ANZ RESEARCH

NEW ZEALAND ECONOMICS
MARKET FOCUS

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INSIDE

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STILL AHEAD OF THE RUN-RATE

ECONOMIC OVERVIEW

The New Zealand economy continues to be buffeted by a range of developments (both domestic and offshore) that reinforce the risks and tensions within the outlook. Amidst it all, the economy continues to do well. This week, the ANZ *Business Outlook* will provide a timely update on the business mood, while building consent issuance should rebound from a January lull. A weak GlobalDairyTrade auction result looks in store, which will keep the rural sector nervous over prospects for the 2015/16 payout.

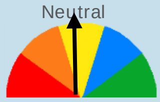
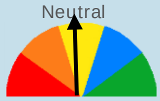
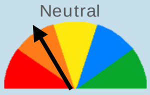
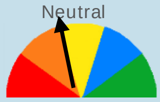
INTEREST RATE STRATEGY

US Fed chair Yellen's speech on Friday was the icing on the cake following the dovish FOMC statement earlier this month. Bond markets are likely to remain buoyed by the dovish overtones and cautious approach. Core European sovereign bond yields continue to flirt with record lows, given the liquidity boost provided by ECB QE and with further policy easing enacted (or signalled) by other central banks. A number of demand-side supports are expected to keep OCR settings on hold. Relatively high New Zealand yields continue to stand out, adding to pressure to flatten the curve, with sound fundamentals supporting the NZD.

CURRENCY STRATEGY

The good news story for the NZD looks fully priced around current levels, and we remain of the opinion that the USD is ascendant. However, given the Fed has moved away from forward guidance, volatility is set to increase (again) giving ample opportunity to trade around a firmer USD trend. ANZ sees downside risks for the NZD from the GDT auction this week and we are becoming more mindful that a deteriorating trade position should weigh on TWI performance over time. NZD/AUD remains in technical ascendancy, with the post-Easter RBA rate decision key for AUD. Divergent economic and central bank tones mean dips remain buying opportunities.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	3.2% y/y for 2016 Q1	Confidence gauges suggest solid domestic momentum, but dry weather hit to H1 2015. The global scene is the wildcard.	
Unemployment rate	5.2% for 2016 Q1	Lifts in working age population to boost labour supply. Wage inflation contained.	
OCR	3.5% by Mar 2016	RBNZ on hold for the foreseeable future. Global scene, NZD and commodity prices important but inflation the real key.	
CPI	1.3% y/y for 2016 Q1	Sub 1% annual inflation over 2015. Benign global backdrop, domestic pricing pressures contained so far.	

ECONOMIC OVERVIEW

SUMMARY

The New Zealand economy continues to be buffeted by a range of developments (both domestic and offshore) that reinforce the risks and tensions within the outlook. Amidst it all, the economy continues to do well. This week, the ANZ *Business Outlook* will provide a timely update on the business mood, while building consent issuance should rebound from a January lull. A weak GlobalDairyTrade auction result looks in store, which will keep the rural sector nervous over prospects for the 2015/16 payout.

FORTHCOMING EVENTS

Building Consents – February (10:45am, Tuesday, March 31). Following January's weakness, we expect a rebound in residential consents, with ex-apartment issuance bouncing perhaps 7-10%. Conversely, non-residential consents may retract some of January's strength.

ANZ Business Outlook – March (1:00pm, Tuesday, March 31).

RBNZ Credit Aggregates – February (3:00pm, Tuesday, March 31). Economy-wide credit growth is likely to remain sub-5% y/y, although agriculture and household credit growth should lift.

GlobalDairyTrade Auction (early am, Thursday, April 2). Fonterra have lifted the volumes for sale at this auction. Given that this will meet apparently weak overall market sentiment, we see risks of further price falls.

QV House Prices – March (12:00pm, Thursday, April 2). Annual growth is likely to have increased modestly from last month's 6.4% rate.

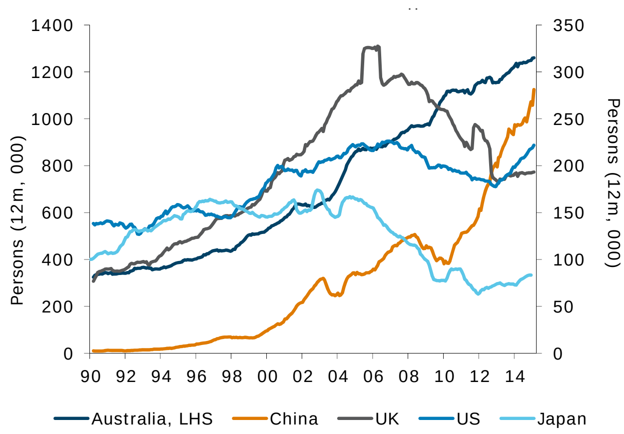
ANZ Commodity Price Index – March (1:00pm, Thursday, April 2).

WHAT'S THE VIEW?

The economy continues to chug along nicely amidst a wide array of developments both domestic and offshore. That's hardly surprising; economic momentum – once strong – can be difficult to turn. Nonetheless, we continue to track such developments as they influence not only the risks to the outlook, but also the tensions and frictions within the cycle. Over the past week we note:

- **The NZ-South Korea FTA was signed.** South Korea is New Zealand's fifth-largest export market. New Zealand exporters are currently paying circa $229m a year in duties, with these duties now set to be phased out over 15 years. While this isn't huge, and the agreement still requires parliamentary approval in both countries, it still counts.
- **Air China (China's national carrier) announced a plan to begin a daily direct service between Beijing and Auckland** (it also still needs regulatory approval) under a planned alliance with Air NZ. There is also a long-term aim to double capacity between China and New Zealand. Despite the strong NZD, the performance of the domestic tourism sector has been remarkable. Numbers have surged. The Cricket World Cup has obviously helped and there are other events around the corner, like the FIFA Under-20 Football World Cup. However, increased connectivity with Asia (China in particular), as well as new route development and airline capacity, are key parts of the story also. China now accounts for close to 10% of total visitor arrivals, and with closer connectivity its importance will continue to grow. Importantly, the strong NZD doesn't appear to be factoring heavily in tourists' decisions to visit New Zealand and how much to spend when they are here.

FIGURE 1: VISITOR ARRIVALS



Source: ANZ, Statistics NZ

- **Fonterra's half-year results were slightly disappointing** given a downgrade of its dividend payment, and the confirmation of a tough cash flow year for farmers. The scale of downgrade (the dividend range was lowered 5c to $0.20-0.30 per share) would not usually have much effect, but farmers need every cent at present, and along with the impact of the dry weather, it is likely to be a further hit to sentiment. Anecdotally, these cash flow pressures are now clearly being felt in the regions. Cheque books are shut! However, the real surprise to farmers, and where a lot of grumbles are coming from, is that the dividend payment has been lowered, when reduced input costs (milk prices) would have been thought to lead to higher margins. The answer is not a simple one, with the hit coming from multiple angles. Higher-priced inventory carried over from last year has had to be

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sold at substantially lower prices. While margins improved for the New Zealand ingredient business they didn't for other areas, such as Australia and South America. The Australian business generally continued to underperform and remains somewhat of a problem child. The livestock business in China faced reduced returns as milk prices fell and there was a subsequent write-down in the value of livestock. There were higher operating costs – it isn't entirely clear why, but a lot seems to be related to continued expansion in China. The bright spot was the New Zealand ingredient business, where much higher volumes and margins look to have been achieved, providing an offset for the other areas of pressure.

