ANZ RESEARCH

NEW ZEALAND ECONOMICS
MARKET FOCUS

17 August 2015

INSIDE

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BUNGY CORD

ECONOMIC OVERVIEW

The economy is entering a more delicate period as growth slows to "stall speed" (1-2%). We don't see enough domestically to drive it below this rate, particularly given the role of traditional economic stabilisers (the RBNZ and the NZD). However, global risks leave us mindful, and China remains at the top of our watch list. This week, we should receive confirmation that global dairy prices have bottomed (found the bungy cord attached), but any bounce must be put in context of current depressed levels and the need for prices to recover a long way before Fonterra's new payout estimate will be hit, let alone domestic farmer profitability restored.

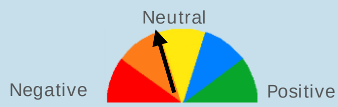
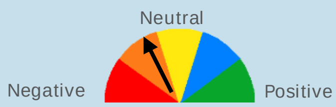
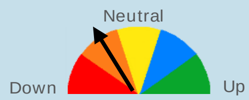
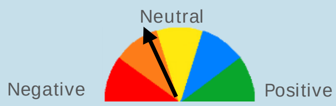
INTEREST RATE STRATEGY

Local markets look set to remain range-bound for the remainder of the month, with volumes light, Europe on holiday, a sensible amount of easing priced in, and almost four weeks until the September *MPS*. While we see the risk profile as skewed lower in a strategic and three-month sense, we are tactically bearish on short-term rates given current market pricing. We still take odds with the tick-shaped curve that implies an increase in the OCR from mid-2016. This seems premature, and as such we expect the short end of the curve to flatten. There is also considerable scope for flattening pressure to extend to longer-term rates, as the market reassesses the magnitude of hikes built into the interest rate term structure. The Fed is inching ever closer to lift-off, but low inflation, expansionary global monetary policy, falling oil prices, and a negatively skewed risk profile should cap long-term global yields.

CURRENCY STRATEGY

We retain a negative strategic bias toward the NZD/USD, but continue to be tactically neutral. Indicators are suggesting dairy prices will bounce, which risks a short-term NZD squeeze, but any dairy bounce just removes exaggerated negative risks and the outlook for monetary policy is unchanged; we still see rates as headed lower. Thus, we continue to view any pull-backs as opportunities to establish short positions for the medium-term, but the lack of near-term catalysts allow patience. NZD/AUD looks to have defined a new range, and is close to support.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.1% y/y for 2016 Q2	Economic momentum is slowing to "stall speed". The global backdrop sees the risk profile skewed lower.	
Unemployment rate	6.1% 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	1.6% y/y for 2016 Q2	Sub-1% annual inflation over 2015. Benign global backdrop; domestic pricing pressures contained so far.	

ECONOMIC OVERVIEW

SUMMARY

The economy is entering a more delicate period as growth slows to "stall speed" (1-2%). We don't see enough domestically to drive it below this rate, particularly given the role of traditional economic stabilisers (the RBNZ and the NZD). However, global risks leave us mindful, and China remains at the top of our watch list. This week, we should receive confirmation that global dairy prices have bottomed (found the bungy cord attached), but any bounce must be put in context of current depressed levels and the need for prices to recover a long way before Fonterra's new payout estimate will be hit, let alone domestic farmer profitability restored.

FORTHCOMING EVENTS

GlobalDairyTrade Auction Results (early am, Wednesday, 19 August). Has the bottom in prices been seen? We believe so. NZX futures prices are pointing to a decent bounce.

PPI – Q2 (10:45am, Wednesday, 19 August). Both input and output prices should fall courtesy of commodity price weakness and lower wholesale electricity prices.

ANZ Job Ads – July (10:00am, Thursday, 20 August).

ANZ Roy Morgan Consumer Confidence – August (1:00pm, Thursday, 20 August).

International Travel & Migration – July (10:45am, Friday, 21 August). The pace of monthly net inflows has stabilised around 5K. Annual net inflow will peak shortly, although there is little sign of moderation just yet.

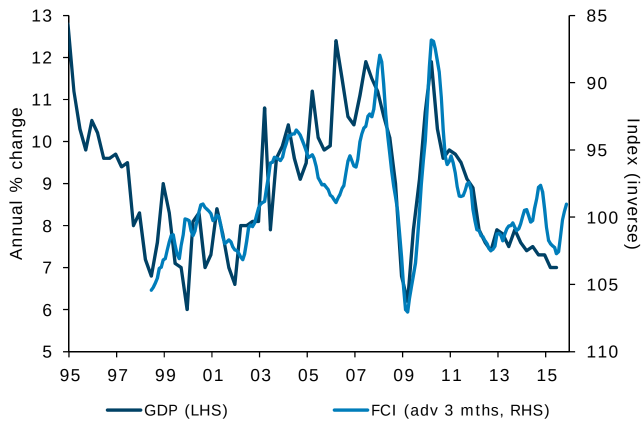
WHAT'S THE VIEW?

The economy still has reasonable momentum, but is entering a more delicate period with growth slipping to stall speed. We term growth in the 1-2 percent range as "stall speed" simply because it's a rate that is neither here nor there. The economy is growing, but in an increasingly stuttering fashion. It is also a rate at which the economy is more susceptible to additional negative events. We can't see enough negatives in the local picture to cause growth to slip below this pace; the traditional stabilisers (monetary policy and lower NZD) will avert that. But looking globally, we are mindful.

