Weekly Commentary

30 April 2018

Housing and household debt

In recent years, the combination of low interest rates and the favourable tax treatment of housing saw house prices rising rapidly. These same conditions also saw household debt rising to record levels. Now, with the housing market cooler than it was in previous years, the creep upwards in household debt has slowed. And over the coming years, policies aimed at dampening housing market pressures will put a brake on further debt accumulation. These changes also signal a drag on households spending, and will have an important impact on the RBNZ's policy stance.

Household debt levels in New Zealand have risen by 35% since 2012. That's roughly double the increase in incomes over the same period. As a result, households are now carrying debt that is equivalent to 168% of their annual disposable income – a level that's well above the peak of 159% that we saw just prior to the financial crisis.

As we've previously highlighted, the major contributor to the run up in household debt has been the low level of interest rates in recent years, and the related increases in house prices. With low interest rates generating low nominal returns on savings, investors have sought to diversify into housing and other assets. Combined with the favourable tax treatment of investment housing in New Zealand, this boosted the demand for housing assets and pushed house prices higher. Aspiring buyers have had to borrow more. In addition, as has historically been the case, strength in the housing market also saw homeowners spending some of the windfall they perceive when the value of their house rises. The net effect has been more borrowing and more spending, with the low cost of borrowing reinforcing both of these trends.

In recent years, this run up of household debt has raised concerns about the economy's longer-term financial stability. That includes concerns about the eventual drag on economic activity from increased debt servicing obligations, particularly if interest rates rise. In addition, higher debt levels mean that the economy is more vulnerable to unfavourable changes in economic or financial conditions, especially as such disruptions could be amplified through changes in the housing market. Such concerns are a key reason why the RBNZ introduced restrictions on high loan-to-value (LVR) lending in recent years.

However, while debt levels are at historically high levels, the past year has actually seen debt accumulation slowing, and the ratio of household debt to income has been steady since the start of 2017. That follows the slowdown in house price inflation over the past year that came as a result of a tightening in lending restrictions by the RBNZ, as well as an increase in mortgage rates in early 2017.

In recent months, the housing market has firmed again as borrowing restrictions have been eased and mortgage rates have pushed down again. At the same time, mortgage borrowing has picked up a little. However, as we discussed in our recent Home Truths report [1], we expect this resurgence will be short lived. The Government plans to roll out a series of policies aimed at dampening housing market conditions.

Available here: https://www.westpac.co.nz/assets/Business/Economic-Updates/2018/Bulletins-2018/NZ-Home-Truths-April-2018.pdf

Housing and household... continued

That includes policies affecting physical demand and supply, such as restrictions on foreign buyers, a tightening in migration settings, and efforts to increase the housing stock (such as the KiwiBuild program).

More important, however, are a range of policies that will affect the financial incentives associated with property investment. The Government has already extended the holding period for taxing capital gains on investment properties from two to five years (the so-called 'bright line' test). Over the coming years we also expect the ability to use losses on rental properties to offset other tax obligations (i.e. negative gearing) will be significantly curtailed. Finally, there is the possibility that the government will look at introducing a broad-based capital gains tax if elected to a second term in office.

This wide reaching suite of policies will significantly dampen the demand for housing , especially by investors. Consequently, we expect that the nationwide level of house prices will fall by a total of 2% over the next four years.

The slowdown in the demand for housing will also put the brakes on debt accumulation, with debt to income levels expected to remain broadly stable over the next few years. This will have important implications for the Reserve Bank's choice of policy settings, potentially allowing for a further loosing of LVR lending restrictions. A slowdown in the housing market will also be important for monetary policy and the level of the Official Cash Rate. As discussed below, the slowdown in the housing market will have a more general dampening impact on economic activity, removing any need for the RBNZ to hike the OCR in the near term.

New Zealanders hold a significant proportion of their wealth in either investment or owner-occupied housing. As a result, we expect that the coming slowdown in the housing market will also see softness in household spending growth. This is likely to be reinforced by associated changes in the access to credit. The strong housing demand that encouraged the build-up of debt in recent years also pushed up house prices. That flattered household debt positions, with debt-to-asset ratios falling. However, the stalling in the housing market over the past year has seen debt-to asset positions rising modestly. And with further housing market softness expected, such gauges of the economy's financial health could deteriorate further. In such circumstances, many borrowers could find their borrowing ability curtailed, while debt servicing requirements result in their disposable incomes being squeezed.

