range: 0.0% to 11.0%

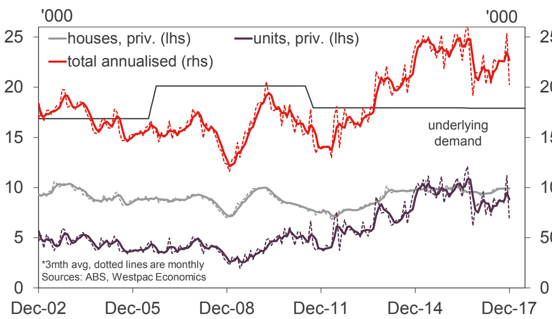
– Dwelling approvals retraced spectacularly in Dec, dropping 20% as a an expected wind-back in Melbourne high rise approvals, after a big spike in Nov, was compounded by weakness elsewhere. Looking through recent volatility, trend approvals are again moving lower with non high rise approvals in Q4 down 3.5%yr. Assessing trends in the erratic high rise segment is much trickier but site purchases continue to point to this segment taking a further leg lower over the course of 2017-18. Latest housing finance data point to a slightly firmer trend in non high rise approvals in coming months. Although high rise should remain weak, this is likely to see a marginal 1% rise in total approvals in Jan. As always, housing data should be treated with extra caution around the summer holiday low period as seasonal adjustment can amplify monthly volatility.

Aus Jan retail trade

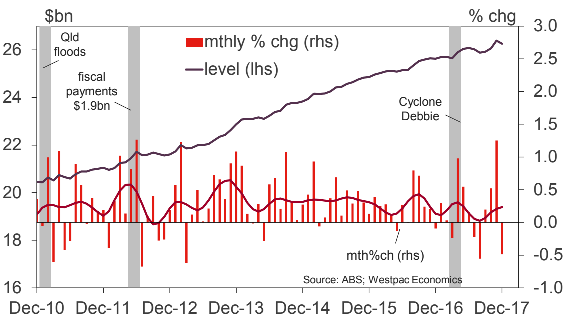
Mar 6, Last: –0.5%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.1% to 0.6%

– Retail sales had a bumpy finish to 2017 with a solid recovery in Sep-Nov from weakness mid year giving way to a 0.5% decline in the Dec month. The iPhone X launch and increasingly popular 'Black Friday' sales were positives but may also have shifted the timing of sales. Alongside this monthly volatility, the quarterly data showed significant price declines for non-food categories associated with the launch of Amazon's Australian operations. Note that Amazon's Australian retail sales are in scope for the retail survey and should appear in sales estimates going forward. The wider consumer backdrop was reasonably positive at the start of 2018 with sentiment posting its best Jan read since 2010. Incomes continue to be supported by strong job gains but undermined by weak wage growth. Private sector business surveys suggest retailers saw a small lift.

Dwelling approvals



Net exports: f/c -0.6ppts in Q4



Aus Q4 net exports, ppts cont'n

Mar 6, Last: 0.0, WBC f/c: -0.6
Mkt f/c: -0.6, Range: -0.9 to 0.6

– Net exports, as with inventories, were volatile in 2017, in part due to weather disruptions during the first half of the year. In Q3, net exports were neutral for activity, with both import and export volumes expanding by 1.9%.

– For Q4, net exports were a major headwind, subtracting an estimated 0.6ppts from activity.

– Imports rose an estimated 0.6% in Q4 to meet rising domestic demand.

– Exports stumbled, contracting by an estimated 2%, to be only 1.5% above the level of a year ago. Cereal shipments retreated from historic highs associated with the earlier bumper harvest, while coal exports fell in part due to temporary disruptions, including strike action.

