NEW ZEALAND ECONOMICS
MARKET FOCUS

3 August 2015

INSIDE

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A STRUCTURAL OVERLAY

ECONOMIC OVERVIEW

The current situation of dairy price weakness partly reflects major structural shifts in the marketplace. Stepping back from the cyclical weakness that will be reflected this week in both the GDT auction and Fonterra's payout update (Friday), we've also lowered our expectation of where the milk price will sit across the cycle by 25-50 cents per kg of milk solids. We expect international milk powder prices to settle in a range of US$2,800-3,400/t (mid-point $3,100/t) in the medium term; that's down 10-15%. A weaker NZD across the cycle will partially counterbalance the fall in incomes, but as well as responding to cyclical weakness in prices, farmers need to think about removing 25-50 cents from cost structures in a sustained fashion.

DATA PREVIEW: Q2 LABOUR MARKET DATA

We are expecting a moderate tone to be apparent in the Q2 labour market figures, but far from capitulation. Demand is expected to be modest, but due to stronger growth in the labour supply, the unemployment rate is expected to tick up to 5.9%. Wage inflation should remain contained overall. The combination will keep the market biased towards a September cut in the OCR.

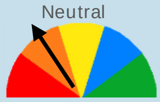
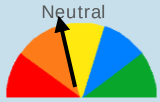
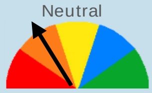
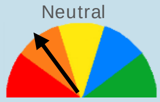
INTEREST RATE STRATEGY

This week's dairy and labour market reports are expected to keep the market biased towards a 25bp cut in September. With the current yield curve still displaying a tick shape, the implied increase in short-term rates from mid-2016 seems premature given the inflation/growth outlook and we expect the short-end of the curve to flatten. Offshore the RBA decision is expected to reaffirm current market pricing, with potential for the BoE decision add to selling pressure at the margin. The Fed are inching ever closer to lift-off, but low inflation, expansionary global policy, and a negatively skewed risk profile should cap long-term global yields. There is scope for local yields to move lower still, flattening the curve overall.

CURRENCY STRATEGY

We retain a negative strategic bias towards the NZD but are tactically neutral over the coming weeks. The market is already short NZD, expectations are for further (sizeable) dairy weakness, and markets also expect US indicators to support USD. This leaves little room for these events to add further impetus to the downside. However, the overall levels of said indicators should ensure any NZD strength would be met with offers, as risks (such as China) remain to the downside.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.7% y/y for 2016 Q2	Economic momentum is running at a sub-trend pace as previous supports begin to wane.	
Unemployment rate	5.8% for 2016 Q2	The demand for labour is slowing, while labour supply remains strong. Wage inflation contained.	
OCR	2.50% by Jun 2016	The RBNZ is now responding to a weaker macro backdrop. We expect a full reversal of the 2014 rate hikes.	
CPI	1.7% y/y for 2016 Q2	Sub-1% annual inflation over 2015. Benign global backdrop; domestic pricing pressures contained so far.	

ECONOMIC OVERVIEW

SUMMARY

The current situation of dairy price weakness partly reflects major structural shifts in the marketplace. Stepping back from the cyclical weakness that will be reflected this week in both the GDT auction and Fonterra's payout update (Friday), we've also lowered our expectation of where the milk price will sit across the cycle by 25-50 cents per kg of milk solids. We expect international milk powder prices to settle in a range of US$2,800-3,400/t (mid-point $3,100/t) in the medium term; that's down 10-15%. A weaker NZD across the cycle will partially counterbalance the fall in incomes, but as well as responding to cyclical weakness in prices, farmers need to think about removing 25-50 cents from cost structures in a sustained fashion.

FORTHCOMING EVENTS

QV House Prices – Jul (12:00pm, Tuesday, 4 August). REINZ data suggests 10% annual nationwide house price inflation, with a stark Auckland vs. Rest of NZ divide.

ANZ Commodity Price Index – Jul (1:00pm, Tuesday, 4 August).

GlobalDairyTrade auction (early am, Wednesday, 5 August). Futures suggest another weak result, despite Fonterra trimming the volume of whole milk powder on offer over the next 12 months by 9%.

Labour Market Statistics – Q2 (10:45am, Wednesday, 5 August). A 0.5% q/q rise is expected for HLFS employment (+3.4% y/y). Given the participation rate is expected to hold at 69.6%, a 0.6% sa rise in the working age population is expected to push the unemployment rate up to 5.9%. Wage growth should remain low. Our full preview is on page 5.

Fonterra Board Meeting (Friday, 7 August). The Board meeting is due to finish at 2pm, with an announcement via the NZX at about 3pm. We continue to forecast a $3.75-$4.00/kg MS milk price. Fonterra is unlikely to downgrade to that extent yet, but they are likely to lower its current $5.25/kg MS forecast to somewhere towards $4.25-$4.50/kg MS. A larger cut – despite looking more realistic, is probably too big to swallow.

WHAT'S THE VIEW?

While dairy prices are weak in a cyclical sense, we need to be mindful of structural dynamics too, which determine where prices will "settle", or be on average over the cycle. Casting our minds back to 2013/14 when the milk price went through the roof we were asked the obvious question; were we witnessing a structural shift in the evolution of prices and should we be revising up estimates where we thought milk powder prices would trade over the medium term? We concluded "no" on both counts.

Two years on and there are the normal questions about the cycle, but the same (inverted) question must be asked about a structural shift.

Unfortunately, the current bout of weakness does appear to reflect some structural shifts in the marketplace and these will have implications over the medium term.

Major structural shifts include:

- Increased European competition;
- A period of rapid New Zealand production;
- A more subdued medium-term demand backdrop (China, Russia and oil-dependent countries); and
- Downward pressure on the global cost of production from lower energy, feed and fertiliser costs, the cost of capital lending to more large scale developments and a higher USD.

A lot of these facets contain political elements with supply being supported via self-sufficiency drives or playing to self-interest groups. The economics is simple; prices sit below the marginal cost of production so supply should be curtailed. This conventional economic (reality) channel is being curtailed by politics as regions choose to implicitly subsidise production in one shape or another such that markets forces are not coming to the fore. The TPP is a real time example!

That combination is enough to lower our expectation of where the milk price will sit on average over the cycle by 25-50 cents (from the nine-year average of $6.35/kg MS). Generally the equilibrium price for wholemilk powder has been considered to be around the mid-US$3,000/t mark and has averaged US$3,400/t over the last nine years. We now expect a range of US$2,800-3,400/t (mid-point $3,100/t) in the medium term due to these structural forces (though volatility is expected to continue to see prices cycle outside this range). This is 10-15% lower than previously assumed. **Our *Agri Focus* publication will be out in the coming days and goes further into the background of these issues and our current thinking.**

We expect the NZD to provide a partial counterbalance at the farm gate. The NZD is expected to trade at a lower level on average over the coming years; fair value has dropped by 4-6 cents. This provides something of a buffer, such that weaker international dairy prices will not flow through

ECONOMIC OVERVIEW

one-for-one to the farm-gate. Rather, some of the hit is taken by consumers of imported goods.

So we are left with a 5-8% fall in dairy incomes and remember that's not just a one off; it's expected to be sustained. Put that through a discounting cash-flow model and it's enough to see rural farm values retrace modestly. Of course cyclical dynamics (i.e. current price weakness) means the correction in farm values in the near-term will likely be a lot larger than that.