Policy changes also mean that the Government will be collecting more tax from rental properties over the coming years. This signals a further drag on households' disposable incomes and spending.

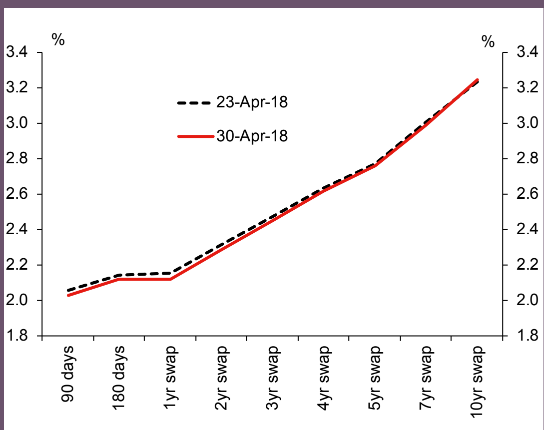
The run up in household debt in recent years and associated increases in financial vulnerabilities are important clouds on the horizon, but are unlikely to topple the economy. Despite the increase in debt levels, low interest rates mean that households' debt servicing costs remain modest: households currently spend an average of 8.3% of disposable incomes on debt servicing (well below the peak of 14% in 2009). On top of this, the labour market is in good health, and New Zealand hasn't had difficulties funding its current account deficit in recent years.

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 April ANZ business confidence

April 30, Last: -20

- Business confidence treaded water in March, after bouncing off its post-election lows in back in February.
- While the economic backdrop has been steady over the last month, the Government did surprise some with the timing of its announcement to end offshore oil exploration permits. But it's an open question whether this will have an impact on broader business sentiment.
- March quarter CPI came out in line with expectations, but this did see the annual inflation rate drop fairly sharply to 1.1%. This could put downward modest pressure on the inflation expectations components of the survey, which were little changed in March.

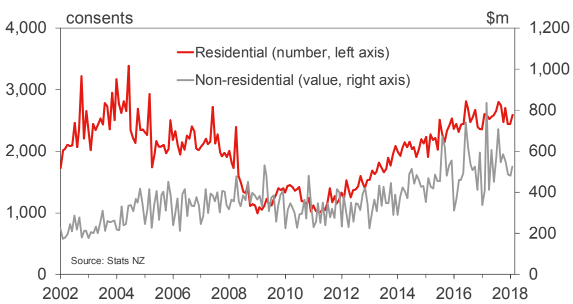
NZ business confidence and inflation expectations

NZ Mar residential building consents

May 1, Last: 5.7%, WBC f/c: 1.6%

- Residential building consent issuance rose 5.7% in February after a flat outturn in the previous month. The solid lift in consent issuance was driven by a pickup in issuance for multiple dwelling/apartments. While strong population growth signals the need for a protracted period of rapid home building, we expect construction activity to rise at a gradual pace. Construction firms are highlighting shortages of skilled labour and difficulties with financing as important brakes on the pace of building.
- We'll be watching the regional breakdown of consents closely. Despite a large and growing shortage of homes, building levels in Auckland have flattened off in recent months. We're also seeing a trend decline in Canterbury as the region's housing market continues its gradual post-earthquake transition.

NZ building consents

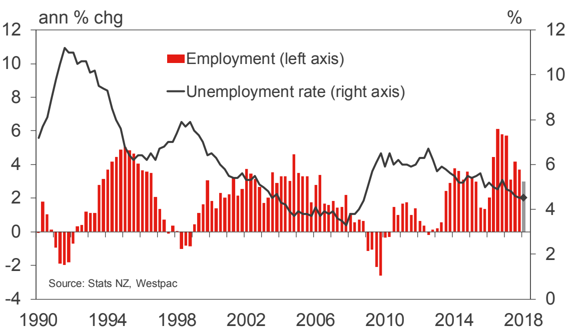


NZ Q1 Household Labour Force Survey

May 2, Employment last: 0.5%, WBC f/c: 0.3%, Mkt f/c: 0.6%
May 2, Unemployment last: 4.5%, WBC f/c: 4.5%, Mkt f/c: 4.4%