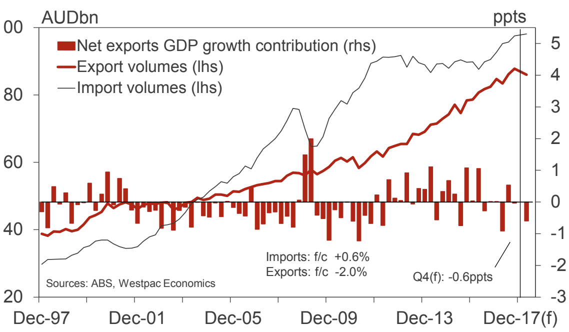
Aus Q4 current account, AUDbn

Mar 6, Last: -9.1, WBC f/c: -13.0
Mkt f/c: -12.2, Range: -13.8 to -9.0

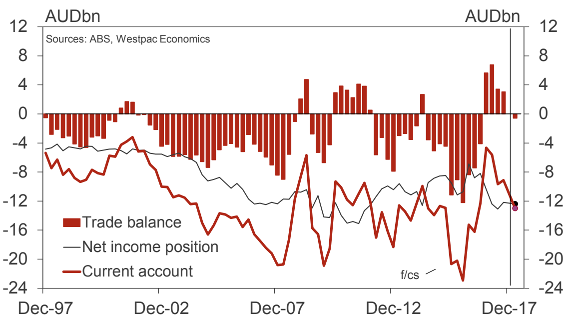
– During 2017, Australia's current account deficit has been well contained, at 2.0% of GDP in Q3, supported by elevated commodity prices boosting export earnings. For Q4, the current account deficit is expected to widen from $9.1bn to $13.0bn, representing 2.9% of GDP. Key to this, the trade position deteriorated in Q4. The trade balance swung from a surplus of $2.0bn in Q3 (revised lower from $3.1bn) to a deficit of $0.6bn in Q4. Exports stumbled at the same time as import volumes continued their upward trend (see above). As to the terms of trade, this was broadly flat in the period, we estimate.

– In Q4, the net income deficit is expected to edge higher to $12.4bn from $12.2bn. Note that the deficit has deteriorated from a 2016 average of $8.5bn/qtr as higher commodity prices translate into better returns for offshore investors.

Current account: f/c –$13bn in Q4



Current account: f/c –$13bn in Q4



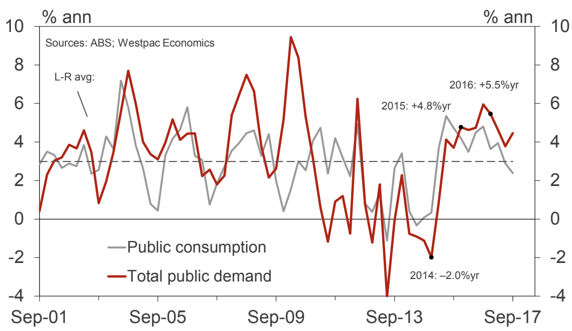
The week ahead

Aus Q4 public demand

Mar 6, Last: 1.5%, WBC f/c: 0.6%

- Public demand is a key growth driver, expanding at an above trend pace in 2015, 2016 and 2017, with annual growth at 4.8%, 5.5% and 4.4% (we estimate), respectively.
- 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 Q3, public demand increased by 1.5%, boosted by a sharp 7.4% jump in investment (which is often volatile quarter to quarter) but constrained by a rise of only 0.2% for public consumption (which accounts for 80% of public demand).
- For Q4, we anticipate a more modest rise in public demand of 0.6% as investment consolidates in the period.

Public demand: a 3rd year of above trend growth

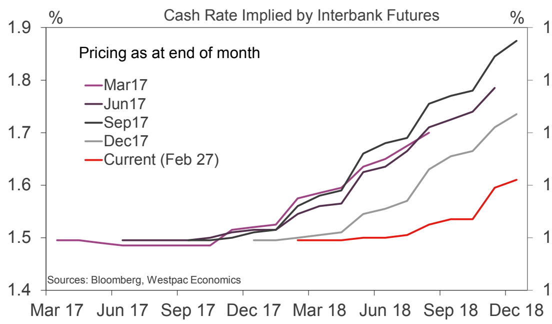


Aus Mar RBA decision

Mar 6, Last: 1.50% WBC f/c: 1.50%
Mkt f/c: 1.50%, Range: 1.50% to 1.50%

- The RBA will almost certainly decide to hold rates unchanged at their March meeting - as they have since they last cut rates in August 2016. The Governor has stated that: "further progress in reducing unemployment and having inflation return to target is expected, although this progress is likely to be gradual".
- The case for patience has been reinforced by the latest price and wage updates - core inflation is only 1.6% annualised over the past half year and private wages growth is still at historic lows.
- Moreover, tighter lending standards have been helpful in containing the build-up of risk in household balance sheets.
- We continue to expect the RBA to leave the cash rate unchanged at 1.50% throughout 2018 and 2019.