It doesn't have to be one-way traffic. A lot is going to depend on whether and to what extent farmers can put the scalpel to costs. There are some wide-ranging estimates floating around. The likes of Dairy NZ are targeting removing up to $1 per kg milk solid in operating costs. That's extremely tough, but the current position of dairy prices requires ambitious numbers. But we are more interested in the medium-term story. If dairy incomes are going to be 25-50 cents per kg of milk solid lower on average over coming years, then the cost side needs to exhibit the same – and this can't be achieved by cutting core expenditure that generates long-term efficiency and productivity, such as fertiliser, pasture renewal and animal health. Cuts in those areas this season seem inevitable – with the inevitable impact on production – but they are not sustainable. It's not going to be an easy equation to balance.

This week, we expect Fonterra to lower their 2015/16 milk price forecast toward the low-$4/kg MS mark. The exact number is uncertain: with only around 20% of the season's production sold after this week's auction there is still plenty of scope to build in a more optimistic track for international prices if one is so inclined (we aren't).

But this week's auction might nonetheless be crucial for where things are pitched. **Another decline would push spot pricing into the high-$2/kg MS just as New Zealand's peak seasonal supplies are to be sold.** With the next eight auctions accounting for some 45% of annual sales for wholemilk powder to be sold through GDT it doesn't take a rocket scientist to work out that prices of the next two months will weigh heavily on the final milk price outcome. New Zealand future prices are indicating another 6% fall for wholemilk powder this week, although it is difficult to gauge with some prices not being provided at the last auction.

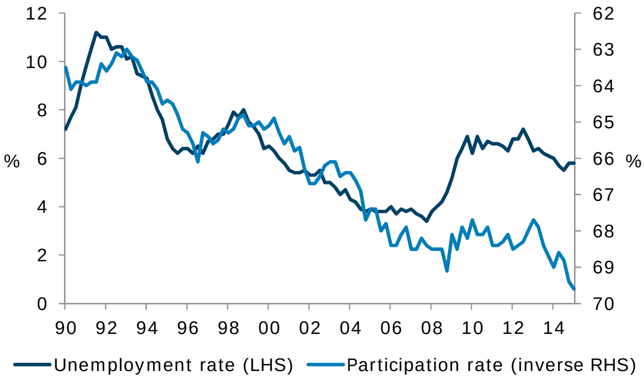
Not much has really changed since the last auction and the total volume of WMP to be sold is nearly 78% higher. **It did feel like there was an element of buyers front-running large auction volumes in July** (i.e. stepping back from the market in anticipation of higher volumes to come). So there is hope that they will now step up to the mark.

In addition, **Fonterra have trimmed the volume to be offered over the next 12 months by 9%, or 46,200 metric tonnes.** This is equivalent to nearly all of the US WMP exports over the last 12 months. Three reasons for the reductions were given: some large customer future orders via other sales channels, a possible reduction in New Zealand milk supply this year, and a change in product mix.

This might be just enough to arrest a further substantial decline. But to us **another small price decline seems likely, followed by a period of stability at low levels.** The two most likely catalysts for eventual improvement will be China increasing its purchases and/or New Zealand milk supply declining. The two scenarios have very different implications for farm incomes.

In other data, the June quarter labour market statistics on Wednesday are expected to show a softer picture. Our full preview is on page 5. Demand indicators are still positive, though they've softened. In many ways, softer demand for labour should not come as a surprise. There is weaker activity but it's also a natural response to a maturing economic expansion. It also reflects the impact of skill shortages in some sectors (i.e. construction). Anecdotes are still rife about how firms are finding it difficult to get good staff, though the problem does seem to have lessened in intensity. Our small business microscope showed a lack of skilled labour dropping from first to third in the last quarter in terms of the biggest issues facing SMEs.

FIGURE 1. UNEMPLOYMENT AND PARTICIPATION RATE



Source: ANZ, Statistics NZ

But what will be critical in determining the overall "tone" of the June quarter data will be how the supply side develops; we expect strength. Specifically, we expect growth in the working age population to be strong (last week's data showed another strong migration-assisted gain in the working age population, which likely took the annual

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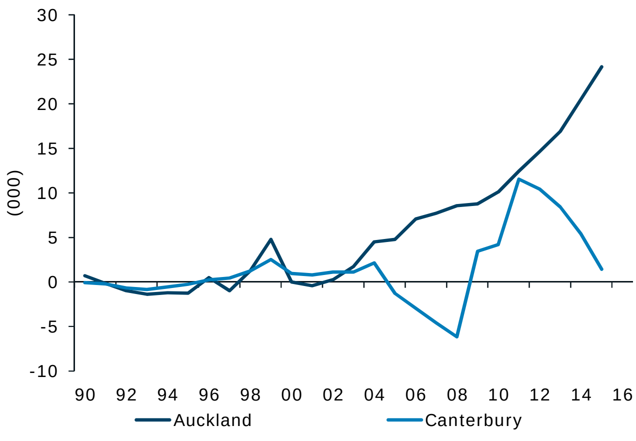
increase to 2.2%, a 12-year high). We also expect the labour force participation rate to hold up at elevated levels.

This combination is expected to manifest in the unemployment rate ticking up to 5.9%. That's well above our estimate of the non-accelerating inflation rate of unemployment (NAIRU), implying **subdued wage growth**. **This will leave the market leaning towards another cut in September.**

QV house prices for July will no doubt remain strong. While the talking point is the possible impact of the recently announced RBNZ and Government measures to brake the Auckland market, it will be some months before we will confidently be able to detect a change in market behaviour. In the meantime, we expect the July QV data to show a further firming in annual nationwide house price inflation, led by Auckland, and following the lead of the alternative REINZ measures. The REINZ measures have also shown a pick-up in annual house price inflation in most other centres, but declines in prices in Canterbury. This will take a while to feed through into the QV figures.

While our regional housing demand and supply estimates charted below are approximate, the trends implied are stark and reflect **a growing shortfall in Auckland versus a closing one in Canterbury.** These dynamics are being confirmed by the pricing dynamics. **The Canterbury example is a reminder of what can happen to prices when the supply side steps up.**

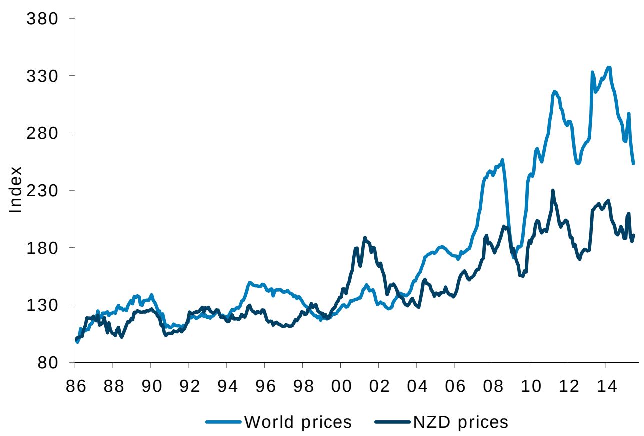
FIGURE 2. HOUSING BALANCES BY REGION



Source: ANZ, Statistics NZ

Our ANZ Commodity Price Index for July will also provide a timely update on the broader commodity price basket this week. Much of the focus is on dairy, which we all know has been dropping precipitously, but New Zealand is more than a bunch of cows. It's the aggregate across the rural scene that counts, and also the net buffering role the NZD plays. NZD prices across the broader export sector have held in reasonably well until the end of June.