- We expect a subdued 0.3% rise in employment over the March quarter, and an unchanged unemployment rate of 4.5%.
- There are signs that the improving trend in the labour market has become bogged down more recently. Slower economic growth and uncertainty around government policy have weighed on firms' hiring decisions.
- Our estimates suggest that labour market conditions are currently 'neutral' in terms of their influence on inflation pressures. And with economic growth past its peak, we think that the labour market will struggle to push very far into 'tight' territory.

Household Labour Force Survey

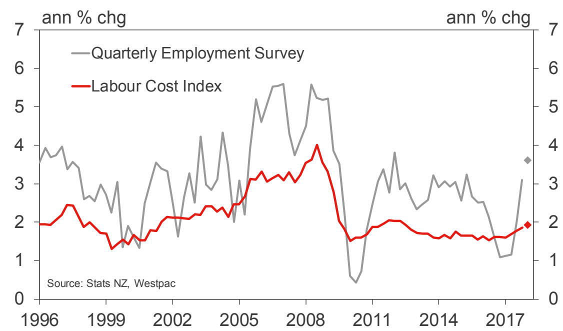


NZ Q1 Labour Cost Index

May 2, Private sector last: 0.4%, WBC f/c: 0.4%, Mkt f/c: 0.5%

- We expect a 0.4% rise in private sector labour costs for the March quarter. This is essentially the same quarterly pace that we have seen for the last few years, with the exception of the aged-care workers' pay settlement in Q3 last year. We do expect a modest pickup in wage growth over the next couple of years, on a combination of a tighter labour market, collective pay agreements and minimum wage hikes. But the case for a near-term pickup is weak. CPI inflation has ebbed lower over the last year, and the labour market is not currently tight enough to warrant much more than cost-of-living increases in wages.
- In contrast, the Quarterly Employment Survey (QES) measure of average hourly earnings has accelerated, and we expect a further pickup. But this appears to be payback from a sharp slowdown a year ago.

LCI and QES wages



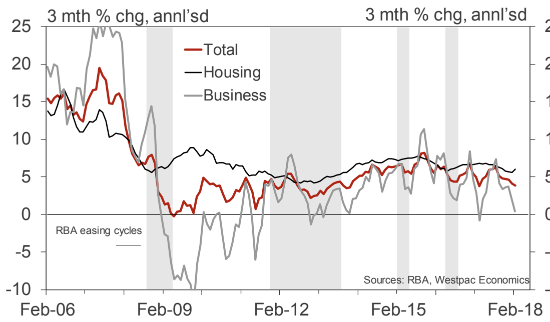
The week ahead

Aus Mar private credit

Apr 30, Last: 0.4%, WBC f/c: 0.4%
Mkt f/c: 0.4%, Range: 0.3% to 0.6%

- Private sector credit is expanding at a modest pace as the housing sector cools. In 2017, credit grew by 4.9%, slowing from 5.6% for 2016, with a Q4 average of 0.4% per month. For March, we expect a rise of 0.4%. Housing credit, at this late stage of the cycle, is slowing in response to tighter lending conditions. The 3 month annualised pace was 5.6% in January, down from 6.8% last March. However, in February, a surprise uptick - most likely noise - saw the 3 month pace rebound to 6.0%. Business credit, up 3.6% over the year, is volatile around a modest uptrend as businesses increase investment in the real economy. Over the past three months, business credit hit a soft spot, with outcomes of +0.1%, -0.1% and +0.1%. On balance, current fundamentals are positive pointing to a resumption of the modest uptrend.