Market OCR pricing moving to Westpac view

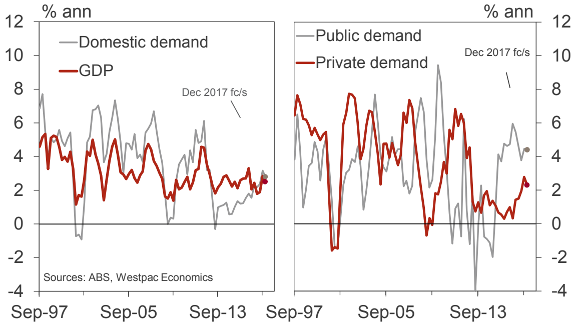


Aus Q4 GDP

Mar 7, Last: 0.6%qtr, 2.8%yr; WBC f/c: 0.5%qtr, 2.5%yr
Mkt f/c: 0.5%, Range: 0.1% to 0.8%

- Real GDP expanded by a forecast 0.5% in Q4, with domestic demand up 0.7%, inventories adding 0.3ppts, with a sizeable partial offset from net exports, -0.6ppts as exports stumbled, -2%qtr. Annual real GDP growth moderates to 2.5% from 2.8%.
- Consumer spending improved, up a forecast 0.7%, after a rise of only 0.1% in Q3. Housing declined further, -1%qtr, following a strong and extended upswing.
- Business investment, +1.5%qtr, advanced having turned the corner in 2017, with a diminished drag from the mining investment wind-down and a lift in non-mining construction to meet the needs of a growing population. Public demand, +0.6%qtr, +4.4%yr, is expanding at an above trend pace, centred on an investment upswing.

Australian economic conditions

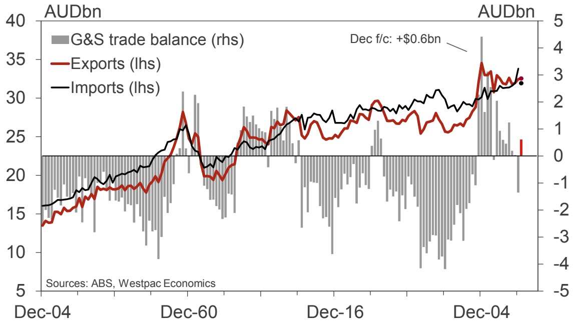


Aus Jan trade balance, AUDbn

Mar 8, Last: -1.4, WBC f/c: 0.6
Mkt f/c: 0.2, Range: -1.5 to 0.8

- In December, Australia's trade balance slumped to a deficit of $1.4bn, deteriorating from a $36mn surplus in November. Imports spiked 6.0% (+$1.9bn) in the month, suggesting an abnormal clustering of shipments ahead of the new year. For January, we expect a sharp reversal to a $0.6bn surplus. We highlight the uncertainty around trade forecasts, particularly in cases such as this, when the view is centred on a judgement on imports. The import bill is expected to decline by $1.9bn (-5.5%), fully unwinding December's spike. Contributing to the January reversal are lower prices owing to the rise in the currency, up 2% on a TWI basis and 4% higher against the US dollar. Export earnings are forecast to edge higher, up 0.2%, $0.1bn. A rise in iron ore exports, on higher prices and volumes, is expected to be largely offset by a moderation in coal.

