

Weekly Commentary

29 August 2016



Places to go, people to house

Our latest quarterly Regional Roundup report highlighted that New Zealand continues to enjoy a relatively buoyant period of economic growth overall.¹ However, fortunes vary depending on the ability of each region to capitalise on current drivers of economic activity.

One key driver of economic activity is population growth, which is running at its fastest pace in 40 years. This population growth is a mix of foreign migrants coming to New Zealand, and a huge reduction in the net number of New Zealanders leaving. Our forecasts show that although GDP is set to grow by around 3.2% in 2016, per capita growth will be a far less impressive 1%. This implies that the bulk of the growth is being driven by a larger population.

Areas where population growth is strongest are enjoying the biggest surges in demand – more houses are needed, along with more cars, fridges, clothes and food as new households form. This is especially good news for retailers in Auckland, Hamilton, Tauranga, and Queenstown, but all parts of the country are seeing some population growth.

This strong population growth, coupled with record low interest rates, is helping boost property prices across New Zealand. In fact, whereas the growth was once an Auckland story, it is far more a Tauranga, Hamilton, Queenstown and Northland story.

From a job creation and infrastructure perspective, strong population growth is bolstering demand for housing and commercial property, particularly across the upper North Island. We estimate that Auckland is already 30,000 dwellings short, based on changes in the number of people per dwelling in recent years, and the gap continues to widen.

The Proposed Auckland Unitary Plan, now in its final phase of public input, will enable around 420,000 new dwellings over the next 30 years. But it may be a case of many a slip between the cup and the lip insofar as a plan allowing for growth translates into more building. Challenges include the speed at which land bankers are incentivised to actually deliver land to market, Council's ability to process thousands more consents a year, and the capacity of the construction sector to ramp up production without quality suffering further. And with Hamilton and Tauranga in particular also seeing sharp population growth, they can expect similar challenges in the years to come.

Meanwhile, tourism is enjoying an unprecedented boom, with annual guest nights up nearly 18% in three years. This is benefitting Otago (predominantly Queenstown and Wanaka), and Southland (mostly Fiordland). But other parts of the country such as Wellington, Taranaki, Manawatu-Whanganui, and Northland have not been able to capture their share of the boom in visitors staying overnight in paid accommodation, meaning their share of the tourism pie is shrinking by some measures.

Dairy's weak outlook remains. Our forecast for the current season is \$5 per kg of milk solids, and Fonterra has raised their forecast to \$4.75. While this is an improvement, a payout of \$5 is still around the average break-even point for farmers according to DairyNZ.

¹ See <http://www.westpac.co.nz/assets/Business/Economic-Updates/2016/Bulletins-2016/Regional-Roundup-August-2016.pdf>

Places to go, people to house continued

However, other parts of the primary sector are doing better. We recently published our Industry Insights – Horticulture report, which highlighted how fruit and honey exports are surging, benefitting Otago, the upper South Island, Bay of Plenty and East Coast.² Forestry also continues to remain resilient despite weaker industrial activity in China, which is good news for several regions across New Zealand, while meat and wool, an industry that still employs around double the workers in dairy, faces a moderate outlook.

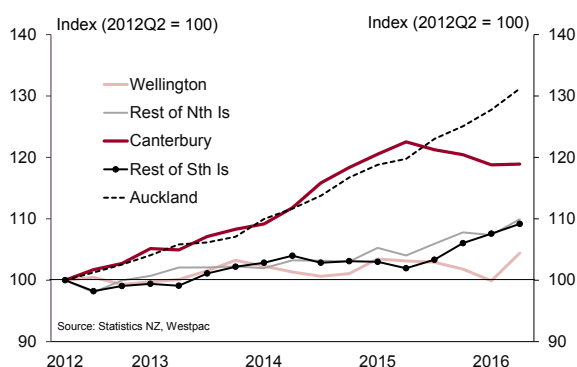
Given these drivers of activity across the country, what is the impact on local retail spending? At the head of the pack is Auckland, where spending has been growing at a solid pace for several years. In part, this has been due to the strong growth in Auckland’s population. But spending in the region has also been boosted by other factors, including the very strong housing market and tourist inflows.

We’ve also seen ongoing gains in spending outside of the main centres in both the North and South Islands as population growth has been widespread for the reasons we’ve already outlined.

But things are looking different in Canterbury and Wellington.