Credit: housing trend slowing, business soft-spot



Aus Apr CoreLogic home value index

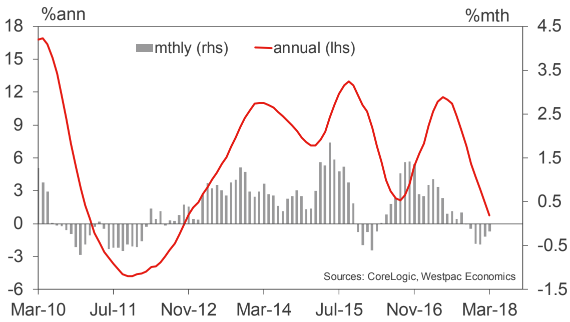
May 1, Last: –0.2%, WBC f/c: –0.2%

- Australia's housing market continue to see price slippage in early 2018, the CoreLogic home value index dipping another 0.2% in March to be down 1.4% from its Oct peak.

- The detail shows more pronounced weakness in Sydney, for houses as opposed to units, and for the top 25% of properties by value.

- The daily index points to a further 0.2% decline in April that will take annual growth down to –0.3%yr, the first negative since 2012.

Australian dwelling prices

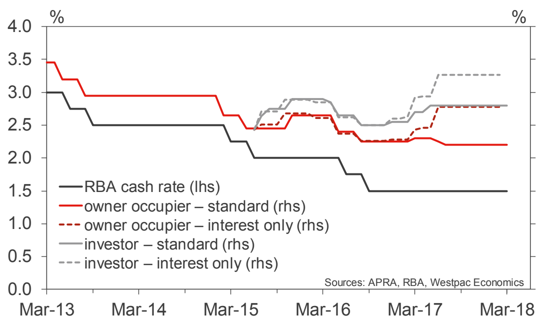


Aus RBA policy announcement

May 1, Last: 1.50%, WBC f/c: 1.50%
Mkt f/c: 1.50%, Range: 1.50% to 1.50%

- The RBA Board will leave rates unchanged at their May meeting, as they have since they 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 recent data. Notably, inflation remained subdued in Q1 at 0.4%qtr, 1.9%yr. The jobs hiring boom of 2017, +3.4%yr, has given way to a consolidation in Q1, 1.9% annualised, and the unemployment rate has stalled at 5.5% after declining early in 2017. The RBA will likely trim their 2018 GDP growth forecast in the Statement on Monetary Policy to a still above trend 3.0%, rounded down from 3.25% previously. We expect GDP growth to be less robust, at 2.75% this year, slowing to 2.5% in 2019 and anticipate that the RBA will keep the cash rate unchanged at 1.5% in 2018 and 2019.

RBA cash rate and mortgage interest rates

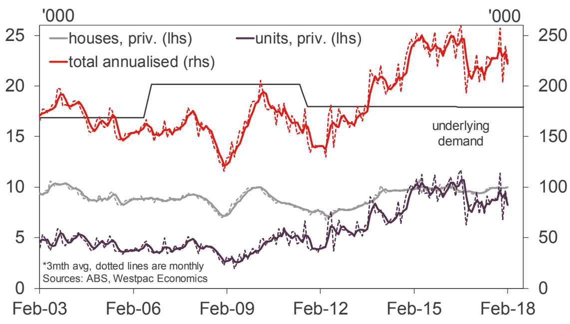


Aus Mar dwelling approvals

May 3, Last: –6.2%, WBC f/c: 1.0%
Mkt f/c: 1.0%, Range: -3.0% to 5.0%

- Dwelling approvals retraced 6.2% in Feb, giving back about two fifths of the 17.2% jump in Jan. Approvals have been extremely volatile month to month, making it difficult to pick out clear trends. Volatility has again centred on 'high rise' approvals. Construction-related housing finance approvals have softened since Sep after rallying through most of 2017. Given lags between finance and construction, that suggests non high rise dwelling approvals will fall away a bit in coming months. High rise is harder to call. The general picture from site purchases over the last year points to the segment taking another leg lower in 2018 although the month to month moves look to have overshot a little in Feb. On balance we expect total approvals to be up 1% in March.