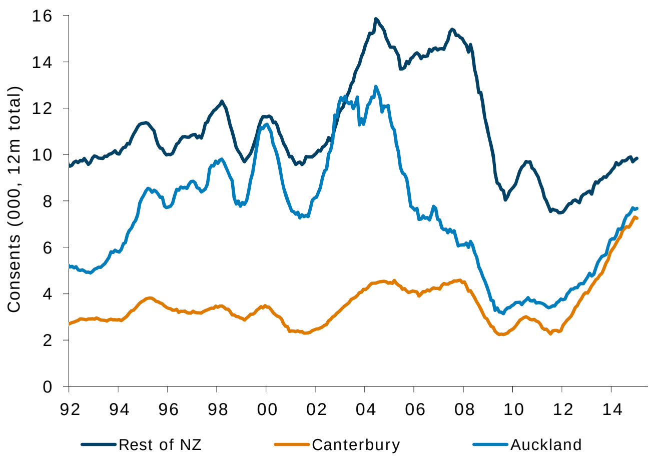
- **Fonterra is a critical component of the broader NZ story** and the strategy of Fonterra to push more volume through higher margin dairy categories (such as infant formula, nutritional products etc) looks right. The piece the Co-operative appears to be struggling with is the execution side of its strategy and the required change to its culture/business practices. There is under-performance in pushing more volume through the "value-add" channel at present and this will need to turn around if the Co-operative is to have long-term success in a very competitive marketplace. How quickly the execution side of the strategy can be addressed through the "business transformation programme" will be key for earnings potential in 2015/16 and getting farmers back on-board for the ride. New Zealand has few truly global industry players, and it is how the likes of Fonterra deliver on the opportunities provided that is critical to the wider economy. They are bellwethers for industry and economy-wide prospects**.**
- **NZX milk futures remain under pressure**, with prices for various contract periods falling between 6% and 15% last week, to the lowest levels since January. All eyes will be on the GDT auction this week (refer below).
- **The kiwifruit revival looks to be on track with 108m trays expected to be delivered this harvest. This will return volumes to pre-Psa levels. The bounce back is remarkable given the challenges and tough decisions faced in 2010.** While orchard-gate prices will naturally decline from an impact on the marketing mix (more product needing to be pushed into Europe) and higher promotional costs to establish the new Gold varieties credentials confidence in the medium-term remains. This confidence is being reflected in orchard values where orchard prices continue to increase, through to growers recent strong turnout and vote of confidence in the industry's structure.
- **Geopolitical tensions came back to the fore.** Saudi Arabia began bombing specific targets in Yemen, initially causing a spike in oil prices. While Yemen is only a marginal oil producer, its geographical location next to the Suez Canal is making markets nervous about the threat to trade flows (4.5m barrels/day pass through the Canal). However, our ANZ colleagues actually believe there is a bigger story within the oil markets at present. With nuclear negotiations with Iran reaching a critical stage, there is the potential for 30m barrels stored offshore to flood an already saturated oil market. In the unlikely event that sanctions are immediately lifted, this could see Brent prices return to recent cyclical lows. The fact oil prices retreated sharply on Friday night (-5%) is perhaps a sign that markets are becoming aware of this risk also.
- **Winston Peters won the Northland by-election.** We normally don't comment on politics, and on the face of it not much has changed. It leaves the incumbent Government with the same majority it had between 2011 and 2014. However, we are mindful of four aspects:
    1. **There was clearly some pork-barrel politicking going on in the lead-up;** this was undermining a big theme we were constructive on (leadership trumping populism). Whether this is truly a turning point towards clear populism remains to be seen, but it needs to be watched.
    2. **Regions flexing their muscle will bring regional-based development initiative thinking to the fore.** We're not a big believer in regional growth being central government led; central government can be the supporting actor but not the lead one. But the Northland result will see thinking shift.
    3. **The RBNZ could be a focal point as part of a game of monetary policy political football,** with growing sensitivities over Auckland (housing and consumption) versus the regions (production and the high NZD). It'll be hubris thinking (politics) and it won't influence outcomes, but it will make life testy and there is the political economy of monetary policy to be attuned to.
    4. **There will clearly be implications for some legislation and the microeconomic reform agenda**. The likes of the proposed reform of the Resource Management Act looks on ice.

ECONOMIC OVERVIEW

- **We are continuing to see the typical array of mixed data globally.** The US economy appears to be going through a softer patch in Q1 (which looks partly due to transitory factors), although it remains sound under the hood. But what is more notable is that Europe sentiment looks to be improving (perhaps the sharply lower EUR and policy stimulus is gaining traction), but China's is waning. It is of course the latter that is more critical for New Zealand's prospects.
- **The NZD continues to outperform but looks fully priced.** The NZD TWI is back above the 79 index level and close to all-time highs against the AUD and EUR. The economic story looks more than fully-priced at these levels when we consider weaker dairy prices, a weakening trade balance and prospects for less economic outperformance (with other trading partners lifting a tad). We're not bearish the NZD, simply acknowledging that at current levels all the good news is more than factored in, leaving us with a downward bias.

Individually, none of the factors above have material implications for our overall forecasts and views. Rather they act to highlight the wide array of developments we keep a track of – both big and small, and at the micro and macro level. Together, they just reinforce the number of tensions and risks that still exist within the outlook. **It is when they begin to send a more synchronised message surrounding the risk profile that we sit up and take notice.** At this stage, we continue to believe the New Zealand economy has the resilience to weather these forces and continue on its current expansion path. But we are watchful. At the same time as keeping a firm eye on the global backdrop, we are also relying heavily on our proprietary indicators and domestic network.

FIGURE 2: RESIDENTIAL CONSENTS BY REGION

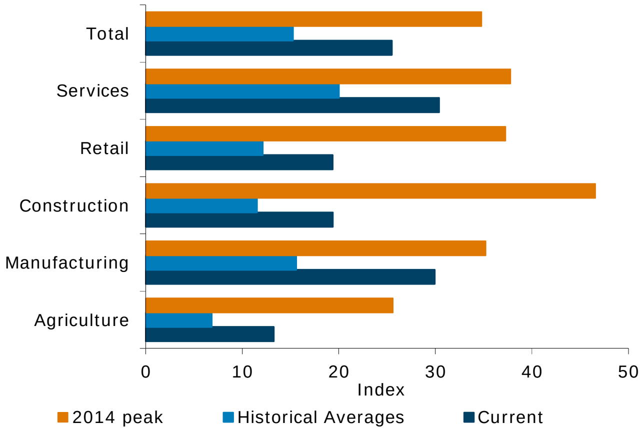


Source: ANZ, Statistics NZ

Turning to the week ahead, **residential building consents are expected to rebound from the softer January result.** The total number of dwelling consents issued dipped 3.8% m/m in January – the second consecutive monthly fall – although they were still 7.7% higher than a year ago. Weakness in the month was particularly pronounced in the ex-apartment category, which fell 7.5% m/m. While there have been some signs of a flatter underlying trend recently (perhaps as higher construction costs begin to have some effect), we are not reading too much into this weakness. Consent issuance is volatile from month to month and there is a higher level of uncertainty over seasonal patterns at this time of year. Moreover, our internal anecdotes suggest that a solid rate of activity growth continues throughout most parts of the country. As a share of the housing stock, consent issuance is still below the historical average, and **we expect building consent numbers to gradually trend higher over the months ahead.**