In Canterbury, retail spending rose rapidly in recent years, buoyed by increases in activity and employment associated with the rebuild. However, while the rebuild is continuing, construction spending has now levelled off. And this has seen some related easing back in retail spending. Over the

Retail sales by region



coming years, the gradual wind down in rebuild activity and employment will further test the strength of retail spending in the region.

Retail spending in Wellington has lagged the rest of the country in recent years. In fact, since 2012 nominal retail spending in Wellington has risen by only 4% - less than half the increase seen in other regions. The government’s well-publicised programme aimed at reducing spending and public sector employment is likely to have contributed to this although it is surprising how subdued retail spending remains in the capital despite the upturn in house prices and population growth.

² See <http://www.westpac.co.nz/assets/Business/Economic-Updates/2016/Bulletins-2016/Industry-Insights-Horticulture-July-2016.pdf>

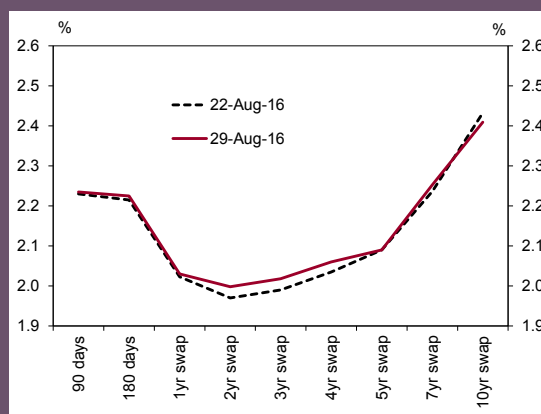
Fixed vs Floating for mortgages

Fixed rates have fallen a long way recently, and are becoming a more attractive option for borrowers.

For borrowers with a deposit of 20% or more, the best value probably lies in the two-year rate or shorter terms. Four- and five-year rates seem high relative to where we think shorter-term rates are going to go over the next four or five years. That said, fixing for a longer term does offer the borrower greater stability.

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



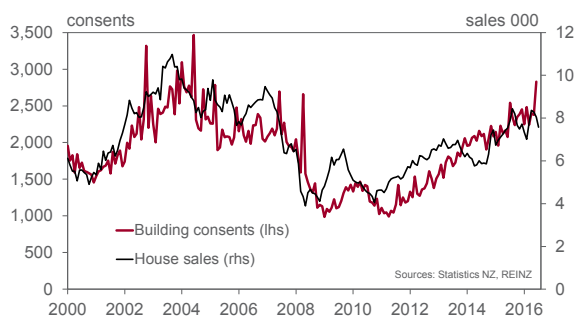
The week ahead

NZ Jul residential building consents

Aug 30, Last: 16.3%, Westpac f/c: -7.0%

- June residential building consents surged more than 16% on the back of lumpy building consent activity across the country including a couple of retirement villages, and an unusually high number of apartments in Auckland.
- We expect residential consents to fall back this month after increasing more than 30% outside Auckland and Canterbury.
- Nevertheless, we expect the trend to remain upward, with annual newbuild residential consents expected to reach 29,000, the highest level in 11 years. This is also more than double the number at the lowest point in recent history, which occurred in the year to July 2011.

NZ housing activity

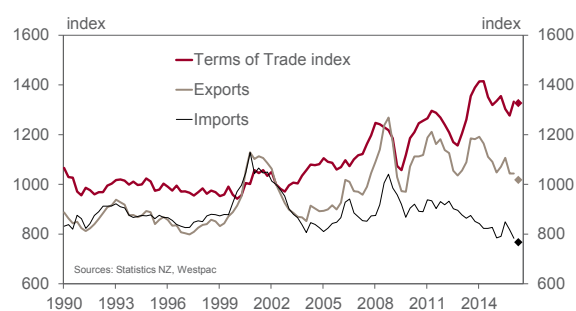


NZ Q2 terms of trade

Sep 1, Last: 4.4%, WBC: f/c -0.5%, Mkt f/c: -0.8%

- New Zealand's trade position has weathered the plunge in global dairy prices relatively well, as declines in import prices have provided a powerful offsetting force on the terms of trade. Indeed, in Q1 the terms of trade was boosted by a 4.3% fall in import prices with declines relatively broad-based across oil, food and manufactured goods. As a result, the terms of trade was only 5.7% below 2014's multi-decade highs. We estimate that aggregate import prices fell a further 2% in Q2, as weak global inflation and the strengthening NZ dollar offset the rise in oil prices. However, a slightly larger decline in export prices should have seen the terms of trade edge 0.5% lower in the quarter. We estimate that export prices fell by 2.5%, weighed down by a soft start to the year for dairy prices and the higher NZ dollar. However, substantial growth in export volumes underpinned solid growth in export values in the quarter.