FIGURE 3. ANZ COMMODITY PRICE INDEX



Source: ANZ, Statistics NZ, Bloomberg

LOCAL DATA

Building Consents – Jun. The number of dwellings consents fell 4.1% sa (-0.4% for houses), with the number of residential consents issued easing to 25,140 per annum. Non-residential consent values rose 13.7% sa to $4888.3m.

ANZ Business Outlook – Jul. A net 15% of businesses are pessimistic about the general economy; a six-year low. Firms' own activity expectations fell 5pts to +19. Employment (+9), investment (+11) intentions fell, with profit expectations were steady at +9. One-year-ahead inflation expectations were unchanged at 1.7%. Pricing intentions drifted lower from +24 to +22.

RBNZ Credit Aggregates – Jun. Private Sector Credit (R, ex-repo) rose 0.6% sa (6.4%y/y), with annual credit growth rising for agricultural credit (7.6%y/y), business credit (6.2% y/y) and household credit (5.6% y/y).

DATA PREVIEW

SUMMARY

We are expecting a moderate tone to be apparent in the Q2 labour market figures, but far from capitulation. Demand is expected to be modest, but due to stronger growth in the labour supply, the unemployment rate is expected to tick up to 5.9%. Wage inflation should remain contained overall. The combination will keep the market biased towards a September cut in the OCR.

LABOUR MARKET DATA – 2015Q2

LCI / QES / HLFS: Wednesday 5 August, 10:45am

June 2015 Quarter Expectations		
	ANZ	Consensus
LCI salary and ordinary time wage rates (private sector)	0.5% q/q 1.8% y/y	0.5% q/q 1.8% y/y
QES salary and wage ordinary time (private sector)	0.5% q/q 2.5% y/y	0.5% q/q 2.5% y/y
HLFS unemployment rate (sa)	5.9%	5.9%
HLFS participation rate (sa)	69.6%	69.6%
HLFS employment growth	0.5% q/q 3.4% y/y	0.5% q/q 3.4% y/y
QES filled jobs	0.4% q/q 1.5% y/y	--

BEGINNING TO COOL

The pace of HLFS employment growth is expected to have moderated further in Q2. Over the first three months of the year, employment grew at a respectable 0.7% q/q, although this was down from the 1.0% and 1.2% quarterly increases seen in Q3 and Q4 respectively. We expect growth of 0.5% q/q in Q2. While it can be a little futile at times attempting to predict quarterly movements in the (volatile) HLFS, this softer tone is consistent with the moderation seen in firms' employment intentions and other survey indicators. Within our ANZ *Business Outlook* survey, firms' employment intentions have eased from a net 23% at the start of the year to 15% in June. In the QSBO, a net 11% of firms reportedly increased their staff levels in Q2, down from a net 14% in Q1. Importantly though, both measures remained above historical averages, so we are not talking capitulation; results are still respectable.

Growth in hours worked is also expected to have been more modest. There have at times been contrasting messages to take from the HLFS and QES hours-based measures. That wasn't the case last quarter though; HLFS hours worked rose a solid 1.4% q/q, while QES hours paid surged 2.0% q/q. At 2.6% y/y, the HLFS measure is well below its QES equivalent (3.8 y/y), however. Notwithstanding the potential for compositional differences and volatility, we expect these measures to have softened in Q2, which is consistent with the decelerating trend in economic activity more broadly. We will be closely monitoring hours-based measures in the services sector, which have proved to be a good proxy for growth in the services sector. A soft outturn for employment in this sector would flag downside risk to our Q2 GDP pick of a 0.5% increase.

A softer tone capacity-wise is expected in light of supply-side developments. At 3.0% y/y in Q1, labour force growth was close to decade highs. This was due to record net migration inflows (boosting the working age population) and the participation rate lifting to a new record high of 69.6% (up 0.6% pts over the past 12 months). Last week's HLFS data confirmed working-age population growth was again strong over the quarter, rising 0.6% sa q/q. The key question is how the participation rate behaves. **There have been both cyclical and structural factors behind this increased worker engagement with the labour force.** In the June quarter, we have assumed that the participation rate will hold at its current record high, which would see the unemployment rate tick up to 5.9%. The risk is the participation rates keeps nudging up, meaning an even higher unemployment rate.

The current backdrop does not appear to be conducive to a lift in wage inflation. The 3.5% April increase in the adult minimum wage (to $14.75 an hour) is the major push factor behind the expected Q2 0.5% rise in LCI wage inflation. Outside of this, underlying wage inflation is expected to remain low. This is partly on account of low cost-of-living adjustments given low consumer price inflation, but also reflects the fact that a larger labour force pool has increased the competition for jobs; a 5.9% unemployment rate is well above our estimates of the NAIRU, putting a lid on wage growth.

This 'labour market spare capacity theme' does not apply for every region and sector, with anecdotes of skill shortages still rife. Accordingly we expect wage pressure to be more elevated in pockets (eg construction). Despite this, we expect little sign of intensifying wage pressure within the economy in general.

MARKET IMPLICATIONS

Numbers broadly as we expect should keep the market focused on a September cut in the OCR. The risk looks to be that we see even higher unemployment numbers, courtesy of strength from the supply side, which will only accentuate the market's bias further. Some may jump at this as a reason for the RBNZ to keep cutting beyond September. We're not convinced. Monetary policy works with a lag, and the labour market is more lagging that most parts of the real economy. A leap of faith (pause) will be required at some stage and we're picking that to be after September.

INTEREST RATE STRATEGY

SUMMARY

This week's dairy and labour market reports are expected to keep the market biased towards a 25bp cut in September. With the current yield curve still displaying a tick shape, the implied increase in short-term rates from mid-2016 seems premature given the inflation/growth outlook and we expect the short-end of the curve to flatten. Offshore the RBA decision is expected to reaffirm current market pricing, with potential for the BoE decision add to selling pressure at the margin. The Fed are inching ever closer to lift-off, but low inflation, expansionary global policy, and a negatively skewed risk profile should cap long-term global yields. There is scope for local yields to move lower still, flattening the curve overall.

THEMES

- Last week's RBNZ speech reiterated an easing bias, but implicitly flagged pauses in that bias.
- However, this week's dairy events and the Q2 employment data are expected to keep the 'odds on' for a September cut. The RBA are expected to signal an easing bias remaining in place.
- While the NZ market is expecting 38bps of rate cuts by the end of 2015, it is the pricing of H2 2016 rate hikes that looks premature.
- The Fed stuck to the script and left the door open to a September rate hike, but soft prints for wages and lower oil prices suggest global inflation will remain MIA. This and a negatively skewed risk profile are expected to cap upward pressure on global yields and keep rates historically low.
- Local long-end yields have fallen considerably, although not as much as those for global counterparts. Outright local yields remain high, bond demand remains strong and markets are re-thinking views on long-term anchors like estimates of the neutral OCR.