Australia's trade balance



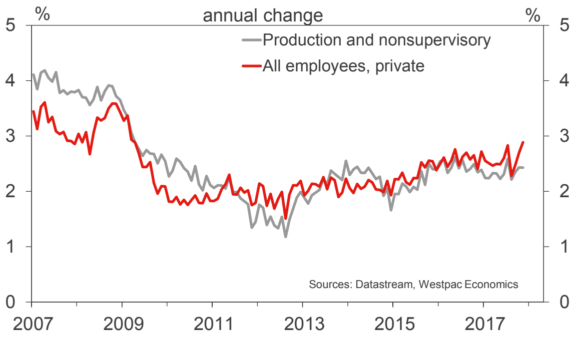
The week ahead

US Feb employment report

Mar 9, nonfarm payrolls, last 200k, WBC 230k
Mar 9, unemployment rate, last 4.1%, WBC 4.0%

- Employment growth in the US began 2018 on a robust footing, with a further 200k jobs created. February is also likely to record a strong result, circa 230k, given both of the ISMs are pointing to strong momentum. Because job gains are continuing at pace as participation holds steady, the unemployment rate will edge lower to 4.0% in February. A move below 4.0% is near certain by mid year. Given the growing importance of wages and inflation for policy, increasingly the hourly wage series is becoming the primary focus for this release. In the short term, there is doubt over whether January's 2.9%yr outcome will be sustained in February. However, it is almost inevitable that 3.0%yr outcomes will become regular in 2018. Outcomes materially above this level however are still unlikely.

US wages accelerating, supporting inflation



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 5					
NZ	Feb ANZ commodity prices	0.7%	–	–	To reflect improved dairy prices in February.
Aus	Q4 company profits	–0.2%	1.5%	4.0%	Boosted by higher commodity prices.
	Q4 business inventories	0.2%	0.5%	1.0%	Temporary lift from spike in imports.
	Jan dwelling approvals	–20%	5.0%	1.0%	Steadying after Dec retracement.
Chn	Feb Caixin China PMI services	54.7	54.3	–	NBS services PMI remained robust.
Eur	Feb Markit services PMI	56.7	–	–	Conditions very strong.
	Mar Sentix investor confidence	31.9	–	–	Investors very positive on economic outlook.
UK	Feb Markit services PMI (final)	53.0	–	–	Conditions have firmed but remain moderate.
US	Feb Markit services PMI	55.9	–	–	A lower base than ISM services measure...
	Feb ISM non–manufacturing	59.9	58.7	–	... but both point to strong momentum.
	Fedspeak	–	–	–	Quarles on foreign bank regulation.
Tue 6					
Aus	Jan retail trade	–0.5%	0.4%	0.4%	Moderate result boosted by Amazon.
	Q4 net exports, ppts cont'n	0.0	–0.6	–0.6	Exports a surprise 2% fall as coal shipments fall.
	Q4 current account balance, AUDbn	–9.1	–12.2	–13.0	Trade balance slipped into deficit on lower exports.
	Q4 public demand	1.5%	–	0.6%	Above trend growth, but investment to consolidate in Q4.
	RBA policy decision	1.50%	1.50%	1.50%	On hold, patient awaiting gradual lift in wages growth.
US	Jan factory orders	1.7%	–0.5%	–	Durables disappointed; points to investment pull back.
	Fedspeak	–	–	–	Dudley on roundtable in the US Virgin Islands.
Wed 7					
NZ	GlobalDairyTrade auction	–0.5%	–	–	Concerns about tight domestic milk supplies easing.
	Feb QVNZ house prices, %yr	6.4%	–	–	Recent declines in mortgage rates given prices a boost.
	Q4 building work put in place	2.7%	1.0%	1.6%	Capacity constraints limiting gains, despite strong demand.
Aus	Q4 GDP	0.6%	0.5%	0.5%	Solid rise in domestic demand but sizeable drag from net X.
	Q4 GDP, annual	2.8%	2.5%	2.5%	Annual growth slips to 2.5%, net X subtract 1.0ppt.
	RBA Governor Philip Lowe	–	–	–	Speaking, 'Changing Nature of Investment', Sydney 8:40am.
Eur	Q4 GDP (final)	0.6%	–	–	2017's momentum has carried into 2018.
UK	Feb Halifax house prices	–0.6%	–	–	Low supply is limiting the downside for prices.
US	Feb ADP employment change	193k	198k	220k	Another strong month likely.
	Q4 productivity	–0.1%	–0.1%	–	Improvement necessary.
	Jan trade balance US$bn	–53.1	–52.6	–	Has been deteriorating despite rising oil production.
	Fedspeak	–	–	–	Brainard, Kaplan, Dudley & Bostic in separate events.
	Federal Reserve's Beige book	–	–	–	Conditions across the region.
Thu 8					
Aus	Jan trade balance, AUDbn	–1.4	0.2	0.6	Reversal of 6.0% spike in imports.
Chn	Feb trade balance USDbn	20.34	–9.0	–	Lunar new year brings lots of volatility to trade data.
	Feb foreign direct investment %yr	0.3%	–	–	Greater foreign investment to come in time.
Eur	ECB policy decision	–0.4%	–	–	New forecasts and Draghi on EUR the focus.
US	Jan consumer credit	18.447	19.00	–	Credit cards strong in late 2017.
	Initial jobless claims	210k	–	–	At historic lows.
Fri 9					
NZ	Feb retail card spending	1.4%	–	0.6%	Core spending remains firm.
Chn	Feb PPI %yr	4.3%	3.8%	–	Commodities continue to affect upstream prices...
	Feb CPI %yr	1.5%	2.4%	–	... but consumer inflation benign, and will remain so.
UK	Jan trade balance, £bn	–4.9	–	–	Drop in the GBP continues to weigh on the trade balance...
	Jan industrial production	–1.3%	–	–	... but has helped to buoy factory sector conditions.
	Jan construction output	1.6%	–	–	Softness in non–residential construction.
US	Feb non–farm payrolls	200k	200k	230k	ISM reported rebound for manufacturing; services strong.
	Feb unemployment rate	4.1%	4.0%	4.0%	Unemployment rate due to edge down again.
	Jan wholesale inventories	0.7%	–	–	Have been stronger than expected.
	Fedspeak	–	–	–	Evans Speaks on Monetary Policy.