NZ Terms of Trade

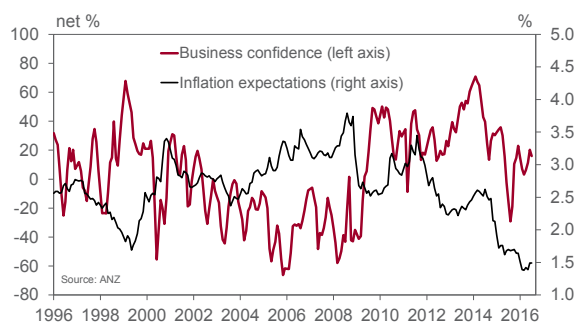


NZ Aug business confidence

Aug 31, Last: 16.0

- Business confidence dipped lower in July, but is still pointing to a solid pace of growth in the NZ economy. Firms in the construction and services sectors have been the most upbeat, and those in the agricultural sector the most pessimistic, although strong gains in dairy prices in the month will have helped to shore up sentiment.
- We will be paying close attention to the inflation gauges this month, given the RBNZ's concern that lingering low inflation will translate into further falls in inflation expectations. This is the only reading on inflation expectations ahead of the RBNZ's September OCR Review, and after some stability in recent months a downward turn would be a concern for the RBNZ.

NZ business confidence and inflation expectations

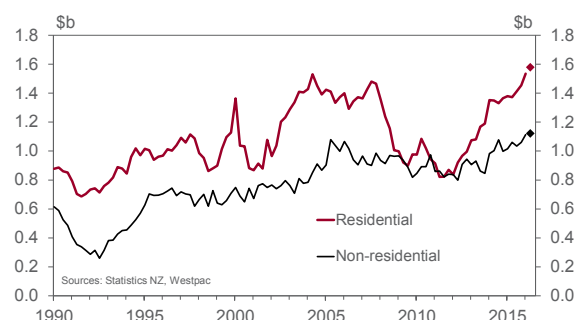


NZ Q2 building work put in place

Sep 2, Last: 5.3%, Westpac f/c: 2.2%

- The March quarter saw the strongest surge in two years, with building work put in place surging 5.3%. Growth in that quarter was spread quite equally across residential (5.6%) and non-residential (5.0%).
- We expect more growth in the June quarter although not at the rate seen in the previous quarter. This is on the back of consistently strong residential consents and modest non-residential building consent activity in recent months.

NZ real building work put in place



The week ahead

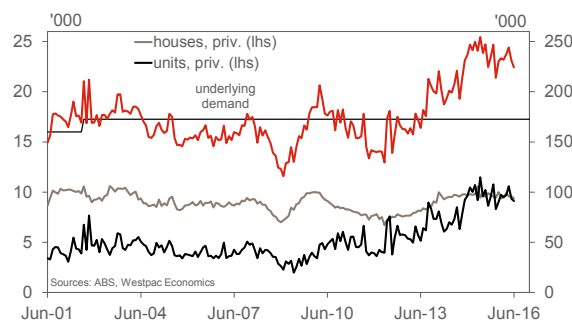
Aus Jun dwelling approvals

Aug 30 Last: -2.9%, WBC f/c: -1.0%

Mkt f/c: +1.1%, Range: -2.0% to +4.5%

- June's 2.9% fall in dwelling approvals followed a 5.4% drop in May with approvals down 5.9%yr. Importantly, unlike the May fall which centred on an unwinding spike in high rise approvals, the June decline was broadly based with all segments contributing, a clear indication that a cyclical slowdown is coming through.
- We expect this slowdown to dominate again in July with a further 1% decline in approvals keeping the underlying trend tracking at -15% annualised pace (while this may seem like a sharp pace, it is mild by historical standards). While recent rate cuts in May and June may provide some offsetting support, the main driver of declines is weaker investor demand and a further pull-back in high rise activity, the latter still having the potential to drive larger month to month moves.