PREFERRED STRATEGIES – INVESTORS

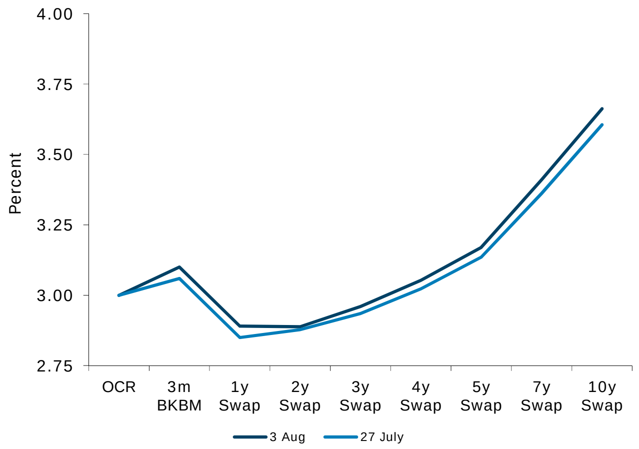
KEY VIEWS – FOR INVESTORS		
GAUGE	**DIRECTION**	**COMMENT**
Duration	Strategically bullish	FOMC gradualism, China caution + high NZ bond yields = bullish.
2s10s Curve	Flattening pressure	OCR cuts almost fully priced in, but less aggressive RBNZ should unwind curve steepening.
Geographic 10yr spread	Neutral	OCR outlook argues for further narrowing despite levels.
Swap spreads	Neutral/wider	Bond demand still decent, long-end swap market very quiet.

RBNZ KEEP OPTIONS OPEN

Last week's speech by Governor Wheeler took a balanced view noting the terms of trade related headwinds facing the economy. But, headwinds are balanced against: support provided by the easing in monetary conditions (lower NZD and interest rates), continued high levels of net immigration, record labour force participation, and strength in parts of the economy. The RBNZ would still like a lower NZD and they kept their options open on the interest rate front. They presented the notion that the path of the OCR will be driven by the flow of incoming data, the assessment of the economic outlook, and the Bank's judgement as to what level of interest rates will achieve the Bank's price stability goal.

While movements lower in the OCR were flagged, it was notable the Governor downplayed the prospect of large scale moves given the economy is expected to remain afloat. That was entirely consistent with our view that we will see three cuts in a row then a pause as opposed to a sequential unwind of the 2014 rate hikes.

FIGURE 1: NZ SWAP CURVE



Source: ANZ, Bloomberg

This week's local data is expected to keep the market fixated towards a September OCR cut. However we note that with 21bps of September cuts already priced in and very limited prospect or a larger 50bps move, the market is already primed for soft results. The current focus of the market is the impact of commodity prices on future inflation, with the soft dairy outlook supporting short-term receiving interest.

If there is a disconnect, or puzzle, across the market it is the expectation that the OCR will lift in the back half of 2016. Certainly headline inflation will be back at the midpoint by that stage. However, with growth below trend it's hard to see where upward pressure across non-tradable inflation or core inflation will come from. We expect the short-end of the curve

INTEREST RATE STRATEGY

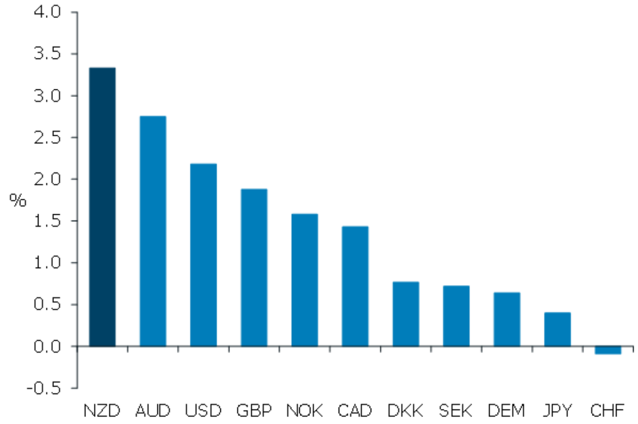
to flatten as the market scales back the implied 2016 hikes and factors in a more gradual path for policy tightening.

LOW INFLATION SHOULD HELP KEEP LONG-TERM YIELDS LOW

With the Fed sticking to the script and retaining its data-dependent and gradualist stance, the door remains open to a September rate hike**. Falls to oil and wider commodity prices, have contributed to the rally in global longer-term rates as the market has reassessed the impact on future inflation.** Benign readings for wage inflation have also contributing to lower US 10 year Treasury yields, which are approaching key technical levels, and with inflation drivers appearing MIA, appear to be strengthening the hand of dovish FOMC members. Nevertheless, the activity and employment sides on the economy are holding up, with solid prints expected for this week's US payrolls, manufacturing and non-manufacturing ISM prints.

The Bank of England is the other central bank moving closer to rate hikes and this week's rates decision, the Quarterly Inflation report and the BoE minutes looked for clues on the timing of BoE lift-off. There is no ECB decision this week, with PMIs expected to remain in positive territory. While inflation has passed its nadir in the euro area it remains subdued and there is still a way to go before headline inflation sustainably moves back to the ECB's inflation target. We expect that global yields will trend higher as the process of interest rate normalisation gets underway. **Nevertheless, low global rates of inflation and a negatively skewed risk profile are expected to keep the onus on policy support and generate a slow and elongated path of policy normalisation.**

FIGURE 2: 10 YEAR GOVERNMENT BOND YIELDS



Source: ANZ, Bloomberg

Local yields have fallen of late, with local long-term rates hovering at 3 month lows. Spreads with US and Australian yields have widened over the last week.

Nevertheless, there remains scope for spreads to compress, given high outright local yields (see Figure 2), the degree of offshore participation in the market, with the RBNZ still in easing mode as the Fed inches closer to hiking. This should see the local curve flatten.

PREFERRED STRATEGIES – BORROWERS

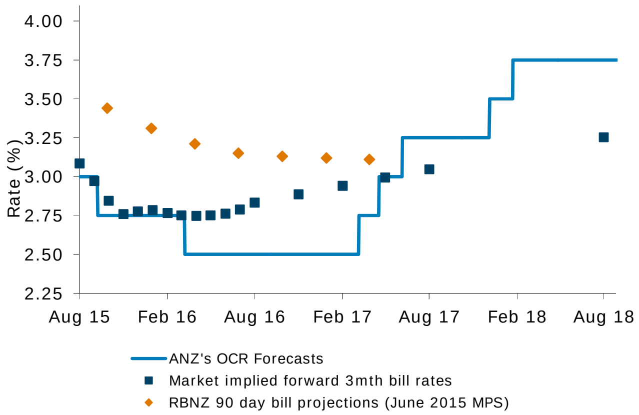
Our preference remains to watch and wait. The RBNZ have cut the OCR by 50bps and are on an easing bias. Developments are moving quickly. Rates are historically low, but locking into hedges now would prevent borrowers from taking advantage of further falls in interest rates. The recent steepening in the curve also makes hedging a progressively less attractive proposition for the majority of borrowers.

KEY VIEWS – FOR BORROWERS		
GAUGE	**VIEW**	**COMMENT**
Hedge ratio	Majority hedged	Historic hedges adequate. No immediate reason to add cover.
Value	Cheap	Cheap but getting cheaper.
Uncertainty	Elevated	The key reason for caution.

MARKET EXPECTATIONS

A 25bp cut is more than 80% priced in for September, with 38bps of cuts priced in by the end of the year, and the OCR is priced to trough at 2.56% by early next year. This is close to our OCR view, although we expect the RBNZ to pause from September, before moving in March next year. We retain a strategically bullish bias towards the front end but suspect we are in a consolidation phase for a month or so.