Non-residential consents, on the other hand, rose strongly in January. Our seasonally adjusted estimates showed the value increasing 18% m/m to $477m – the second highest level since early 2009 (June 2014 was the highest). There is a risk that we see a degree of recoil in the February figures – non-residential consents are lumpy after all. But as with signs of a flattening trend in residential issuance, this would not alarm us. **The pipeline of non-residential work remains large and anecdotes suggest there is still plenty of work, both planned and underway, around the country.**

FIGURE 3: BUSINESS OUTLOOK COMPOSITES



Source: ANZ

As always, the **ANZ *Business Outlook* survey will provide a timely steer on the state of the economy.** The message from the survey of late has been consistent with the overriding picture underpinning New Zealand's economic backdrop at present – a sweet-spot of solid domestic-centric growth and low and contained inflation pressures. While

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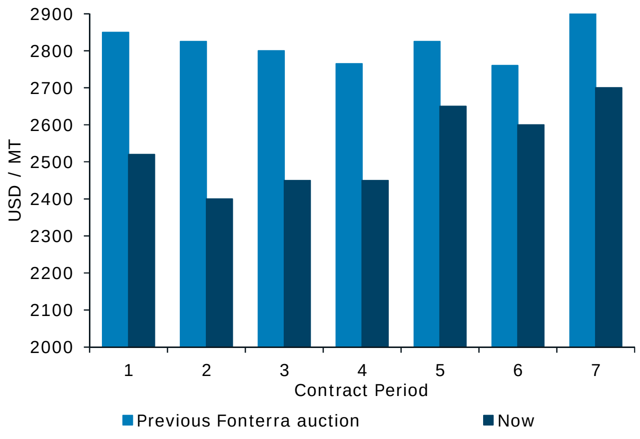
sentiment is down from the lofty levels reached over 2014, it remains elevated. Firms continue to look to put cash to work and intend to hire and invest. In fact, our sector composite indices remain above historical averages for all of the major sectors of the survey (see figure 3) – even the pockets facing current challenges (agriculture and retail).

The RBNZ effectively signalled at their March *MPS* that current low rates of headline inflation were being looked through, given that the drivers are ultimately viewed as transitory (NZD, oil prices, etc). However, it did acknowledge that if price and wage setting behaviour began to increasingly embed this benign inflation backdrop then monetary policy would need to respond. **Because of this focus, the pricing intentions and inflation expectations will be of particular interest within the ANZBO survey**.

The next three GDT auctions shape up as critical in determining where the opening milk price and advance will be pitched for 2015/16 come the end of May. This in turn will have a large influence on dairy farmers' cash flow over the coming 12 months. At this stage we hold a milk price forecast of $5.75/kg MS for 2015/16, and – depending on currency assumptions – the last auction was a touch below this.

FIGURE 4: NZX WMP FUTURES BY CONTRACT PERIOD



Source: ANZ, Bloomberg

This week's auction is looking like it will be softer again – there now appears to be a material risk that much of the improvement in prices seen in February will unwind over the next two months (or an even shorter timeframe). In February there were fears of an early finish to the New Zealand season as dry conditions spread and milk supply rapidly slowed. Conditions have improved in most areas, easing these concerns, but more follow-up rain is required in many parts and there are still some areas where farmers have had to dry their cows off early. That said, the general improvement in conditions has seen Fonterra add more product to this week's auction. While the additional amount isn't much in the scheme of things, and the total being offered is still well back on last year (-31% in the case of whole milk powder), market sentiment is still weak and fragile.

Two additional factors seem to be weighing on market sentiment at present. The first is that **most buyers appear to have their needs covered for Q2, and the second is uncertainty over European milk supply post-quota removal on the 1st April** (the first time in 31 years!). There are a lot of conflicting views on whether or not milk supply will kick-up due to the removal of the quotas, but what is being reported is that many buyers have disappeared from the market as they have adequate cover for now and can afford to take a wait-and-see approach. This sentiment appears to have been reflected in NZX future prices, with near-term contract prices down a lot more than later date contracts since the last auction. If the next three GDT auctions do result in the entire February price rally being unwound, this will place downward pressure on both the 2014/15 and 2015/16 milk price outlook.

It is critical to keep a broader commodity price perspective, with the ANZ Commodity Price Index giving a steer on price trends in the non-dairy space. These prices have fallen for three consecutive months (and four of the past five), to be down 6.8% from their peak. While the level of non-dairy prices is still historically high, further weakness would highlight a clear worrying signal regarding the underlying pace of global demand.

It is notable that credit growth is now once again running at a faster pace than nominal GDP, although this is due largely to recent weakness in the latter (which fell to 2.0% y/y in Q4 on account of terms of trade falls), rather than a sharp acceleration in credit. Outside of this observation, the trends in February data this week should not be too different to what has been seen over recent months. Overall economy-wide credit growth is expected to remain below 5% y/y, which is low in an historical context, but there should be some signs of a lift in both housing and agricultural credit growth. The former is on account of firming housing market activity, while the latter is expected to be boosted by the impact of farmers drawing down on credit lines as dairy cash flow is squeezed by the lower payout.

Globally, the main focus this week will be some key US data – ISM manufacturing and non-farm payrolls. Markets are looking for the ISM to confirm a slightly softer pace of manufacturing growth, and for payrolls to lift by a solid 250K (slightly less than February). There are also again a number of Fed officials speaking this week, which will continue to help guide thoughts on the possible timing of interest rate hikes. Elsewhere, official China manufacturing PMI data will get plenty of attention considering that the HSBC measure fell below the key 50 level last week.

LOCAL DATA

SNZ Merchandise Trade – February. An unadjusted trade surplus of $50m was recorded, seeing the annual deficit widen to $2.2bn.

Fonterra reaffirmed its 2014/15 Milk Price of $4.70/kg MS, but lowered its dividend range to $0.20-0.30 per share.

INTEREST RATE STRATEGY

SUMMARY

US Fed chair Yellen's speech on Friday was the icing on the cake following the dovish FOMC statement earlier this month. Bond markets are likely to remain buoyed by the dovish overtones and cautious approach. Core European sovereign bond yields continue to flirt with record lows, given the liquidity boost provided by ECB QE and with further policy easing enacted (or signalled) by other central banks. A number of demand-side supports are expected to keep OCR settings on hold. Relatively high New Zealand yields continue to stand out, adding to pressure to flatten the curve, with sound fundamentals supporting the NZD.

THEMES

- While a 2015 start to the Fed tightening cycle remains in prospect, recent speeches point to a gradualist, data-dependent approach. Uncertainty is high. Fed chair Yellen is clearly in the camp that believes it's better to be cautious and measured, and catch up if necessary, than to embark on a RBNZ-style pre-set path to normalisation.
- A softer Fed should have seen the USD fall, equities rally and bond yields remain low. The middle pillar went missing (down 2%) and the last leg was flat. When markets are dancing to their own tune we take more note than usual.
- Weaker dairy futures highlight the risk to this week's dairy auction. Recall that dairy prices are one of the "four prongs" we're watching.
- The RBA *Financial Stability Review* highlights pending action to slow investor lending on residential properties across the Tasman, providing more scope for a forthcoming cut in the cash rate.
- Core European bond yields hover around record lows. New Zealand yields eased last week, but continue to stand out on a spread basis.