Dwelling approvals

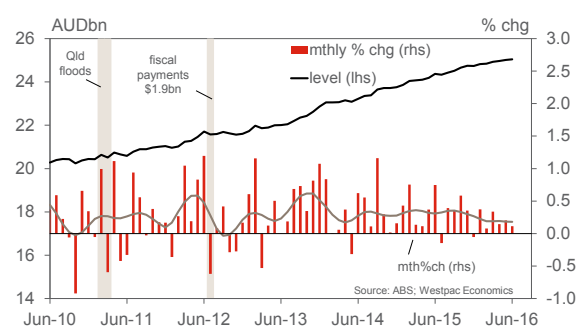


Aus Jul retail trade

Sep 1, Last: 0.1%, WBC f/c: 0.3%, Mkt f/c: 0.3%, Range: 0.0% to 0.6%

- Retail sales rose 0.1% in June with annual growth slowing to 2.8%yr, the weakest pace since mid-2013. The detail showed a sharp 0.6% pull-back in basic food with retail ex basic food posting a decent 0.6% mth gain. The pull-back in food reflects both aggressive price discounting and weak volumes over Q2. The soft June read came despite a boost from the RBA's May rate cut and lower fuel prices. The state split shows a widening divergence between mining and non-mining states that likely account for some of the mixed tone in the survey detail. July should see some improvement although price effects will continue to limit nominal sales growth to a 0.3% gain. Consumer sentiment dipped on 'Brexit' and election-related concerns but bounced back to around neutral in Aug. Business surveys continue to show above average conditions across the wider consumer sector but flatter conditions for retailers.

Monthly retail sales



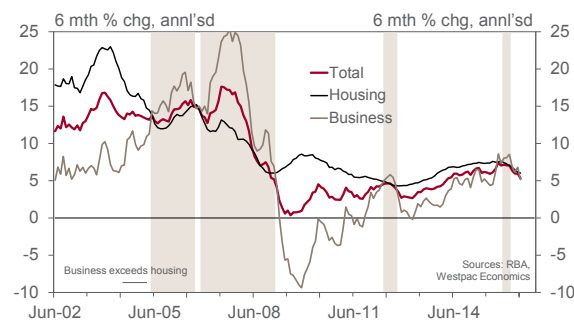
Aus Jul private sector credit

Aug 31, Last: 0.2%, WBC f/c: 0.3%

Mkt f/c: 0.4%, Range: 0.2% to 0.6%

- Credit to the private sector grew by only 0.2% in June, to be 6.2% higher than a year ago. Weakness was centred on business credit, which declined by 0.2%, ahead of the Federal election. Also, housing was relatively subdued at +0.5%. For July, we anticipate another soft result, a gain of 0.3%. Lending to business fell away in the lead-up to the Election as firms awaited greater clarity around public policy. That points to a soft spot in business credit.
- Housing will receive a boost from lower rates, with the RBA easing policy in May and again in August, although mortgage rates declined by less than the cash rate. Prior to this, housing credit growth had slowed in response to tighter lending conditions, to be 5.8% annualised in the June quarter, moderating from 7.6% in the September quarter 2015.

Credit momentum



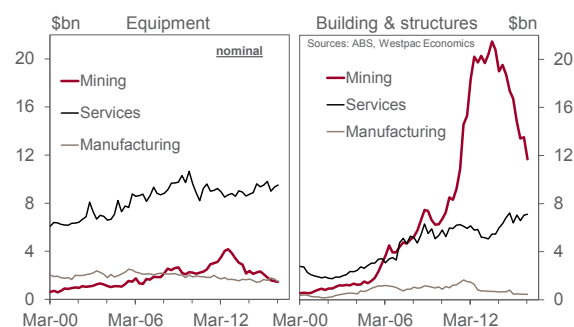
Aus Q2 private business capex

Sep 1, Last: -5.2%, WBC f/c: -5.0%

Mkt f/c: -4.1%, Range: -10% to +1%

- Private business capex is falling as the mining boom shifts from the investment phase to the production stage. Capex spend is set to moderate further in the June quarter, down a forecast 5%, after a 5.2% decline in Q1. That would hold the annual change weaken to -16% from -15.4%.
- Building & structures, the majority of which is work on infrastructure projects, fell 7.9% in Q1 and appears likely to retreat at a similar rate in Q2, a f/c -8%.
- Equipment spending prospects are more difficult to gauge. We anticipate a flat result, with a potential gain in the service sectors to offset weakness in mining. Although, there are risks to the downside, with businesses potentially delaying spending due to Federal election uncertainty.