Dwelling approvals



The week ahead

Aus Mar trade balance, AUDbn

May 3, Last: 0.8, WBC f/c: 0.2
Mkt f/c: 0.95, Range: -0.5 to 1.3

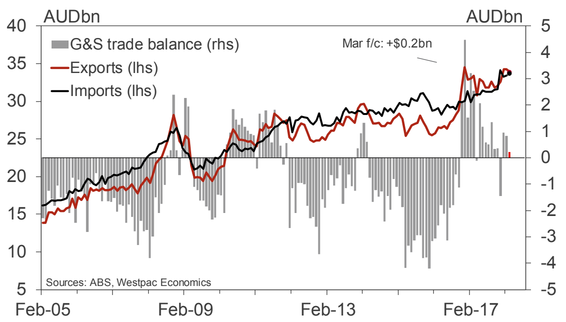
- For March, Australia's trade surplus is expected to narrow to $0.2bn from $0.8bn, led lower by exports. Export earnings are forecast to contract by 1.0% in March, down $350mn. The key negative, the iron ore spot price retreated from recent highs, declining to US$70/t from $76.50. The import bill rose a forecast 0.8% in the month, +$250mn. The cost of imports increased as the currency weakened, down around 1.5% to 76.7US¢ from 78.8US¢.
- Focusing on the March quarter, the trade balance improved to a surplus of $2.0bn, a turnaround from a deficit of $0.7bn in Q4 - based on our forecast and subject to revisions. The improvement was centred on a rise in the terms of trade associated with higher commodity prices (on a quarter average basis).

Euro Area Q1 GDP

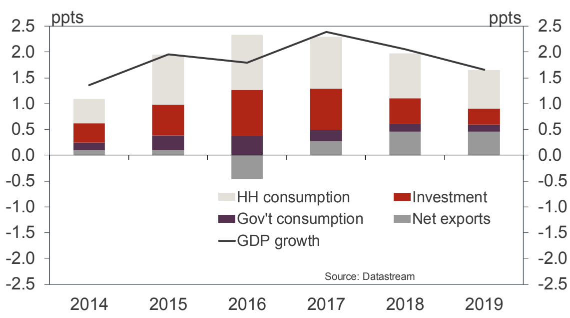
May 2, Last 0.6%, WBC 0.5%

- The Euro Area has likely seen peak growth for this cycle, with growth in 2018 expected to come in at 2.1%yr versus 2.5%yr in 2017. The main driver of this slowdown is expected to be the abating of pent-up consumer demand that has been a key support in recent years. The consumer continues to benefit from job and credit availability, but their savings are limited and wage growth continues to lag momentum in activity by a wide margin. There is therefore a definite limit to their appetite for credit, and hence their discretionary spending.
- In this domestic environment, and given lingering global uncertainty, business investment growth is unlikely to accelerate to offset weaker consumption. Growth will slow progressively. Hence to our Q1 forecast of 0.5%, risks are skewed to the downside.

Australia's trade balance



Euro Area growth past peak but still robust



US FOMC May policy meeting

May 2, Last 1.625%, WBC 1.625%

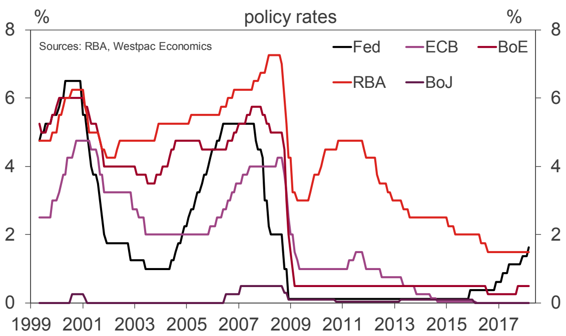
- The FOMC has made clear their intentions for 2018 – repeatedly. If growth continues as it has and inflation also firms to target, then they will have strong justification to continue with their 'gradual' normalisation of the fed funds rate and balance sheet reduction.
- Indeed, from Chair Powell's recent comments and the March meeting minutes, the Committee clearly believe that risks to the outlook are skewed to the upside, thanks to the enacted tax and spending reform. For us, we have little doubt that government spending and business investment will drive growth higher in the near term, but inflation is unlikely to materially exceed target. We also expect that tighter financial conditions will shock growth later in 2019. Our core view therefore remains two more rate hikes in 2018 and two more in H1 2019, but then no more.