PREFERRED STRATEGIES – INVESTORS

KEY VIEWS – FOR INVESTORS		
GAUGE	**DIRECTION**	**COMMENT**
Duration	Strategically bullish	FOMC caution, low Europe bond yields make NZ stand out.
2s10s Curve	Neutral/ flatter	Short end held back by resolute RBNZ, long end "going global".
Geographic 10yr spread	Narrower	Spreads remain wide with Europe and have flat-lined with US and Australia.
Swap spreads	Neutral/ wider	Bond demand ahead of index extension likely to be solid.

SHORT END YIELDS ANCHORED BY ON-HOLD OCR

Short-end rates look set to continue oscillating around current levels, with a firm domestic backdrop likely to keep OCR on hold for some time to come, **but we are mindful of tensions elsewhere (e.g. the TWI, dairy prices, the Fed's dovish bias).** This week's ANZ *Business Outlook* will provide updated insights on the business mood, which has been upbeat of late, consistent with the tone of our recent internal anecdotes.

Low dairy prices are one of the weak spots in an otherwise impressive domestic outlook. Ahead of Wednesday night's GDT auction we've seen falls in milk futures, particularly the earlier-dated contracts. This is partly on account of Fonterra increasing the supply of product on offer, but the bigger issue will be the extent to which the official removal of European quotas (which have been in place since 1984) will impact the market. Q2 could see considerably more product on offer, which would depress prices, causing buyers to delay purchasing decisions. Auction results for the next few months will be key for ascertaining whether an improved payout for next season is in prospect (our current pick is $5.75 kg MS). If not, another of our four-pronged criteria for an OCR cut will have been met (dairy prices, structural element to low inflation, elevated TWI, further prudential policy measures). The hurdle to an OCR cut remains high, and the RBNZ seem steadfastly on hold.

Nonetheless, the RBNZ continue to swim against the global tide. By our count, 26 central banks have eased policy settings since the start of the year. Next week sees the RBA rates decision, which is likely to be finely balanced. Last week's RBA *Financial Stability Review* reiterated the Bank's concerns over investor housing, outlining how recent APRA guidelines will be implemented, including a possible increase in capital requirements for individual lending institutions. Unlike the RBNZ, RBA concerns around housing lending were less about financial stability than about the macroeconomic implications, but irrespective of the underlying motivation, the introduction of a macro-prudential policy option will help take pressures off the policy rate. This will provide the RBA with greater scope to cut the cash rate, most likely at the April meeting.

GLOBAL INFLUENCES TO SET DIRECTION FOR LONG-TERM YIELDS

Alongside local policy settings (which will influence the spread), we expect moves in European bonds (currently hovering at historically low levels) and US bonds to dictate local direction and the slope of the yield curve. **Regular readers will be familiar with our bond ladder thematic.** Traditionally, New Zealand yields have been higher than US yields, which have been higher than German or Japanese yields. New Zealand 10-year yields (around 3.3%) have fallen significantly since the start of the year but remain high in relation to US (1.96%) and particularly German

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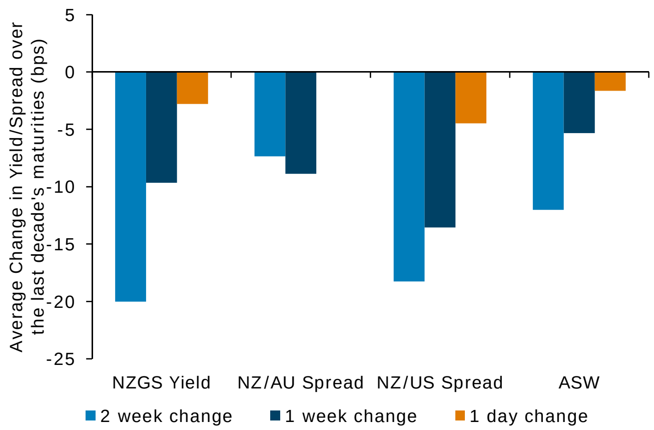
(0.21%) and Japanese yields (0.37%). European yields remain mired close to historic lows, increasing the relative attractiveness of New Zealand investments. There remains pressure for New Zealand yields to fall as yields concertina in.

The direction of US interest rates remains key for New Zealand. In the period since the March Fed decision there has been a flurry of Fed communications, with speeches by a number of Fed members including Yellen, Fischer, Lockhart, George, Bullard and Williams. The general consensus was that the exact timing of the first fed funds rate hike since 2006 would be data dependent, but would take place this year; views on the timing differed.

The Yellen and Fischer speeches emphasised that the path of policy normalisation will also be data dependent and more cautious than in earlier cycles. Yellen outlined the rationale for this, including uncertainty over the level of the neutral fed funds rate, the asymmetric effects of not being easily able to unwind the impacts of tightening too early and the need to support the labour market that was adversely structurally impacted by the GFC. Treasury yields remain below March FOMC meeting levels, with the Fed remaining in front of the curve and setting direction.

FIGURE 1. 10 YEAR NZGS PERFORMANCE AROUND BOND MATURITIES



Source: ANZ, Bloomberg

Local-specific factors will also play a role in coming weeks. We expect demand for long-end bonds to solidify as we head into the maturity of the April 2015 bond, and the consequent approximate 0.53 year lengthening of the duration of the ANZ NZD Government Bond Index. **Analysis of past NZGS maturities going back to 2005 shows a fairly consistent pattern of bond outperformance in the weeks leading up to the maturity** (Figure 1). Indeed, as the table below shows, bonds tend to perform strongly on an outright basis, on a spread to both Australia and the US. While there was some variability around individual outcomes, as a general rule, the bonds performed better over the 2 weeks prior to maturity than they did over the both the week prior and the maturity day itself. With just 16 days to go to maturity, if a similar pattern is observed this year, expect NZGS yields to drift lower, spreads to narrow, the curve to flatten, and Asset Swaps (ASW) to outperform (i.e. swap spreads to widen).

PREFERRED STRATEGIES – BORROWERS

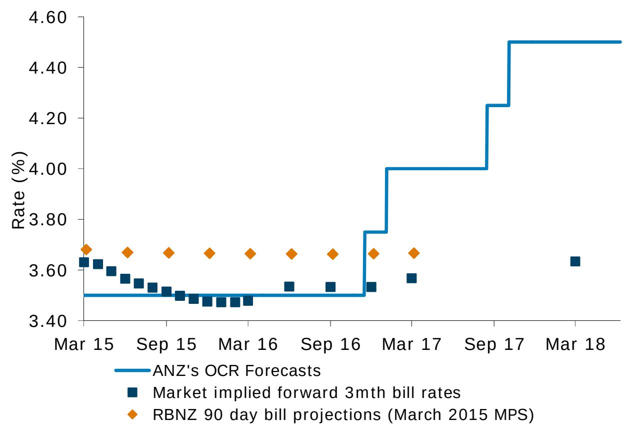
New Zealand interest rates are lower since the start of last week, and are at historically low levels. While this is making hedging a more attractive proposition, with few catalysts pointing to a move higher in global yields there remains limited appeal to add to hedges. With the RBNZ content to remain on hold, global risks still skewed to the downside, and historically low European bond yields expected to limit increases in local yields, our preference is to watch and wait, especially for borrowers with historic cover in place.