FIGURE 3: ANZ OCR FORECAST AGAINST MARKET-IMPLIED FORWARD 3MTH BILL RATES AND RBNZ 90 DAY BILL PROJECTIONS



Source: ANZ, Bloomberg

CURRENCY STRATEGY

SUMMARY

We retain a negative strategic bias towards the NZD but are tactically neutral over the coming weeks. The market is already short NZD, expectations are for further (sizeable) dairy weakness, and markets also expect US indicators to support USD. This leaves little room for these events to add further impetus to the downside. However, the overall levels of said indicators should ensure any NZD strength would be met with offers, as risks (such as China) remain to the downside.

TABLE 1: KEY VIEWS			
CROSS	WEEK	MONTH	YEAR
NZD/USD	↔	Downside risks remain	USD to strengthen
NZD/AUD	↔	Close to fair value	Topside capped
NZD/EUR	↔	EUR remains weak	EUR remains weak
NZD/GBP	↔/↓	GBP in demand	GBP resurgence
NZD/JPY	↔	Official support for JPY	Yen weakness

THEMES AND RISKS

- Dairy weakness is beginning to look fully priced. Markets are fixated on the GDT auction and Fonterra's update, and are expecting weakness.
- Solid employment growth has supported NZD, but with the demand-supply balance now tipping, the unemployment rate has likely troughed. The headline will be important for FX sentiment.
- The RBA should remain on hold, but risks are that data weakens, and thus the AUD.
- US ISM surveys and payrolls should continue to support USD and the case for "lift-off'.
- Finally, GBP could get a lift from the BoE, with the possibility of a split vote.

TABLE 2: KEY UPCOMING EVENT RISK			
EVENT		WHEN (NZDT)	LIKELY IMPACT
EUR	PMIs	Mon 20:00	NZD/EUR ↑
GBP	PMI manufacturing	Mon 20:30	NZD/GBP ↑
USD	ISM manufacturing	Tue 02:00	NZD/USD ↓
NZD	ANZ Commodity prices	Tue 13:00	NZD ↔
AUD	Retail sales & T/B	Tue 13:30	NZD/AUD ↑
AUD	RBA	Tue 16:30	NZD/AUD ↓
NZD	GDT auction	Wed am	NZD ↔/↓
NZD	Q2 Employment	Wed 10:45	NZD ↓
EUR	PMI services	Wed 20:00	NZD/EUR ↑
GBP	PMI services	Wed 20:30	NZD/GBP ↓
USD	ISM non-manuf.	Thu 02:00	NZD/USD ↓
AUD	Employment	Thu 13:30	NZD/AUD ↑
GBP	BoE, inflation report	Thu 23:00	NZD/GBP ↓
AUD	RBA SOMP	Fri 13:30	NZD/AUD ↓
JPY	BoJ	Fri 15:00	NZD/JPY ↔
NZD	Fonterra milk forecast	Fri PM	NZD ↔/↑
USD	Payrolls	Sat 00:30	NZD/USD ↓
CNY	T/B & CPI, PPI	Sat & Sun	NZD ↓

EXPORTERS' STRATEGY

NZD/USD exporters may wish to consider calls instead of buying spot. Current negativity looks relatively fully priced, but the overall trend is still lower.

IMPORTERS' STRATEGY

Importers should use any bounces to extend hedging.

DATA PULSE

NZD rejected strength driven by last week's "glass half-full" speech from Governor Wheeler. Instead it chose to follow the tone of the data. ANZ business confidence continued to decline and building permits showed the construction sector may slow.

AUD followed commodities and China equities lower, before stabilising. Australian data mostly supported a lower trend. Building approvals declined, and private sector credit showed a soft trend.

EUR was weak as EU data is still a concern; German and EU CPI remained low, highlighting the need for easy policy, while German IFO confidence was an exception, showing signs of a lift.

The USD continued to find support as the Fed left a September lift-off on the table. The data remained solid with strength in durable goods, Richmond Fed, Services PMI, and Chicago PM offsetting a decline in consumer confidence and the employment cost index.

The cable (GBP/USD) was stable, with UK Q2 GDP and consumer credit both posting solid results.

China remains a source of downside risks. China manufacturing PMI showed a decline, but it was offset by an increase in the non-manufacturing PMI. Chinese equity markets had a rocky start on Monday (-8.5%), ensuring the global risk premia remain high. However, equities subsequently stabilised.

TABLE 3: NZD VS AUD: MONTHLY GAUGES		
GAUGE	GUIDE	COMMENT
Fair value	↔	Closer to long-run averages.
Yield	↔	NZD yield changes fully priced.
Commodities	↓	Milk falls outpacing iron ore.
Data	↓	AU data somewhat stabilised.
Techs	↔	Established a 0.87-91 range.
Sentiment	↑	Peak NZD negative sentiment?
Other	↑	AUD higher beta to China.
On balance	↔	**Consolidation.**

TABLE 4: NZD VS USD: MONTHLY GAUGES		
GAUGE	GUIDE	COMMENT
Fair value	↔	Closer to fair value.
Yield	↔	Yield advantage being cut.
Commodities	↔	Dairy a concern, but well priced.
Risk aversion	↔	Global fears easing.
Data	↔	NZ is weak, but US also softens.
Techs	↑	NZD overstretched.
Other	↑	FOMC signals slow normalisation.
On balance	↔/↓	**Consolidation is in order, but risks are lower.**

CURRENCY STRATEGY

TECHNICAL OUTLOOK

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

NZD continues to attempt a consolidation and shows a nascent wedge formation. The wedge, if it continues to form, could drive directionality. The major support remains the July lows just below 0.65, and topside resistance at 0.67 to 0.68 looks very strong. Support starts at 0.6480 and builds to its peak at 0.6430. The longer-term profile remains weak.

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

The technical picture of NZD/AUD still holds a warning. The picture is still for consolidation, but with a higher low on the last test of 0.88 and a higher high testing into the pivotal 0.91-92 zone, we still need a reversion back to 0.89 to negate a test higher.

TABLE 5: KEY TECHNICAL ZONES

CROSS	SUPPORT	RESISTANCE
NZD/USD	0.6460 – 0.6480 0.6200 – 0.6250	0.6700 – 0.6750 0.6940 – 0.6960
NZD/AUD	0.8700 – 0.8750 0.8600 – 0.8650	0.9100 – 0.9150 0.9180 – 0.9220
NZD/EUR	0.5900 – 0.5950	0.6350 – 0.6400
NZD/GBP	0.4180 – 0.4200	0.4680 – 0.4720
NZD/JPY	80.00 – 80.50	83.50 – 87.50

POSITIONING

NZD shorts were trimmed again, but positioning remains overly short, which leaves us wary of chasing trends in the near term. CAD and AUD shorts increased. USD long positioning continues to modestly increase.