CAPEX: by industry by asset



The week ahead

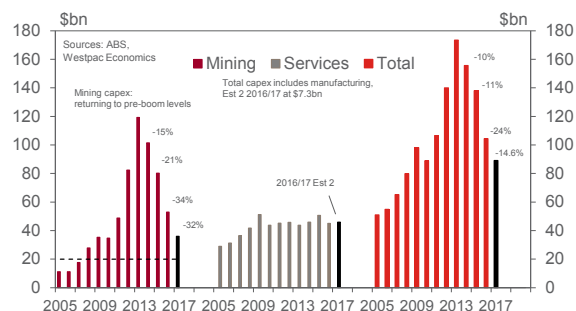
Aus private capex expectations, AUDbn

Sep 1, Last: 2015/16, Est 6: 127, -15.3%

Last: 2016/17, Est 2: 89, -14.6%

- Business capex plans are understandably weak as mining investment deflates following the boom and with the service sectors yet to commit to a sustained lift in spending.
- The June survey, which was conducted in July and August, will include Estimate 3 of plans for 2016/17. This will be weak, very weak, centred on mining. A figure in line with that of Est 2 would not surprise. Est 2 was 14.6% below Est 2 a year ago, a fall of \$15.3bn. Notably, mining is down 32%, -\$17bn, more than fully accounting for weakness in aggregate capex plans.
- On non-mining plans for 2016/17, the survey provides mixed messages. The Est 2 on Est 2 comparison is a rise of 3.5%, but applying average 5yr realisation ratios points to a fall of 6%.

Capex plans, by industry: Estimate 2



US Jul personal income and spending

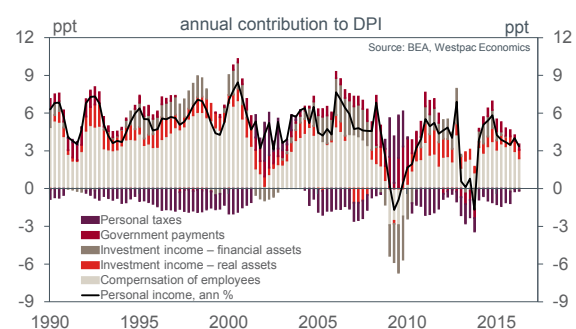
Aug 29, personal income Last: 0.2%, WBC 0.4%

Aug 29, personal spending Last: 0.4%, WBC 0.4%

Aug 29, PCE deflator Last: 0.1%, WBC 0.1%

- While certainly not strong, household income has progressively shown greater momentum over the past year, supported by minimum wage hikes and an ongoing reduction in labour market slack. A solid gain is anticipated in July. Following a weak Q1, the US consumer returned to the stores in Q2; and, broadly speaking, this robust momentum should continue into Q3. In addition to the labour market, confidence and wealth are both supportive of marginal consumption. However, inflation remains largely absent, with oil price fluctuations still being felt (a downside risk July). Services inflation continues to run at a robust pace, but other components are offsetting, resulting in a fairly soft overall core inflation impulse, circa 0.1% in July.

Household income: wage & investment gains



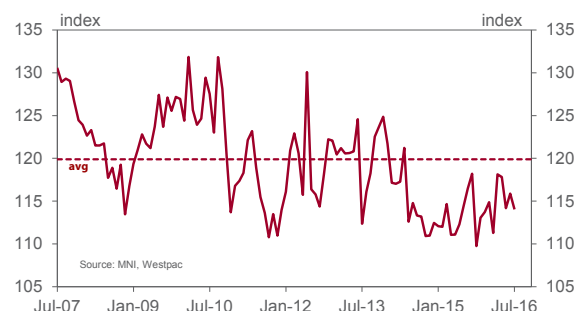
Chn Aug Westpac-MNI Consumer Sentiment

Aug 31, Last: 114.0

The Westpac MNI China Consumer Sentiment Indicator

- slipped 1.6% in July - at 114 it remains well below the 10yr average of 119.7. Sentiment appeared to be on a convincing upswing up until April but has lost its way since then. Consumers continue to report improving business conditions but seem less confident that gains will be sustained and less inclined to spend.
- The August survey was in the field in the first half of the month and may be impacted by flooding in recent months which has affected 24 of China's 36 provinces. On the data front, updates show growth momentum unchanged at a sluggish 6.7% in Q2 but with a more constructive picture on consumers. Housing continues to show diverging geographic performances but with hot 'tier 1' markets now slowing. China's manufacturing sector continues to struggle - a major factor weighing on consumers' job concerns.