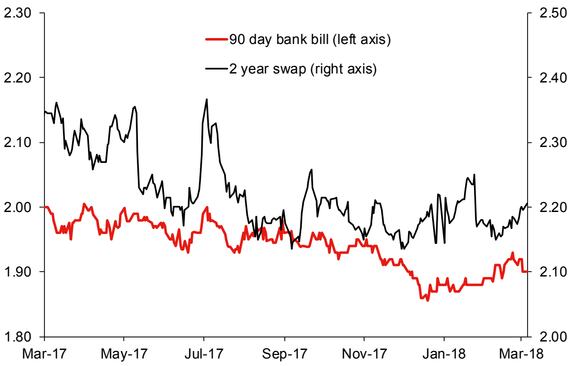
New Zealand forecasts

Economic Forecasts	Quarterly				Annual			
	2017		2018		Calendar years			
% change	Sep(a)	Dec	Mar	Jun	2016	2017f	2018f	2019f
GDP (Production)	0.6	0.8	0.6	0.6	4.0	2.9	2.8	3.0
Employment	2.2	0.5	0.4	0.4	5.8	3.7	1.6	1.2
Unemployment Rate % s.a.	4.6	4.5	4.4	4.4	5.3	4.5	4.5	4.7
CPI	0.5	0.1	0.6	0.4	1.3	1.6	1.8	1.5
Current Account Balance % of GDP	-2.5	-2.6	-2.2	-2.4	-2.2	-2.6	-3.0	-3.3