KEY VIEWS – FOR BORROWERS		
GAUGE	**VIEW**	**COMMENT**
Hedge ratio	Majority hedged	Historic hedges more than adequate. No immediate reason to add to them now.
Value	Very cheap	Rates are still low despite having risen off February's extreme lows.
Uncertainty	Elevated	Global inflation still key. RBNZ won't hike for a while, so the rationale to hedge is reduced.

MARKET EXPECTATIONS

There is almost one OCR cut priced in by the end of the year. However, our "four pronged" criteria have not yet been met, and the RBNZ are not openly entertaining a cut. Still, markets will continue to pursue this bias given the global scene and elevated TWI.

FIGURE 2. ANZ OCR FORECAST AGAINST MARKET-IMPLIED FORWARD 3MTH BILL RATES AND RBNZ 90 DAY BILL PROJECTIONS



Source: ANZ, Bloomberg

CURRENCY STRATEGY

SUMMARY

The good news story for the NZD looks fully priced around current levels, and we remain of the opinion that the USD is ascendant. However, given the Fed has moved away from forward guidance, volatility is set to increase (again) giving ample opportunity to trade around a firmer USD trend. ANZ sees downside risks for the NZD from the GDT auction this week and we are becoming more mindful that a deteriorating trade position should weigh on TWI performance over time. NZD/AUD remains in technical ascendancy, with the post-Easter RBA rate decision key for AUD. Divergent economic and central bank tones mean dips remain buying opportunities.

TABLE 1: KEY VIEWS			
CROSS	**WEEK**	**MONTH**	**YEAR**
NZD/USD	↓	Supported in a USD bull market	USD to strengthen
NZD/AUD	↓	NZD in better shape than AUD	NZ not immune to global challenges
NZD/EUR	↔	QE/politics keeps EUR weak	EUR remains weak
NZD/GBP	↔/↓	GBP election risk	GBP resurgence
NZD/JPY	↔	Consolidation	Yen weakness

The USD remains in an upwards trend, though high volatility presents opportunities.

THEMES AND RISKS

- Payrolls will drive USD direction, and any surprises will be amplified in an illiquid market Good Friday release.
- US activity data continues to marginally disappoint, meaning that the ISM presents downside risks to USD. However, we see weakness as a correction in a firm USD trend.
- Chinese official PMI's will be closely watched as weakness in Chinese indicators continues to weigh on AUD and NZD.
- NZD is still sensitive to dairy and indications from NZX futures are that more weakness could be forthcoming on Wednesday night's GDT auction.

TABLE 2: KEY UPCOMING EVENT RISK			
EVENT		**WHEN (NZDT)**	**LIKELY IMPACT**
NZD	ANZ business confidence	Tue 13:00	NZD/USD ↑
EUR	European March CPI	Tue 22:00	NZD/EUR ↑
USD	Chicago PM, confidence	Wed 03:00	NZD/USD ↓
CNY	Official PMIs	Wed 14:00	NZD/USD ↓
EUR	Markit PMIs	Wed 21:00	NZD/EUR ↓
GBP	Markit PMI	Wed 21:30	NZD/USD ↓
NZD	GDT auction	Thu am	NZD ↓
USD	ISM	Thu 03:00	NZD/USD ↔
NZD	ANZ commodity prices	Thu 13:00	NZD ↓
AUD	February trade balance	Thu 13:30	NZD/AUD ↑
USD	Payrolls	Sat 01:30	NZD/USD ↓
USD	ISM non-manuf.	Tue 02:00	NZD/USD ↓

EXPORTERS' STRATEGY

Prospective Fed hikes will keep NZD/USD with a downward bias over 2015; exporters should use dips, but keep duration short. NZD/AUD exporters should use any dips to 0.95 to hedge.

IMPORTERS' STRATEGY

Levels above 0.97 NZD/AUD are reasonable; however we do see risks of a higher NZD, thus advocate caution. NZD/USD importers who have hedged in the 0.76's last week may want to wait to see if US data is weak.

DATA PULSE

New Zealand releases were off the radar last week, but **Fonterra results, and weak dairy volumes in the February Trade figures, suggest the NZD still has downside risks driven by dairy**.

European activity data (PMIs) and confidence (IFO) continue to indicate that the **Eurozone is slowly making its way out of recession**. But politics remains a thorn in the EUR's side with progress on Greece required this week.

US data disappointed, but USD found support. February CPI was higher than expected as core CPI remained at 1.7%, consistent with Fed targets. Markit PMIs were solid, suggesting a good ISM print, but the Richmond Fed and durable goods orders were weak, and the economy started Q1 on a weaker footing with Q4 GDP revised down to 2.2% q/q annualised. The message from the Fed was one of caution over the pace of hikes, but that **hikes need to begin in 2015**.

British annual CPI inflation hit zero, but retail sales were strong and the BoE Governor remained optimistic

TABLE 3: NZD VS AUD: MONTHLY GAUGES		
GAUGE	**GUIDE**	**COMMENT**
Fair value	↔/↓	Still above fair value.
Yield	↔/↑	Yield differentials remain a focus.
Commodities	↓	Risks to milk prices
Data	↑	NZ economically outperforming.
Techs	↔/↓	0.9750-0.98 resistance
Sentiment	↑	NZD sentiment positive.
Other	↑	RBA still on easing bias
On balance	↔	**NZD / AUD still supported.**

TABLE 4: NZD VS USD: MONTHLY GAUGES		
GAUGE	**GUIDE**	**COMMENT**
Fair value	↔	Closer to fair value.
Yield	↑	Yield advantage still there.
Commodities	↓	Commodities falling again.
Risk aversion	↔/↑	Volatility increasing and NZ stable
Data	↔	NZ and US data equally strong.
Techs	↔	Wide 0.72-0.76 range.
Other	↓	USD bull market unabated
On balance	↔/↓	**NZD fully priced at current levels**

CURRENCY STRATEGY

TECHNICALS

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

Having re-tested the 0.7675-0.7725 pivot zone, the technical picture is of weakness. The topside does remain pivotal though and moves to re-test this level would quickly negate the negative picture. Downside of the 0.72 level remains very firm indicating buying near it remains attractive.

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

The technical picture of the NZD/AUD remains very firm. The ability to sustain above 0.97, a 38.2% extension of the run off the lows, does suggest a move toward parity (the 50% extension) is probable at some stage.

TABLE 5: KEY TECHNICAL ZONES		
CROSS	**SUPPORT**	**RESISTANCE**
NZD/USD	0.7180 – 0.7200	0.7650 – 0.7700
NZD/AUD	0.9650 - 0.9680 0.9480 – 0.9520	0.9750 – 0.9800 1.0000
NZD/EUR	0.6830 – 0.6860	0.71 & 0.73
NZD/GBP	0.4780 - 0.4800	0.5150 – 0.5200
NZD/JPY	87.75 – 88.25	91.50 – 92.00

POSITIONING

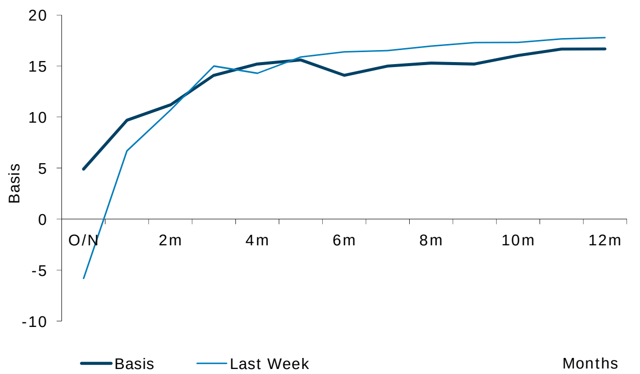
The EUR bear trade continues with markets using the EUR/USD bounce to increase EUR shorts. Other positioning was essentially unchanged with AUD positioning remaining at half what it was a few weeks ago, and NZ positioning is essentially zero.