US Apr employment report

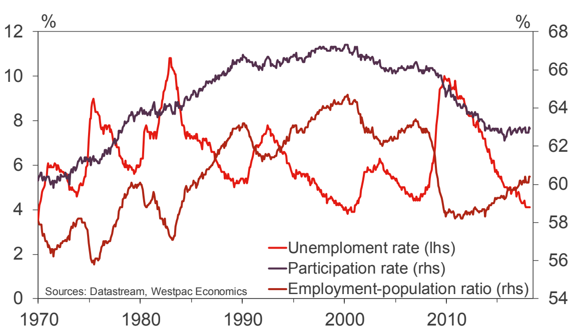
May 4, nonfarm payrolls, last 103k, WBC 180k
May 4, unemployment rate, last 4.1%, WBC 4.0%

- The Mar report delivered a surprise for many in financial markets, with not only the monthly gain for payrolls coming in well below consensus at 103k, but also a further 50k taken from Jan and Feb's gains. While the monthly loss of momentum was severe, the 2018 average has only been brought back into line with that of 2017. Hence, overall momentum is still very strong. Come April, another robust gain is anticipated circa 180k. There is also a risk of upward revisions to the prior number.
- As we move through 2018, the pace of employment growth will slow but still likely exceed 100k, seeing the unemployment rate move lower.

Rate differential to aid US dollar hence



Employed share of population rising



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 30					
NZ	Apr ANZ business confidence	-20	-	-	Businesses remain nervous about the economic outlook.
Aus	Apr MI inflation gauge	2.1%	-	-	Inflation well contained.
	Mar private sector credit	0.4%	0.4%	0.4%	Housing trend slowing, business modest uptrend.
Chn	Apr non-manufacturing PMI	54.6	54.5	-	March saw another robust result...
	Apr manufacturing PMI	51.5	51.3	-	... though the employment index are a concern.
Eur	Mar M3 money supply %yr	4.2%	4.0%	-	Credit data also due.
US	Mar personal income	0.4%	0.4%	-	Income g'th slowly accelerating...
	Mar personal spending	0.2%	0.4%	-	... but spending still restrained.
	Mar PCE deflator	0.2%	0.0%	-	Annual g'th to lift on base effect.
	Apr Chicago PMI	57.4	58.0	-	Has fallen back through Q1.
	Mar pending home sales	3.1%	0.5%	-	A lead on existing. Lack of supply creating volatility.
	Apr Dallas Fed index	21.4	25	-	Holding on to gains.
Tue 01					
NZ	Mar residential building consents	5.7%	-	1.6%	Building rising gradually. Labour & finance key constraints.
Aus	Apr AiG PMI	63.1	-	-	Manuf'g index at historic highs - boosted by construction.
	Apr CoreLogic home value index	-0.2%	-	-0.2%	Annual growth to dip into -ve for first time since 2012.
	RBA policy decision	1.50%	1.50%	1.50%	On hold, inflation subdued, spare capacity remains.
	RBA Governor Philip Lowe	-	-	-	Remarks at RBA Board dinner, Adelaide, details tbc.
UK	Mar net lending secured on dwellings, £bn	3.7	-	-	Housing market slowdown continuing to dampen borrowing.
	Apr Markit manufacturing PMI final	55.1	54.5	-	Inclement weather has been a drag on manufacturing.
US	Apr Markit manufacturing PMI final	56.5	-	-	Flash lifted, sentiment is positive.
	Apr domestic auto sales $mn	13.42	13.40	-	Holding up despite higher rates.
	Mar construction spending	0.1%	0.5%	-	Has been mixed through Q1 for little net growth.
	Apr ISM manufacturing	59.3	58.5	-	Recent strength broad based across detail.
Wed 02					
NZ	GlobalDairyTrade auction	2.7%	-	-	Dairy prices have been edging higher in recent auctions
	Q1 employment change	0.5%	0.5%	0.3%	GDP growth slowed and firms more cautious about hiring...
	Q1 unemployment rate	4.5%	4.4%	4.5%	... suggesting strengthening of labour market has stalled.
	Q1 labour cost index	0.4%	-	0.4%	Private sector wage growth expected to remain subdued.
Chn	Apr Caixin China PMI	51.0	50.9	-	Was softer in March after holding up in Jan/Feb.
Eur	Apr Markit manufacturing PMI final	56.0	56.0	-	Flash steadied after loss of momentum from 2017 levels.
	Mar unemployment rate	8.5%	8.5%	-	Slowly trending down.
	Q1 GDP	0.6%	0.4%	-	Growth set to slow through 2018.
US	Apr ADP employment change	241k	193k	-	Had a loose relationship with payrolls of late.
	FOMC policy decision, midpoint	1.625%	1.625%	1.625%	To reiterate positive view, limited known risks.
	Treasury's Quarterly Refunding	-	-	-	Announcement 2-3. Effect on overall funding conditions?
Thu 03					
NZ	Apr ANZ commodity price index	1.2%	-	-	Key prices rising this year, a trend that likely continued.
Aus	Mar dwelling approvals	-6.2%	1.0%	1.0%	High rise volatility making it difficult to discern trends.
	Mar trade balance AUDbn	0.8	0.95	0.2	Exports f/c -1.0%, drop in iron ore price, Imports f/c +0.8%.
	Apr AiG PSI	56.9	-	-	Services index up 2.9pts in March - a pre-Easter boost ?
Eur	Apr CPI core advance %yr	1.0%	0.9%	-	Inflation still below target.
	ECB speak	-	-	-	Constancio and Couere at ECB/EC banking union event.
UK	Apr Markit services PMI final	51.7	53.0	-	Consumer dampened by poor weather and income squeeze.
US	Q1 nonfarm productivity	0.0%	0.9%	-	Weak and showing little upward momentum.
	Initial jobless claims	209k	-	-	Very low.
	Mar trade balance US$bn	-57.6	-55.6	-	Has deteriorated over the past six months.
	Apr Markit services PMI final	54.4	-	-	Flash lifted slightly, still off recent highs..
	Apr ISM non-manufacturing	58.8	58.0	-	Just off highs.
	Mar factory orders	1.2%	1.3%	-	Investment outlook undecided.
Fri 04					
Aus	RBA Statement on Monetary Policy	-	-	-	GDP growth fc/s likely to be trimmed - see page 2.
Chn	Apr Caixin China PMI services	52.3	52.3	-	Dated versus NBS measure.
	Q1 current account balance $bn	62.3	-	-	Full detail on trade and investment flows.
Eur	Apr Markit services PMI	55.0	55.0	-	Flash holding up from earlier dip from highs....
US	Apr non-farm payrolls	103k	185k	180k	Upward revisions more likely than strong rebound.
	Apr unemployment rate	4.1%	4.0%	4.0%	4.0% has remained elusive of late.
	Fedspeak	-	-	-	Dudley speaks with Bloomberg.