GLOBAL VIEWS

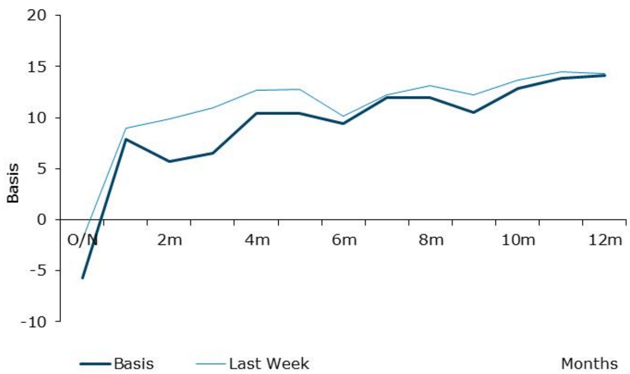
Global activity takes centre stage this week with the monthly PMI run. Broad trends are expected to persist with US PMIs growing (supporting USD), British PMIs re-accelerating (supporting GBP), European PMIs slowing (pressuring EUR), and slowing activity in Asia (keeping the global risk premia elevated).

We expect GBP to be supported, not only by activity indicators, but also by the first "big bang" policy release from the BoE. We expect no policy change, but anticipate the minutes and quarterly Inflation Report to continue to express a perceived need for a normalisation of UK monetary policy, with potential for a "split-vote'.

We expect US payrolls to continue to support the September "crawl-off" and thus the USD. However, the Chinese July trade balance on the Saturday may inject some caution into the market.

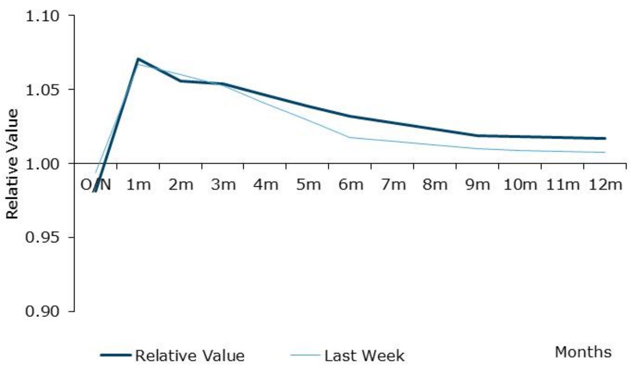
FORWARDS: CARRY AND BASIS

FIGURE 4. NZD/USD SHORT BASIS CURVE



Cash (O/N, T/N) has consistently traded under OCR, due to an average of NZD8.5bn of cash in the system. With cash projected to drop back towards NZD8bn over the course of the week we see cash staying close to the OCR going forward. 1m rolls look attractive from an outright perspective, with little basis pickup to justify rolling further out.

FIGURE 5. RELATIVE ATTRACTION OF THE FWD CURVE



Source: ANZ, Bloomberg, Reuters

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
3-Aug	AU	ANZ Job Advertisements MoM - Jul	--	1.3%	13:30
	CH	Caixin PMI Mfg - Jul F	48.3	48.2	13:45
	GE	Markit/BME Manufacturing PMI - Jul F	51.5	51.5	19:55
	EC	Markit Manufacturing PMI - Jul F	52.2	52.2	20:00
	UK	Markit PMI Manufacturing SA - Jul	51.5	51.4	20:30
4-Aug	US	Personal Income - Jun	0.3%	0.5%	00:30
	US	Personal Spending - Jun	0.2%	0.9%	00:30
	US	PCE Core MoM - Jun	0.1%	0.1%	00:30
	US	PCE Core YoY - Jun	1.2%	1.2%	00:30
	US	Markit Manufacturing PMI - Jul F	53.8	53.8	01:45
	US	Construction Spending MoM - Jun	0.6%	0.8%	02:00
	US	ISM Manufacturing - Jul	53.5	53.5	02:00
	US	ISM Prices Paid - Jul	49.3	49.5	02:00
	AU	ANZ-RM Consumer Confidence Index - 2-Aug	--	112.5	11:30
	NZ	QV House Prices YoY - Jul	--	9.3%	12:00
	NZ	ANZ Commodity Price - Jul	--	-3.1%	13:00
	AU	Trade Balance - Jun	-3000M	-2751M	13:30
	AU	Retail Sales MoM - Jun	0.4%	0.3%	13:30
	AU	Retail Sales Ex Inflation QoQ - Q2	0.4%	0.7%	13:30
	AU	RBA Cash Rate Target - Aug	2.00%	2.00%	16:30
	UK	Nationwide House PX MoM - Jul	0.4%	-0.2%	18:00
	UK	Nationwide House Px NSA YoY - Jul	3.5%	3.3%	18:00
	AU	Commodity Index AUD - Jul	--	80.2	18:30
	AU	Commodity Index YoY - Jul	--	-17.9%	18:30
	UK	Markit/CIPS Construction PMI - Jul	58.5	58.1	20:30
	EC	PPI MoM - Jun	0.0%	0.0%	21:00
	EC	PPI YoY - Jun	-2.2%	-2.0%	21:00
5-Aug	US	ISM New York - Jul	--	63.1	01:45
	US	Factory Orders - Jun	1.7%	-1.0%	02:00
	US	IBD/TIPP Economic Optimism - Aug	47.6	48.1	02:00
	NZ	Unemployment Rate - Q2	5.9%	5.8%	10:45
	NZ	Participation Rate - Q2	69.6%	69.6%	10:45
	NZ	Employment Change QoQ - Q2	0.5%	0.7%	10:45
	NZ	Employment Change YoY - Q2	3.4%	3.2%	10:45
	NZ	Pvt Wages Inc Overtime QoQ - Q2	0.5%	0.3%	10:45
	NZ	Pvt Wages Ex Overtime QoQ - Q2	0.5%	0.3%	10:45
	NZ	Average Hourly Earnings QoQ - Q2	0.5%	0.2%	10:45
	AU	AiG Perf of Services Index - Jul	--	51.2	11:30
	CH	Caixin PMI Composite - Jul	--	50.6	13:45
	CH	Caixin PMI Services - Jul	--	51.8	13:45
	GE	Markit Services PMI - Jul F	53.7	53.7	19:55
	GE	Markit/BME Composite PMI - Jul F	53.4	53.4	19:55
	EC	Markit Services PMI - Jul F	53.8	53.8	20:00
	EC	Markit Composite PMI - Jul F	53.7	53.7	20:00
	UK	Markit/CIPS Services PMI - Jul	58.0	58.5	20:30
	UK	Markit/CIPS Composite PMI - Jul	56.9	57.4	20:30
	EC	Retail Sales MoM - Jun	-0.20%	0.20%	21:00
	EC	Retail Sales YoY - Jun	2.0%	2.4%	21:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
5-Aug	US	MBA Mortgage Applications - 31-Jul	--	0.8%	23:00
	UK	Halifax House Prices MoM - Jul	0.4%	1.7%	5-11 Aug
6-Aug	US	ADP Employment Change - Jul	210K	237K	00:15
	US	Trade Balance - Jun	-$42.90B	-$41.87B	00:30
	US	Markit Composite PMI - Jul F	--	55.2	01:45
	US	Markit Services PMI - Jul F	55.2	55.2	01:45
	US	ISM Non-Manf. Composite - Jul	56.2	56.0	02:00
	AU	Employment Change - Jul	10.0K	7.3K	13:30
	AU	Unemployment Rate - Jul	6.1%	6.0%	13:30
	AU	Participation Rate - Jul	64.8%	64.8%	13:30
	GE	Factory Orders MoM - Jun	0.3%	-0.2%	18:00
	GE	Factory Orders WDA YoY - Jun	5.2%	4.7%	18:00
	GE	Markit Construction PMI - Jul	--	50.7	19:30
	GE	Markit Retail PMI - Jul	--	54.0	20:10
	EC	Markit Retail PMI - Jul	--	50.4	20:10
	UK	Industrial Production MoM - Jun	0.1%	0.4%	20:30
	UK	Industrial Production YoY - Jun	2.2%	2.1%	20:30
	UK	Manufacturing Production MoM - Jun	0.1%	-0.6%	20:30
	UK	Manufacturing Production YoY - Jun	0.4%	1.0%	20:30
	UK	BOE Asset Purchase Target - Aug	£375B	£375B	23:00
	UK	Bank of England Bank Rate - Aug	0.50%	0.50%	23:00
7-Aug	US	Initial Jobless Claims - 1-Aug	273K	267K	00:30
	US	Continuing Claims - 25-Jul	2253K	2262K	00:30
	UK	NIESR GDP Estimate - Jul	--	0.7%	02:00
	AU	AiG Perf of Construction Index - Jul	--	46.4	11:30
	AU	Home Loans MoM - Jun	5.0%	-6.1%	13:30
	AU	Investment Lending - Jun	--	-3.2%	13:30
	AU	Owner-Occupier Loan Value MoM - Jun	--	-5.3%	13:30
	GE	Industrial Production SA MoM - Jun	0.3%	0.0%	18:00
	GE	Industrial Production WDA YoY - Jun	2.2%	2.1%	18:00
	GE	Trade Balance - Jun	€21.0B	€19.5B	18:00
	GE	Current Account Balance - Jun	€16.0B	€11.1B	18:00
	GE	Exports SA MoM - Jun	-0.3%	1.6%	18:00
	GE	Imports SA MoM - Jun	0.5%	0.4%	18:00
	UK	Visible Trade Balance GBP/Mn - Jun	-£9300	-£8000	20:30
	UK	Trade Balance Non EU GBP/Mn - Jun	-£2400	-£1570	20:30
	UK	Trade Balance - Jun	-£1700	-£393	20:30
	JN	Bank of Japan Monetary Policy Statement - Aug	--	--	UNSPECIFIED
8-Aug	US	Change in Nonfarm Payrolls - Jul	225K	223K	00:30
	US	Unemployment Rate - Jul	5.3%	5.3%	00:30
	US	Average Hourly Earnings MoM - Jul	0.2%	0.0%	00:30
	US	Average Hourly Earnings YoY - Jul	2.3%	2.0%	00:30
	US	Consumer Credit - Jun	$17.00B	$16.09B	07:00
	CH	Trade Balance - Jul	$53.35B	$46.54B	UNSPECIFIED
	CH	Exports YoY - Jul	0.0%	2.8%	UNSPECIFIED
	CH	Imports YoY - Jul	-7.0%	-6.1%	UNSPECIFIED