Westpac MNI China CSI



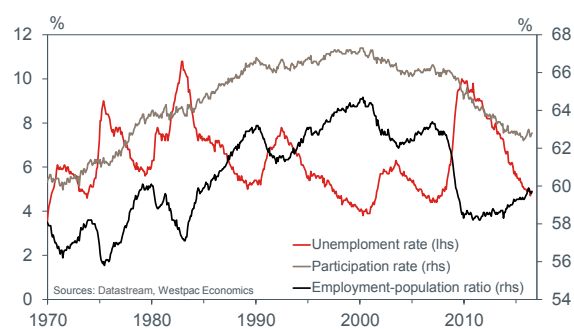
US Aug employment report

Sep 2, nonfarm payrolls Last: 255k, WBC 170k

Sep 2, unemployment rate Last: 4.9%, WBC 4.8%

- The past four months have shown how volatile an indicator of aggregate momentum nonfarm payroll employment is. Not only have we seen two abrupt, counteracting shifts in momentum over that time, but revisions have continued to alter history. Having added a combined 168k jobs in the months of April and May, employment growth surged back in June and July, posting a cumulative gain of 547k. The average monthly gain for 2016 now stands at 186k for payrolls, and 227k for the household survey. Come Aug, a more modest pace of growth is anticipated for nonfarm payrolls, circa 170k. This will still leave annual employment growth well ahead of population growth and, absent a change in participation, see the unemployment rate edge lower to 4.8%. The risk on this front is that participation will rise, with the unemployment rate then unchanged.