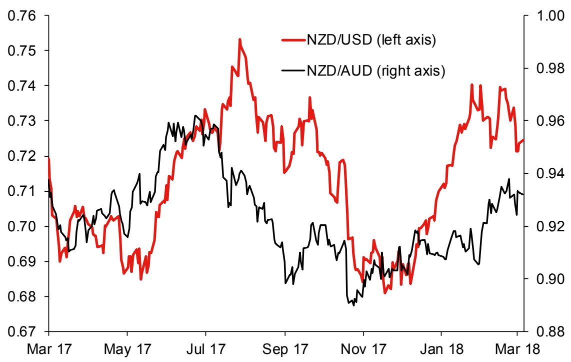
[1] Annual average % change

Financial Forecasts	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Cash	1.75	1.75	1.75	1.75	1.75	1.75
90 Day bill	1.90	1.90	1.90	1.90	1.90	1.90
2 Year Swap	2.10	2.10	2.20	2.30	2.40	2.55
5 Year Swap	2.65	2.70	2.80	2.95	3.10	3.20
10 Year Bond	2.90	3.00	3.10	3.30	3.40	3.45
NZD/USD	0.72	0.70	0.69	0.67	0.65	0.64
NZD/AUD	0.92	0.91	0.91	0.91	0.90	0.90
NZD/JPY	80.6	80.5	80.7	78.4	76.1	74.9
NZD/EUR	0.60	0.60	0.60	0.58	0.57	0.55
NZD/GBP	0.53	0.53	0.53	0.53	0.52	0.51
TWI	74.6	73.4	73.0	71.5	70.1	69.0

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 5 March 2018

Interest Rates	Current	Two weeks ago	One month ago
Cash	1.75%	1.75%	1.75%
30 Days	1.78%	1.80%	1.80%
60 Days	1.84%	1.86%	1.84%
90 Days	1.90%	1.91%	1.89%
2 Year Swap	2.21%	2.17%	2.17%
5 Year Swap	2.71%	2.73%	2.74%

NZ foreign currency mid-rates as at 5 March 2018

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.7244	0.7385	0.7296
NZD/EUR	0.5865	0.5951	0.5866
NZD/GBP	0.5246	0.5269	0.5172
NZD/JPY	76.39	78.57	80.38
NZD/AUD	0.9322	0.9329	0.9218
TWI	74.63	75.78	74.93

International forecasts

Economic Forecasts (Calendar Years)	2014	2015	2016	2017f	2018f	2019f
Australia						
Real GDP % yr	2.6	2.5	2.6	2.3	2.5	2.5
CPI inflation % annual	1.7	1.7	1.5	1.9	2.1	1.9
Unemployment %	6.2	5.8	5.7	5.5	5.4	5.3
Current Account % GDP	-3.0	-4.7	-2.9	-2.1	-2.3	-3.2
United States						
Real GDP %yr	2.6	2.9	1.5	2.3	3.0	2.5
Consumer Prices %yr	1.6	0.1	1.3	2.1	2.1	2.0
Unemployment Rate %	6.2	5.3	4.9	4.4	4.0	3.8
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	1.5	1.3	1.0
Euroland						
Real GDP %yr	1.3	2.0	1.8	2.4	2.1	1.7
United Kingdom						
Real GDP %yr	3.1	2.2	1.8	1.7	1.6	1.6
China						
Real GDP %yr	7.3	6.9	6.7	6.9	6.3	6.1
East Asia ex China						
Real GDP %yr	4.2	3.8	3.9	4.5	4.3	4.3
World						
Real GDP %yr	3.6	3.4	3.2	3.9	3.8	3.7
Forecasts finalised 14 February 2018						

Interest Rate Forecasts	Latest	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
Australia								
Cash	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
90 Day Bill	1.81	1.77	1.78	1.78	1.78	1.78	1.78	1.78
10 Year Bond	2.75	2.70	2.80	2.95	3.15	3.20	3.10	3.20
International								
Fed Funds	1.375	1.625	1.875	2.125	2.125	2.375	2.625	2.625
US 10 Year Bond	2.81	2.80	2.90	3.10	3.35	3.50	3.40	3.40
ECB Deposit Rate	–0.40	–0.40	–0.40	–0.40	–0.40	–0.20	0.00	0.00

Exchange Rate Forecasts	Latest	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19
AUD/USD	0.7757	0.78	0.77	0.76	0.74	0.72	0.71	0.70
USD/JPY	105.98	112	115	117	117	117	117	118
EUR/USD	1.2272	1.20	1.17	1.15	1.15	1.15	1.17	1.18
AUD/NZD	1.0676	1.08	1.10	1.10	1.10	1.11	1.11	1.09

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