GLOBAL VIEWS

ANZ expects current USD weakness to be relatively short-lived, as the US economy bounces back from the transitory factors driving weakness in Q1. We expect a substantial bounce-back in Q2 data. This should see NZD/USD remain well offered on further strength. We're not viewing the Fed's recent dovish tilts as too much of a surprise. Vulnerabilities in EM are likely to continue to surface as USD liquidity tightens. China is a source of downside economic and financial risks, and hedging activity from EM countries, which are short USD liabilities, will remain dollar supportive.

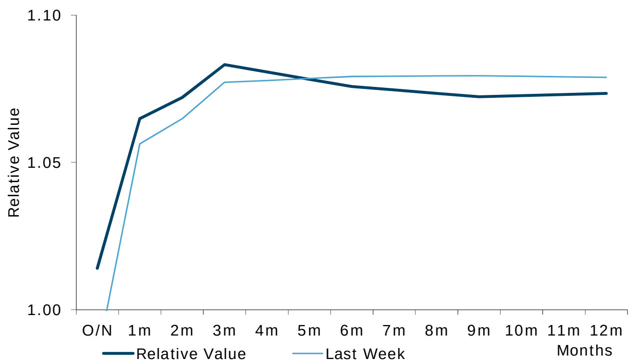
FORWARDS: CARRY AND BASIS

FIGURE 3. NZD/USD SHORT BASIS CURVE



Basis has been quiet in what has been a thin market. ANZ expects March quarter end to see implied yields testing higher – driving basis widening – and making it attractive to receive into these flows.

FIGURE 4. RELATIVE ATTRACTION OF THE FWD CURVE



Sources: ANZ, Bloomberg, Reuters

DATA EVENT CALENDAR

DATE	COUNTRY	DATA / EVENT	MKT.	LAST	NZ TIME
30-Mar	UK	Net Consumer Credit - Feb	£0.9B	£0.8B	21:30
	UK	Net Lending Sec. on Dwellings - Feb	£1.6B	£1.6B	21:30
	UK	Mortgage Approvals - Feb	61.5K	60.8K	21:30
	UK	Money Supply M4 MoM - Feb	--	-0.8%	21:30
	UK	M4 Money Supply YoY - Feb	--	-2.2%	21:30
	UK	M4 Ex IOFCs 3M Annualised - Feb	5.2%	5.5%	21:30
	EC	Business Climate Indicator - Mar	0.18	0.07	22:00
	EC	Industrial Confidence - Mar	-4.0	-4.7	22:00
	EC	Consumer Confidence - Mar F	-3.7	-3.7	22:00
	EC	Economic Confidence - Mar	103.0	102.1	22:00
	EC	Services Confidence - Mar	5.2	4.5	22:00
31-Mar	GE	CPI MoM - Mar P	0.4%	0.9%	01:00
	GE	CPI YoY - Mar P	0.3%	0.1%	01:00
	GE	CPI EU Harmonized MoM - Mar P	0.5%	1.0%	01:00
	GE	CPI EU Harmonized YoY - Mar P	0.1%	-0.1%	01:00
	US	Personal Income - Feb	0.3%	0.3%	01:30
	US	Personal Spending - Feb	0.2%	-0.2%	01:30
	US	PCE Deflator MoM - Feb	0.2%	-0.5%	01:30
	US	PCE Deflator YoY - Feb	0.3%	0.2%	01:30
	US	PCE Core MoM - Feb	0.1%	0.1%	01:30
	US	PCE Core YoY - Feb	1.3%	1.3%	01:30
	US	Pending Home Sales MoM - Feb	0.4%	1.7%	03:00
	US	Pending Home Sales NSA YoY - Feb	8.7%	6.5%	03:00
	US	Dallas Fed Manf. Activity - Mar	-9.0	-11.2	03:30
	NZ	Building Permits MoM - Feb	--	-3.8%	10:45
	AU	ANZ-RM Consumer Confidence Index - 29-Mar	--	111.4	11:30
	UK	GfK Consumer Confidence - Mar	2	1	12:05
	AU	HIA New Home Sales MoM - Feb	--	1.8%	13:00
	NZ	ANZ Activity Outlook - Mar	--	40.9	13:00
	NZ	ANZ Business Confidence - Mar	--	34.4	13:00
	AU	Private Sector Credit MoM - Feb	0.5%	0.6%	13:30
	AU	Private Sector Credit YoY - Feb	6.3%	6.2%	13:30
	NZ	Money Supply M3 YoY - Feb	--	6.2%	15:00
	GE	Retail Sales MoM - Feb	-0.7%	2.3%	19:00
	GE	Retail Sales YoY - Feb	3.4%	5.3%	19:00
	GE	Unemployment Change (000's) - Mar	-12K	-20K	20:55
	GE	Unemployment Rate - Mar	6.5%	6.5%	20:55
	UK	Current Account Balance - Q4	-£22.0B	-£27.0B	21:30
	UK	GDP QoQ - Q4 F	0.5%	0.5%	21:30
	UK	GDP YoY - Q4 F	2.7%	2.7%	21:30
	UK	Total Business Investment QoQ - Q4 F	--	-1.4%	21:30
	UK	Total Business Investment YoY - Q4 F	--	2.1%	21:30
	UK	Index of Services MoM - Jan	0.3%	0.6%	21:30
	UK	Index of Services 3M/3M - Jan	0.8%	0.8%	21:30
	EC	Unemployment Rate - Feb	11.2%	11.2%	22:00
	EC	CPI Estimate YoY - Mar	-0.1%	-0.3%	22:00
	EC	CPI Core YoY - Mar A	0.7%	0.7%	22:00
1-Apr	US	ISM Milwaukee - Mar	51.5	50.32	02:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA / EVENT	MKT.	LAST	NZ TIME
1-Apr	US	S&P/CS 20 City MoM SA - Jan	0.70%	0.87%	02:00
	US	S&P/CS Composite-20 YoY - Jan	4.60%	4.46%	02:00
	US	S&P/CaseShiller 20-City Index NSA - Jan	172.9	173.02	02:00
	US	Chicago Purchasing Manager - Mar	51.8	45.8	02:45
	US	Consumer Confidence Index - Mar	96.4	96.4	03:00
	AU	AiG Perf of Mfg Index - Mar	--	45.4	11:30
	JN	Tankan Large Mfg Index - Q1	14	12	12:50
	JN	Tankan Large Mfg Outlook - Q1	16	9	12:50
	JN	Tankan Large Non-Mfg Index - Q1	17	16	12:50
	JN	Tankan Large Non-Mfg Outlook - Q1	18	15	12:50
	JN	Tankan Large All Industry Capex - Q1	0.5%	8.9%	12:50
	AU	Building Approvals MoM - Feb	-4.0%	7.9%	13:30
	AU	Building Approvals YoY - Feb	10.7%	9.1%	13:30
	CH	Manufacturing PMI - Mar	49.7	49.9	14:00
	CH	Non-manufacturing PMI - Mar	--	53.9	14:00
	CH	HSBC China Manufacturing PMI - Mar F	49.3	49.2	14:45
	AU	Commodity Index YoY - Mar	--	-20.6%	18:30
	GE	Markit/BME Manufacturing PMI - Mar F	52.4	52.4	20:55
	EC	Markit Manufacturing PMI - Mar F	51.9	51.9	21:00
	UK	Markit PMI Manufacturing SA - Mar	54.4	54.1	21:30
2-Apr	US	MBA Mortgage Applications - 27-Mar	--	9.5%	00:00
	US	ADP Employment Change - Mar	225K	212K	01:15
	US	Markit Manufacturing PMI - Mar F	55.3	55.3	02:45
	US	Construction Spending MoM - Feb	-0.1%	-1.1%	03:00
	US	ISM Manufacturing - Mar	52.5	52.9	03:00
	US	ISM Prices Paid - Mar	38	35	03:00
	NZ	QV House Prices YoY - Mar	--	6.4%	12:00
	AU	TD Securities Inflation MoM - Mar	--	0.0%	12:30
	AU	TD Securities Inflation YoY - Mar	--	1.3%	12:30
	NZ	ANZ Commodity Price - Mar	--	1.8%	13:00
	AU	Job vacancies - Feb	--	2.6%	13:30
	AU	Trade Balance - Feb	-1300M	-980M	13:30
	UK	Markit/CIPS Construction PMI - Mar	59.8	60.1	21:30
3-Apr	US	Initial Jobless Claims - 28-Mar	285K	282K	01:30
	US	Continuing Claims - 21-Mar	2405K	2416K	01:30
	US	Trade Balance - Feb	-$41.3B	-$41.8B	01:30
	US	ISM New York - Mar	--	63.1	02:45
	US	Factory Orders - Feb	-0.4%	-0.2%	03:00
	CH	HSBC China Composite PMI - Mar	--	51.8	14:45
	CH	HSBC China Services PMI - Mar	--	52	14:45
4-Apr	US	Change in Nonfarm Payrolls - Mar	248K	295K	01:30
	US	Change in Manufact. Payrolls - Mar	10K	8K	01:30
	US	Unemployment Rate - Mar	5.5%	5.5%	01:30
	US	Average Hourly Earnings MoM - Mar	0.2%	0.1%	01:30
	US	Average Hourly Earnings YoY - Mar	2.0%	2.0%	01:30