Employment growth sees unemployment rate trend down



Data calendar

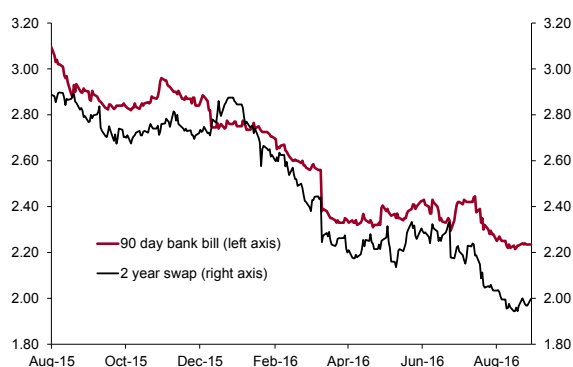
		Last	Market median	Westpac forecast	Risk/Comment
Mon 29					
UK	Aug Nationwide house prices	0.5%	-0.1%	-	House price inflation has lost momentum in recent months.
US	Jul personal income	0.2%	0.4%	0.4%	Household income gaining some momentum...
	Jul personal spending	0.4%	0.3%	0.4%	... and with confidence is supporting spending...
	Jul PCE deflator	0.1%	0.0%	0.1%	... as fluctuations in oil prices continue to effect inflation.
	Aug Dallas Fed index	-1.3	-3.0	-	Regional manufacturing data weak at present.
Tue 30					
NZ	Jul building permits	16.3%	-	-7.0%	Expected to moderate after exceptional growth in June.
Aus	Jul dwelling approvals	-2.9%	-1.1%	-1.0%	Clear downtrend now coming through, risk of high rise pull back.
Eur	Aug economic confidence	104.6	104.2	-	ECB continues to provide strong support; equities also favourable.
	Aug business climate indicator	0.39	0.37	-	Current conditions solid enough, but investment held back.
	Aug consumer confidence	-	-	-	Consumers hopeful; persistence to depend on labour market.
Ger	Aug CPI %/yr	0.4%	0.4%	-	A weak month to keep annual rate unchanged.
UK	Jul net mortgage lending £bn	64.8k	62.5k	-	Has been moderating in recent months.
US	Jun S&P/CS home price index %/yr	5.2%	5.1%	-	Has moderated a touch, but still running at robust rate.
	Aug consumer confidence index	97.3	97.0	-	A little above long-run average.
	Fedspeak	-	-	-	Rosengren speaks on business cycles and monetary policy in Beijing.
Wed 31					
NZ	Aug business confidence	16.0	-	-	Business conditions have been stable; inflation has been subdued.
Aus	Jul private sector credit	0.2%	0.4%	0.3%	Expect a 2nd weak number on soft-spot in business.
	RBA Assist Governor (Financial Markets)	-	-	-	Guy Debelle, via video, FX Week, Singapore, 11:00am AEST
Chn	Aug Westpac-MNI China Consumer Sent.	114.0	-	-	Still below 10yr avg - rally earlier in the year looks to have lost its way.
Inr	Q2 GDP %/yr	7.9%	7.7%	-	Continues to outperform rest of region.
Eur	Jul unemployment rate	10.1%	10.0%	-	A single digit unemployment rate would boost confidence.
	Aug CPI %/yr	0.2%	0.3%	-	Momentum yet to build; core inflation stable at 0.9%/yr.
UK	Aug GfK consumer confidence	-12	-	-	May see some pick-up this month, but softening trend remains.
US	Aug ADP employment change	179k	173k	165k	Has little relevance for nonfarm payrolls.
	Aug Chicago PMI	55.8	54.0	-	Stronger than most other regions.
	Jul pending home sales	0.2%	0.8%	-	Slowly trending higher.
	Fedspeak	-	-	-	Kashkari speaks on Fed structure in St Paul.
Can	Q2 GDP (annualised)	2.4%	-1.5%	-1.5%	Wildfires and a pull back in oil production weighed on growth.
Thu 1					
NZ	Q2 terms of trade	4.4%	-0.8%	-0.5%	Expected to fall on the back of lower dairy and higher oil prices.
Aus	Jul retail sales	0.1%	0.3%	0.3%	Fierce discounting holding down nominal sales growth, esp. for food.
	Q2 private new capital expenditure	-5.2%	-4.1%	-5.0%	Capex to fall, led lower by mining dominated Building & Structures ...
	Q2 private equipment spending	-0.6%	-	flat	... equipment spend broadly flat, but with downside risks.
	2016/17 capex plans, Est 3	-14.6%	-	-	Est 2 well below Est 2 a yr ago, mining downturn, soft non-mining.
	Aug AiG PMI	56.4	-	-	Man'ng index +4.6pts to 56.4 in July, boost from housing + lower AUD.
	Aug CoreLogic home value index	0.8%	-	0.8%	RBA says strength in Q2 due to method change. Jul-Aug still solid though.
Chn	Aug manufacturing PMI	49.9	49.9	-	Outlook remains highly questionable...
	Aug non-manufacturing PMI	53.9	-	-	... employment a key concern, for industry and services.
	Aug Caixin China PMI	50.6	50.2	-	External sector remains a hindrance rather than help.
Asia	Aug Nikkei manufacturing PMI	-	-	-	Idr, Myr, Twn and Inr all due.
Eur	Aug Markit manufacturing PMI, final	52.0	51.8	-	Modest expansion continuing.
Ger	Aug Markit manufacturing PMI, final	53.8	53.6	-	Efficiency and domestic demand beget momentum versus Euro Area.
UK	Aug Markit manufacturing PMI	48.2	49.6	-	Post-Brexit uncertainty is weighing on business conditions.
US	Initial jobless claims	261k	-	-	Remain at a historically low level.
	Aug Markit manufacturing PMI, final	52.9	52.1	-	Pointing to moderate growth for manufacturers, flash at 52.1.
	Aug ISM manufacturing	52.6	52.0	-	ISM and Markit measures broadly consistent.
	Jul construction spending	-0.6%	0.6%	-	Construction activity has shown little momentum of late.
	Fedspeak	-	-	-	Mester speaks to Kentucky Philanthropy Initiative.
Fri 2					
NZ	Q2 building work put in place	5.3%	1.5%	2.2%	Further strength in residential work expected; non-res flat.
US	Jul trade balance US\$b	-44.5	-43.0	-	Marginal improvement anticipated in July.
	Aug non-farm payrolls	255k	180k	170k	A moderation anticipated following Jul surge.
	Aug unemployment rate	4.9%	4.8%	4.8%	Set to trend lower in coming months, participation dependent.
	Jul factory orders	-1.5%	1.9%	-	A moderate bounce following persistent weakness.
	Fedspeak	-	-	-	Lacker speaks on interest rate benchmarks in Richmond.

New Zealand forecasts

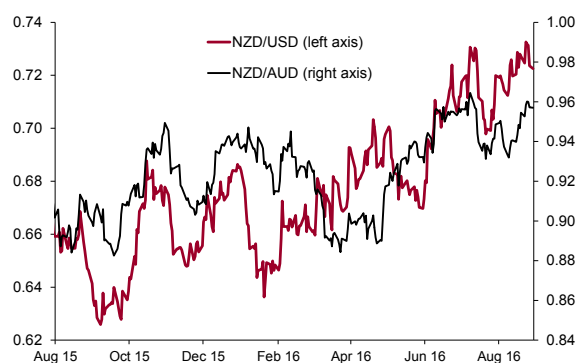
Economic Growth Forecasts	March years				Calendar years			
	% change	2015	2016	2017f	2018f	2014	2015	2016f
GDP (Production) ann avg	3.6	2.4	3.3	2.7	3.7	2.5	3.2	2.9
Employment	3.2	2.0	2.6	1.7	3.6	1.4	3.1	2.2
Unemployment Rate % s.a.	5.4	5.2	4.9	4.6	5.5	5.0	5.1	4.6
CPI	0.3	0.4	1.3	1.8	0.8	0.1	1.0	1.7
Current Account Balance % of GDP	-3.4	-3.0	-3.3	-3.6	-3.1	-3.2	-3.0	-3.7