Key: AU: Australia, EC: Eurozone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States, CH: China.
Source: Dow Jones, Reuters, Bloomberg, ANZ Bank New Zealand Limited. All $ values in local currency.
Note: All surveys are preliminary and subject to change

LOCAL DATA WATCH

Economic momentum is slowing and downside risks are apparent. At a time of subdued core inflation, the RBNZ is taking action by cutting the OCR. We expect the RBNZ to ultimately return the OCR to 2.5%.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 4 Aug (12:00pm)	QV House Prices – Jul	Two-tone	REINZ data suggests 10% annual nationwide house price inflation, with a stark Auckland vs. Rest of NZ divide.
Tue 4 Aug (1:00pm)	ANZ Commodity Price Index – Jul	--	--
Wed 5 Aug (early am)	GlobalDairyTrade auction	Down	Milk price futures suggest another large fall in prospect, despite Fonterra trimming supply on offer via the auction portal.
Wed 5 Aug (10:45am)	Labour Market Statistics – Q2	Softening	The demand for labour is cooling. With overall labour supply still solid, the unemployment rate is expected to rise to 5.9%. Wage growth should remain low.
7 Aug	Fonterra Board Meeting	Another downgrade	We now forecast a $3.75-$4.00/kg MS milk price. Fonterra is unlikely to downgrade to that extent yet, but it will lower its current $5.25/kg MS forecast.
10-14 Aug	REINZ Housing Statistics – Jul	On the look-out	There has been little sign yet of any early impact of recent RBNZ and government policy changes, but we will be watching closely.
Tue 11 Aug (10:00am)	ANZ Truckometer	--	--
Tue 11 Aug (10:45am)	Electronic Card Transactions – Jul	Softer trend	With household income growth slowing, petrol prices higher and consumer confidence retreating, we see the underlying pace of spending growth continuing to slow.
Tue 11 Aug (1:00pm)	ANZ Monthly Inflation Gauge	--	--
Thu 13 Aug (10:30am)	Business NZ Manufacturing PMI – Jul	Reversal	Contrary to the signal from our *Business Outlook*, the headline index rose in June. We wonder if that will be sustained, notwithstanding NZD support.
Thu 13 Aug (10:45am)	Food Price Index – Jul	Small increase	Lead by a seasonal increase in fruit and vegetable prices, food prices should be stronger in the month.
Fri 14 Aug (10:45am)	Retail Trade Survey – Q2	Pull-back	After a strong lift in sales volumes in Q1, a much more benign outturn is possible. A negative result for core volumes cannot be ruled out.
Mon 17 Aug (10:30am)	Business NZ Services PSI – Jul	Off highs?	The services sector has been outperforming, but it typically lags the economic cycle. Is it time to see some moderation?
Wed 19 Aug (10:45am)	PPI – Q2	Weak	Both input and output price indices should fall courtesy of commodity price weakness and lower wholesale electricity prices.
Thu 20 Aug (10:00am)	ANZ Job Ads – Jul	--	--
Thu 20 Aug (1:00pm)	ANZ Roy Morgan Consumer Confidence – Aug	--	--
Fri 21 Aug (10:45am)	International Travel & Net Migration – Jul	Topping out	The pace of monthly net inflows has stabilised between 4.8K and 5K. The annual net inflow will peak shortly, although there is little sign of a moderation just yet.
Tue 25 Aug (3:00pm)	RBNZ Survey of Expectations – Q3	Low, but higher	Two-year-ahead inflation expectations are likely to remain relatively contained, although could lift modestly on the back of recent NZD and petrol price moves.
Wed 26 Aug (10:45am)	Overseas Merchandise Trade – Jul	Deteriorating	The official trade numbers are yet to fully reflect the recent weakness in export commodity prices.
On balance		**Data watch**	**The economy is running at a sub-trend pace, and risks are skewed to the downside. Inflation is subdued.**

KEY FORECASTS AND RATES

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
GDP (% qoq)	**0.5**	**0.6**	**0.6**	**0.7**	**0.7**	**0.7**	**0.7**	**0.6**	**0.6**	**0.6**
GDP (% yoy)	**2.4**	**2.0**	**2.0**	**2.5**	**2.7**	**2.7**	**2.7**	**2.6**	**2.6**	**2.5**
CPI (% qoq)	0.4	**0.5**	**0.2**	**0.6**	**0.4**	**0.6**	**0.2**	**0.5**	**0.6**	**0.7**
CPI (% yoy)	0.3	**0.4**	**0.8**	**1.7**	**1.7**	**1.8**	**1.8**	**1.7**	**1.9**	**2.0**
Employment (% qoq)	**0.5**	**0.4**	**0.4**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Employment (% yoy)	**3.4**	**2.9**	**2.1**	**1.7**	**1.5**	**1.3**	**1.3**	**1.2**	**1.2**	**1.2**
Unemployment Rate (% sa)	**5.9**	**5.9**	**5.9**	**5.9**	**5.8**	**5.7**	**5.7**	**5.6**	**5.6**	**5.5**
Current Account (% GDP)	**-3.9**	**-4.1**	**-4.6**	**-5.4**	**-5.8**	**-6.0**	**-5.9**	**-5.8**	**-5.7**	**-5.7**
Terms of Trade (% qoq)	**-5.7**	**-5.9**	**-7.4**	**-3.2**	**0.7**	**1.5**	**2.1**	**2.0**	**1.7**	**1.5**
Terms of Trade (% yoy)	**-10.8**	**-12.2**	**-16.8**	**-20.6**	**-15.1**	**-8.4**	**1.0**	**6.4**	**7.5**	**7.5**