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

Our expectation is for no change to OCR settings for the foreseeable future. The risk profile is tilted to the downside, flagging the possibility of OCR cuts in time.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 31 Mar (10:45am)	Building Consents – Feb	Rebound	Rebound from January falls, with ex-apartment volumes up 7-10%. Some recoil expected for non-residential issuance.
Tue 31 Mar (1:00pm)	ANZ Business Outlook – Mar	--	--
Tue 31 Mar (3:00pm)	RBNZ Credit Aggregates – Feb	Sub 5%	Sub 5% y/y for economy-wide growth. Rising agriculture/household credit growth.
Thur 2 Apr (early am)	GlobalDairyTrade auction	Further unwind	Low (but rising) supply up against weak Chinese demand. Milk futures giving a worrying signal.
Thur 2 Apr (12:00pm)	QV House Prices – Mar	Renewed strength	Annual growth is likely to have increased modestly from last month's 6.4% rate.
Thur 2 Apr (1:00pm)	ANZ Commodity Price Index – Mar	--	--
Thur 9 Apr (10:00am)	ANZ Truckometer – Mar	--	--
Fri 10 Apr (10:00am)	Crown Financial Statements – Feb	Holding up	Expected to track marginally above HYEFU projections, with risks tilted towards the return to an Obegal surplus by 2015/16.
13-17 Apr	REINZ Housing Data – Mar	Divergence	An Auckland versus the rest of New Zealand divide with regard to house price inflation should continue.
Mon 13 Apr (10:45am)	Electronic Card Transactions – Mar	Flat	The boost from the Cricket World Cup and Chinese New Year should have peaked.
Tue 14 Apr (10:00am)	NZIER Quarterly Survey of Business Opinion – Q1	Robust	Bounce in confidence. Evidence of capacity constraints will exist, but pricing and cost pressures to remain contained.
Wed 15 Apr (10:45am)	Food Price Index – Mar	Down	Small seasonal fall expected. Food prices expected to increase 0.8% in Q1. Global food price backdrop remains benign.
Wed 15 Apr (1:00pm)	ANZ Monthly Inflation Gauge – Mar	--	--
Thur 16 Apr (early am)	GlobalDairyTrade auction	Sentiment is weak	Low (but rising) supply up against weak Chinese demand.
Thur 16 Apr (10:00am)	ANZ Job Ads – Mar	--	--
Thur 16 Apr (10:30am)	BNZ Business NZ PMI – Mar	Mid 50's	High NZD TWI impact to offset strengthening construction sector.
Thur 16 Apr (1:00pm)	ANZ Roy Morgan Consumer Confidence – Apr	--	--
Mon 20 Apr (10:30am)	BNZ Business NZ PSI – Mar	Mid to high 50's	Sentiment in the services sector is solid and a key driver of the expansion.
Mon 20 Apr (10:45am)	CPI – Q1	Disinflation	A -0.3% q/q fall in headline inflation led by petrol price falls. Our Monthly Gauge suggests outside of housing and cost-push areas underlying inflation should remain benign.
Thur 23 Apr (10:45am)	International Travel & Migration – Mar	Solid	Monthly net PLT inflows are likely to hold near 5K. Visitor arrivals should reverse the Chinese New Year effect.
Thur 23 Apr (3:00pm)	RBNZ Credit Card Billings – Mar	Flat	As with ECT data, the Cricket World Cup and Chinese New Year effect should have peaked.
Wed 29 Apr (10:45am)	Merchandise Trade – Mar	Widening annual deficit	Greater signs of a drought impact on dairy export volumes, with the annual deficit continuing to widen.
Wed 29 Apr (1:00pm)	ANZ Business Outlook – Apr	--	--
On balance		**Data watch**	**Tracking along fine, but the risks are tilted to the downside.**