Financial Forecasts	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
Cash	2.00	1.75	1.75	1.75	1.75	1.75
90 Day bill	2.00	1.90	1.90	1.90	1.90	1.90
2 Year Swap	2.00	1.90	2.00	2.00	2.00	2.00
5 Year Swap	2.10	2.10	2.20	2.30	2.40	2.50
10 Year Bond	2.10	2.20	2.30	2.50	2.60	2.70
NZD/USD	0.72	0.69	0.67	0.65	0.63	0.63
NZD/AUD	0.94	0.93	0.92	0.92	0.91	0.91
NZD/JPY	73.4	71.1	68.3	65.7	64.3	65.0
NZD/EUR	0.65	0.64	0.63	0.62	0.59	0.58
NZD/GBP	0.55	0.54	0.53	0.51	0.49	0.48
TWI	76.9	74.8	73.3	71.7	69.9	68.9

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 29 August 2016

Interest Rates	Current	Two weeks ago	One month ago
Cash	2.00%	2.00%	2.25%
30 Days	2.08%	2.10%	2.25%
60 Days	2.16%	2.17%	2.26%
90 Days	2.24%	2.24%	2.27%
2 Year Swap	2.00%	1.95%	2.03%
5 Year Swap	2.09%	2.08%	2.13%

NZ foreign currency mid-rates as at Monday 29 August 2016

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.7225	0.7190	0.7203
NZD/EUR	0.6458	0.6437	0.6449
NZD/GBP	0.5508	0.5561	0.5447
NZD/JPY	73.65	72.74	73.50
NZD/AUD	0.9570	0.9388	0.9488
TWI	77.10	76.39	76.65

International forecasts

Economic Forecasts (Calendar Years)	2012	2013	2014	2015	2016f	2017f
Australia						
Real GDP % yr	3.5	2.0	2.7	2.5	3.0	3.0
CPI inflation % annual	2.2	2.7	1.7	1.7	1.2	2.0
Unemployment %	5.3	5.8	6.2	5.8	5.7	5.6
Current Account % GDP	-4.4	-3.4	-3.0	-4.8	-4.6	-4.6
United States						
Real GDP %yr	2.2	1.5	2.4	2.4	1.6	2.1
Consumer Prices %yr	2.1	1.5	1.6	0.1	1.2	1.7
Unemployment Rate %	8.1	7.4	6.2	5.3	4.8	4.6
Current Account %GDP	-2.9	-2.3	-2.3	-2.4	-2.3	-2.3
Japan						
Real GDP %yr	1.7	1.4	0.0	0.5	0.6	0.5
Euroland						
Real GDP %yr	-0.9	-0.3	0.9	1.6	1.5	1.2
United Kingdom						
Real GDP %yr	1.2	2.2	2.9	2.2	1.6	0.6
China						
Real GDP %yr	7.7	7.7	7.3	6.9	6.4	6.2
East Asia ex China						
Real GDP %yr	4.6	4.2	4.1	3.7	3.7	3.9
World						
Real GDP %yr	3.5	3.3	3.4	3.1	3.2	3.4

Forecasts finalised 12 August 2016

Interest Rate Forecasts	Latest	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
Australia						
Cash	1.50	1.50	1.50	1.50	1.50	1.50
90 Day Bill	1.73	1.80	1.80	1.80	1.80	1.80
10 Year Bond	1.87	1.95	2.15	2.20	2.30	2.45
International						
Fed Funds	0.375	0.375	0.625	0.625	0.875	0.875
US 10 Year Bond	1.56	1.50	1.70	1.80	2.00	2.10
ECB Deposit Rate	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40

Exchange Rate Forecasts	Latest	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
AUD/USD	0.7630	0.77	0.74	0.73	0.71	0.69
USD/JPY	100.50	103	102	101	101	102
EUR/USD	1.1290	1.10	1.08	1.07	1.05	1.06
AUD/NZD	1.0420	1.07	1.07	1.09	1.09	1.10

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