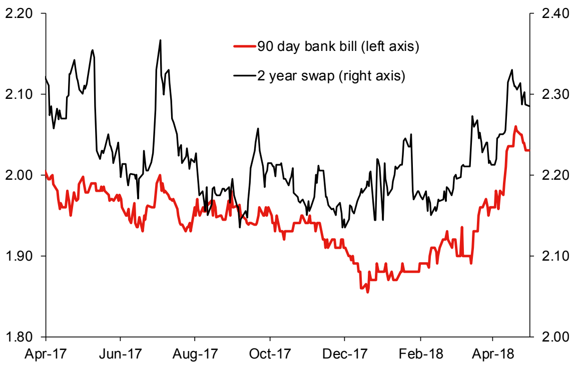
New Zealand forecasts

Economic Forecasts	Quarterly				Annual			
	2017	2018			Calendar years			
% change	Dec(a)	Mar	Jun	Sep	2016	2017	2018f	2019f
GDP (Production)	0.6	0.6	0.6	0.7	4.0	2.9	2.7	3.0
Employment	0.5	0.3	0.4	0.4	5.8	3.7	1.4	1.0
Unemployment Rate % s.a.	4.5	4.5	4.4	4.4	5.3	4.5	4.5	4.7
CPI	0.1	0.5	0.4	0.6	1.3	1.6	1.7	1.5
Current Account Balance % of GDP	-2.7	-2.6	-3.0	-3.3	-2.2	-2.7	-3.4	-3.1