KEY FORECASTS AND RATES

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
GDP (% qoq)	0.8	**0.5**	**0.7**	**0.9**	**0.8**	**0.7**	**0.6**	**0.6**	**0.6**	**0.6**
GDP (% yoy)	3.5	**3.0**	**3.0**	**3.0**	**3.0**	**3.2**	**3.1**	**2.8**	**2.6**	**2.6**
CPI (% qoq)	-0.2	**-0.3**	**0.4**	**0.5**	**0.0**	**0.4**	**0.5**	**0.6**	**0.2**	**0.2**
CPI (% yoy)	0.8	**0.2**	**0.3**	**0.4**	**0.6**	**1.3**	**1.4**	**1.6**	**1.8**	**1.8**
Employment (% qoq)	1.2	**0.6**	**0.5**	**0.4**	**0.4**	**0.3**	**0.3**	**0.3**	**0.3**	**0.3**
Employment (% yoy)	3.5	**3.1**	**3.3**	**2.9**	**2.1**	**1.8**	**1.5**	**1.4**	**1.2**	**1.2**
Unemployment Rate (% sa)	5.7	**5.5**	**5.4**	**5.4**	**5.3**	**5.2**	**5.1**	**5.1**	**5.1**	**5.1**
Current Account (% GDP)	-3.3	**-4.1**	**-4.4**	**-4.6**	**-4.8**	**-4.8**	**-4.9**	**-4.9**	**-5.0**	**-5.0**
Terms of Trade (% qoq)	-1.9	**-0.5**	**0.5**	**0.6**	**0.3**	**-0.1**	**-0.3**	**-0.4**	**-0.5**	**-0.5**
Terms of Trade (% yoy)	-4.6	**-6.7**	**-6.3**	**-1.3**	**1.0**	**1.4**	**0.5**	**-0.4**	**-1.2**	**-1.2**

	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
Retail ECT (% mom)	-0.1	-0.2	0.8	0.1	1.0	-0.3	-0.1	-0.3	1.0	--
Retail ECT (% yoy)	4.0	5.1	4.1	5.4	5.7	3.3	3.5	4.0	3.8	--
Credit Card Billings (% mom)	0.9	-0.8	1.0	0.2	1.3	0.5	-0.6	2.0	-0.1	--
Credit Card Billings (% yoy)	6.0	4.5	4.3	4.5	6.8	5.2	4.6	6.2	5.8	--
Car Registrations (% mom)	3.0	1.9	-1.3	3.2	-1.8	0.2	2.1	-0.7	-0.3	--
Car Registrations (% yoy)	25.2	16.6	18.7	31.1	21.3	16.5	21.0	17.1	12.1	--
Building Consents (% mom)	4.7	-1.8	1.1	-13.3	10.7	10.4	-2.3	-3.8	--	--
Building Consents (% yoy)	22.4	22.9	21.3	1.5	13.1	13.7	3.9	7.7	--	--
REINZ House Price Index (% yoy)	6.3	5.9	4.8	4.1	3.9	6.0	6.0	7.5	6.1	--
Household Lending Growth (% mom)	0.4	0.3	0.3	0.3	0.4	0.4	0.5	0.5	--	--
Household Lending Growth (% yoy)	5.3	5.2	5.0	4.8	4.8	4.6	4.7	4.8	--	--
ANZ Roy Morgan Consumer Conf.	131.9	132.7	125.5	127.7	123.4	121.8	126.5	128.9	124.0	124.6
ANZ Business Confidence	42.8	39.7	24.4	13.4	26.5	31.5	30.4	..	34.4	--
ANZ Own Activity Outlook	45.8	45.1	36.6	37.0	37.8	41.7	37.3	..	40.9	--
Trade Balance ($m)	240	-943	-465	-1359	-892	-283	-199	33	50	--
Trade Bal ($m ann)	1189	1034	1805	667	-56	-492	-1182	-1434	-2181	--
ANZ World Commodity Price Index (% mom)	-1.0	-2.5	-3.5	-1.3	-0.9	-1.4	-4.4	1.0	1.8	--
ANZ World Comm. Price Index (% yoy)	0.0	-3.2	-7.3	-9.5	-11.5	-12.5	-17.2	-17.3	-16.6	--
Net Migration (sa)	4260	4530	4720	4710	5220	4990	4080	5470	4830	--
Net Migration (ann)	38338	41043	43483	45414	47684	49836	50922	53797	55121	--
ANZ Heavy Traffic Index (% mom)	-0.3	2.0	-1.6	2.8	0.8	-2.9	3.3	0.8	-1.3	--
ANZ Light Traffic Index (% mom)	-1.1	0.3	0.8	0.9	0.3	-1.1	2.1	0.0	1.0	--

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	Jan-15	Feb-15	Today	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
NZD/USD	0.726	0.756	0.754	0.73	0.72	0.70	0.70	0.69	0.69	0.68
NZD/AUD	0.935	0.969	0.976	0.96	0.97	0.96	0.97	0.97	0.97	0.97
NZD/EUR	0.643	0.676	0.694	0.70	0.71	0.71	0.74	0.69	0.66	0.62
NZD/JPY	85.31	90.49	89.90	88.3	88.6	86.8	87.5	86.9	87.6	87.4
NZD/GBP	0.482	0.490	0.507	0.49	0.49	0.47	0.45	0.45	0.45	0.44
NZ$ TWI	76.0	79.3	78.9	78.7	79.1	77.8	78.7	76.7	75.8	74.0
INTEREST RATES	Jan-15	Feb-15	Today	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
NZ OCR	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
NZ 90 day bill	3.67	3.63	3.64	3.80	3.80	3.80	3.80	3.80	3.80	3.80
NZ 10-yr bond	3.18	3.29	3.24	3.10	2.90	2.80	2.80	2.90	3.10	3.20
US Fed funds	0.25	0.25	0.25	0.19	0.50	0.50	0.75	1.00	1.25	1.50
US 3-mth	0.25	0.26	0.28	0.39	0.70	0.70	0.95	1.20	1.45	1.70
AU Cash Rate	2.50	2.25	2.25	2.25	2.00	2.00	2.00	2.00	2.00	2.00
AU 3-mth	2.56	2.33	2.23	2.40	2.20	2.30	2.30	2.30	2.30	2.30

Forecasts finalised as at 13 March 2015

	27 Feb	23 Mar	24 Mar	25 Mar	26 Mar	27 Mar
Official Cash Rate	3.50	3.50	3.50	3.50	3.50	3.50
90 day bank bill	3.63	3.62	3.63	3.63	3.64	3.64
NZGB 12/17	3.16	3.09	3.08	3.08	3.04	3.09
NZGB 03/19	3.17	3.11	3.10	3.10	3.06	3.10
NZGB 04/23	3.27	3.24	3.23	3.23	3.18	3.21
NZGB 04/27	3.35	3.33	3.33	3.32	3.27	3.30
2 year swap	3.57	3.57	3.57	3.56	3.55	3.56
5 year swap	3.62	3.59	3.59	3.58	3.55	3.57
RBNZ TWI	78.3	78.24	79.20	79.55	79.55	79.03
NZD/USD	0.7565	0.74	0.76	0.76	0.76	0.76
NZD/AUD	0.9631	0.97	0.97	0.97	0.97	0.97
NZD/JPY	90.00	89.78	90.88	91.42	91.47	90.46
NZD/GBP	0.4866	0.50	0.51	0.51	0.51	0.51
NZD/EUR	0.6655	0.70	0.70	0.70	0.70	0.69
AUD/USD	0.7855	0.77	0.78	0.79	0.79	0.78
EUR/USD	1.1367	1.07	1.08	1.09	1.09	1.10
USD/JPY	118.97	120.71	120.00	119.75	119.63	119.31
GBP/USD	1.5547	1.48	1.49	1.49	1.49	1.49
Oil (US$/bbl)	50.25	44.02	46.00	47.40	47.03	48.75
Gold (US$/oz)	1209.70	1171.40	1182.30	1185.95	1189.35	1198.65
Electricity (Haywards)	13.80	8.25	8.47	8.85	9.65	9.26
Baltic Dry Freight Index	540	594	597	598	598	596
Milk futures (USD)	115	103	102	102	102	103

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