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15
Retail ECT (% mom)	1.0	0.1	0.0	0.0	1.0	0.7	-0.6	1.3	0.5	--
Retail ECT (% yoy)	5.2	3.2	3.7	4.5	4.0	3.7	3.9	3.2	5.0	--
Credit Card Billings (% mom)	1.4	0.4	-0.5	2.0	0.0	0.7	-0.3	1.8	0.3	--
Credit Card Billings (% yoy)	6.8	5.2	4.6	6.2	5.8	5.3	7.3	7.2	6.5	--
Car Registrations (% mom)	-1.7	0.3	2.1	-0.7	-0.3	2.5	-1.5	-0.2	5.3	--
Car Registrations (% yoy)	21.3	16.5	21.0	17.1	12.1	11.8	11.2	6.8	11.2	--
Building Consents (% mom)	12.2	12.8	-7.1	-2.4	-5.5	10.0	-1.1	0.0	-4.1	--
Building Consents (% yoy)	12.9	16.1	2.5	7.8	-0.2	7.4	3.1	6.4	-4.5	--
REINZ House Price Index (% yoy)	2.6	4.7	5.7	8.5	7.1	8.5	9.3	11.8	14.8	--
Household Lending Growth (% mom)	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6	0.6	--
Household Lending Growth (% yoy)	4.8	4.7	4.7	4.8	4.9	5.0	5.2	5.5	5.6	--
ANZ Roy Morgan Consumer Conf.	123.4	121.8	126.5	128.9	124.0	124.6	128.8	123.9	119.9	113.9
ANZ Business Confidence	26.5	31.5	30.4	..	34.4	35.8	30.2	15.7	-2.3	-2.3
ANZ Own Activity Outlook	37.8	41.7	37.3	..	40.9	42.2	41.3	32.6	23.6	23.6
Trade Balance ($m)	-892	-283	-200	52	84	661	184	371	-60	--
Trade Bal ($m ann)	-56	-492	-1183	-1416	-2129	-2372	-2655	-2549	-2848	--
ANZ World Commodity Price Index (% mom)	-0.9	-1.4	-4.4	-0.3	4.2	4.6	-7.4	-4.9	-3.1	--
ANZ World Comm. Price Index (% yoy)	-11.5	-12.5	-17.2	-18.4	-15.8	-11.9	-15.3	-18.0	-19.7	--
Net Migration (sa)	5220	4990	4090	5470	4840	5010	4770	5080	4800	--
Net Migration (ann)	47684	49836	50922	53797	55121	56275	56813	57822	58259	--
ANZ Heavy Traffic Index (% mom)	0.9	-2.9	3.3	-0.1	-0.5	-0.4	-0.5	-1.0	1.6	--
ANZ Light Traffic Index (% mom)	0.3	-1.6	2.1	0.7	0.7	-1.0	0.1	-0.6	0.9	--

Figures in bold are forecasts. mom: Month-on-Month qoq: Quarter-on-Quarter yoy: Year-on-Year

KEY FORECASTS AND RATES

	ACTUAL			FORECAST (END MONTH)						
FX RATES	May-15	Jun-15	Today	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
NZD/USD	0.711	0.675	0.659	0.63	0.61	0.59	0.59	0.59	0.59	0.59
NZD/AUD	0.930	0.880	0.902	0.86	0.85	0.83	0.84	0.84	0.84	0.84
NZD/EUR	0.647	0.604	0.601	0.60	0.62	0.58	0.55	0.53	0.53	0.53
NZD/JPY	88.23	82.68	81.72	76.2	74.4	72.6	73.2	73.8	73.8	73.8
NZD/GBP	0.465	0.430	0.422	0.41	0.41	0.39	0.38	0.38	0.38	0.38
NZ$ TWI	75.7	71.2	70.3	68.4	67.7	65.1	64.4	63.7	63.7	63.7
INTEREST RATES	May-15	Jun-15	Today	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
NZ OCR	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50	2.50	2.50
NZ 90 day bill	3.47	3.26	3.06	2.90	2.90	2.60	2.60	2.70	2.70	2.70
NZ 10-yr bond	3.63	3.63	3.32	3.70	3.90	4.00	3.90	3.90	3.90	3.90
US Fed funds	0.25	0.25	0.25	0.50	0.75	1.00	1.25	1.50	1.75	1.75
US 3-mth	0.28	0.28	0.31	0.60	0.85	1.10	1.35	1.60	1.85	1.85
AU Cash Rate	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
AU 3-mth	2.15	2.15	2.15	2.20	2.20	2.20	2.20	2.20	2.20	2.20

	30 Jun	27 Jul	28 Jul	29 Jul	30 Jul	31 Jul
Official Cash Rate	3.25	3.00	3.00	3.00	3.00	3.00
90 day bank bill	3.26	3.06	3.07	3.08	3.08	3.10
NZGB 12/17	2.84	2.56	2.62	2.63	2.64	2.58
NZGB 03/19	2.92	2.58	2.64	2.66	2.68	2.63
NZGB 04/23	3.27	2.93	2.95	2.99	3.07	3.00
NZGB 04/27	3.62	3.28	3.30	3.34	3.43	3.35
2 year swap	3.09	2.87	2.91	2.93	2.92	2.88
5 year swap	3.29	3.03	3.08	3.10	3.10	3.05
RBNZ TWI	71.2	70.25	70.71	71.35	70.69	70.23
NZD/USD	0.6807	0.66	0.66	0.67	0.66	0.66
NZD/AUD	0.8873	0.90	0.91	0.92	0.91	0.90
NZD/JPY	83.30	81.38	82.02	82.86	82.33	81.60
NZD/GBP	0.4329	0.42	0.43	0.43	0.43	0.42
NZD/EUR	0.6084	0.60	0.60	0.61	0.60	0.60
AUD/USD	0.7672	0.73	0.73	0.73	0.73	0.73
EUR/USD	1.1189	1.10	1.11	1.11	1.10	1.09
USD/JPY	122.37	123.51	123.49	123.48	124.12	123.97
GBP/USD	1.5725	1.55	1.56	1.56	1.56	1.56
Oil (US$/bbl)	58.34	47.98	47.17	47.97	48.77	48.53
Gold (US$/oz)	1176.90	1097.50	1095.80	1097.30	1093.30	1085.10
Electricity (Haywards)	3.41	5.21	4.44	4.82	6.27	5.72
Baltic Dry Freight Index	800	1090	1094	1104	1100	1131
Milk futures (USD)	60	48	48	49	49	48

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