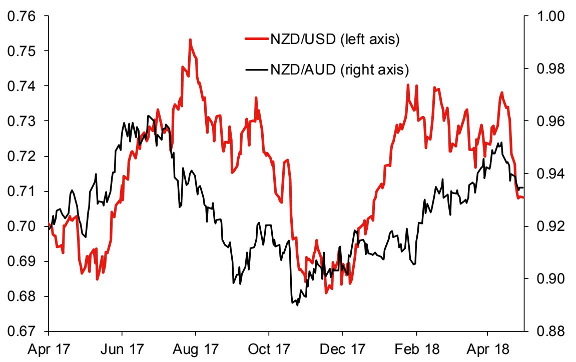
[1] Annual average % change

Financial Forecasts	Jun-18	Sep-18	Dec-18	Mar-18	Jun-19	Sep-19
Cash	1.75	1.75	1.75	1.75	1.75	1.75
90 Day bill	2.00	2.00	2.00	2.00	2.00	2.10
2 Year Swap	2.20	2.20	2.30	2.40	2.55	2.70
5 Year Swap	2.70	2.75	2.90	3.05	3.15	3.25
10 Year Bond	2.90	3.00	3.20	3.30	3.35	3.40
NZD/USD	0.72	0.70	0.68	0.66	0.65	0.64
NZD/AUD	0.94	0.92	0.92	0.92	0.92	0.91
NZD/JPY	77.8	76.3	75.5	73.3	72.2	70.4
NZD/EUR	0.59	0.57	0.56	0.55	0.54	0.52
NZD/GBP	0.53	0.53	0.54	0.54	0.53	0.52
TWI	74.5	73.0	71.7	70.3	69.6	68.6

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on 30 April 2018

Interest Rates	Current	Two weeks ago	One month ago
Cash	1.75%	1.75%	1.75%
30 Days	1.88%	1.89%	1.88%
60 Days	1.95%	1.95%	1.92%
90 Days	2.03%	2.04%	1.96%
2 Year Swap	2.29%	2.32%	2.22%
5 Year Swap	2.76%	2.75%	2.62%

NZ foreign currency mid-rates as at 30 April 2018

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.7083	0.7357	0.7216
NZD/EUR	0.5843	0.5965	0.5865
NZD/GBP	0.5144	0.5163	0.5137
NZD/JPY	77.24	79.09	76.44
NZD/AUD	0.9348	0.9464	0.9421
TWI	73.75	75.63	74.39

International forecasts

Economic Forecasts (Calendar Years)	2014	2015	2016	2017	2018f	2019f
Australia						
Real GDP % yr	2.6	2.5	2.6	2.3	2.7	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	5.5	5.6
Current Account % GDP	-3.0	-4.7	-3.1	-2.3	-2.8	-3.8
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	2.5	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	2.5	2.1	1.6
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	3.8	3.9	3.7
Forecasts finalised 6 April 2018						

Interest Rate Forecasts	Latest	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Australia								
Cash	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
90 Day Bill	2.05	2.02	1.98	1.94	1.90	1.88	1.86	1.85
10 Year Bond	2.83	2.75	2.95	3.15	3.20	3.10	3.10	3.10
International								
Fed Funds	1.625	1.875	2.125	2.125	2.375	2.625	2.625	2.625
US 10 Year Bond	2.98	2.90	3.10	3.35	3.50	3.50	3.40	3.30
ECB Deposit Rate	−0.40	−0.40	−0.40	−0.40	−0.20	0.00	0.00	0.00

Exchange Rate Forecasts	Latest	Jun-18	Sep-18	Dec-18	Mar-18	Jun-19	Sep-19	Dec-19
AUD/USD	0.7553	0.77	0.76	0.74	0.72	0.71	0.70	0.70
USD/JPY	109.23	108	109	111	111	111	110	110
EUR/USD	1.2110	1.22	1.22	1.21	1.19	1.21	1.23	1.26
AUD/NZD	1.0689	1.07	1.09	1.09	1.09	1.09	1.09	1.08

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