Sharply weaker growth typically takes an offshore catalyst and that will likely be required this time around too. Almost all New Zealand recessions have been linked to global events. But even then we need to be circumspect about the possible impact of such events, considering the RBNZ still has scope to ease a long way, the NZD has the potential to fall further, and fiscal policy has ammunition. Additionally, some sectors are still doing well, dairy challenges aside. We noted one commentator saying confidence doesn't drive growth; that's true. But it's equally true that you can talk yourself into lower growth, which is the danger if Chicken Little is not kept in the coop. It's also important to note that the economy does not have the same degree of internal vulnerabilities as it had in previous cycles (household saving is better, net external debt to GDP is lower, there are better financial sector firewalls in place etc), though there are certainly areas where we can say the economy is more vulnerable (house prices are more stretched).

When we look across the various potential contenders for this global "event", China remains at the top of our watch list. But on some levels we should be encouraged by recent developments. The PBoC is providing stimulus and has the fire power to do more (our Chinese colleagues expect additional RRR and interest rate cuts in Q3). The country has a massive net external asset position and some reasons for the current growth slowdown are a positive thing (eg the clamp-down on corruption). Official figures still have the economy running along nicely at around 7% and financial conditions have eased. Moreover, the liberalisation of China's financial markets is actually a good thing. Let's not forget, China naysayers have been around for years.

FIGURE 1. CHINA FINANCIAL CONDITIONS



Source: ANZ, Bloomberg

All that said, it doesn't take a genius to work out the risk profile across the region.

- **Partial indicators (or anecdotes) don't necessarily tie in with headline GDP figures.** The official manufacturing PMI has been flat year-to-date (averaging just 50). Industrial production, electricity generation, car sales and

ECONOMIC OVERVIEW

steel production are all slowing. In addition, Chinese exports contracted 8.9% y/y in July.

- **Equity market volatility remains high and sentiment delicate.** Corporate debt levels are high, a lower yuan raises offshore debt, and the Fed is on course to raise interest rates. Brace for more volatility.
- **You have an economy navigating a complex process of change as market forces come to bear.** That brings opportunities, but challenges and frictions to manage. It's not human nature to follow market forces in an orderly fashion. That's where bubbles can both form and unwind.
- **Currencies don't get devalued for no reason (the PBoC devalued the yuan by about 3% last week).** Optimists will point to this as being part of structural moves towards increased financial market liberalisation. Sceptics will say its timing and direction is a sign of emerging internal stresses.
- **Global commodity prices are weak;** supply-side facets are in play but demand is too. The broad CRB index is at the lowest levels since 2003, and below levels hit during the GFC.
- **Asia looks to be experiencing a 'trade recession',** which is causing a significant drag on growth in the likes of the ASEAN region – another key destination for our exports. Last week ANZ put through meaningful downgrades to our ASEAN growth forecasts.

So even though our economic forecasts show the New Zealand economy slowing and then holding at a very modest 1-2% pace of growth over the next 12 to 18 months, the global backdrop and the possibility of something untoward occurring still means we need to be watchful.

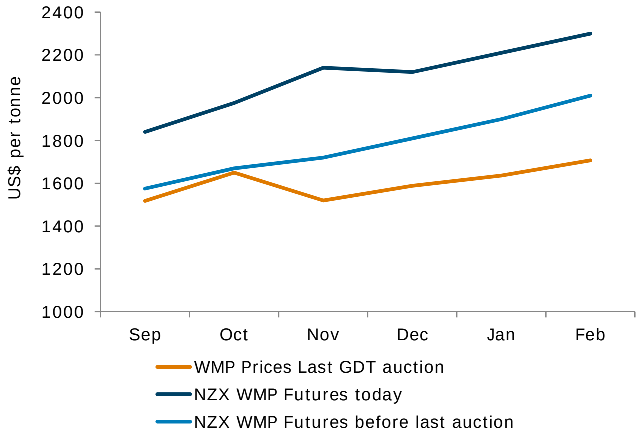
In the week ahead the GlobalDairyTrade auction will be a key focal point and we believe the bottom in prices has been seen. The 25.9% fall in average winning prices over the last three auctions looked distinctly like capitulation, which is often a precursor to a turning point. Commentators have turned almost uniformly bearish, dairying has turned into a political football and we note that it's often "darkest just before dawn". So some subtle contrarian indicators are now pointing up not down! There are growing anecdotes that dairy production will be far softer this season than the 2 percent fall projected by Fonterra (we believe closer to 4 percent) and we only need to cast our minds back to early 2015 when drought and less production was mooted to see the subsequent impact on prices.

Prices will be supported by a sharp drop in GDT volumes for the next three months (-31% for WMP, or 47,350 tonne vs. previous forecasts). Fonterra have been at pains to point out the reduction is not increasing inventory and is due to a change in product mix, better sales via other channels and lower anticipated New Zealand supply.

NZX future prices are pointing to an aggressive lift from rock bottom (WMP +32% and SMP +25%). In addition to undershooting arguments, there is a lot of chatter about increased buying from China via other sales channels – and at price premiums well above GDT levels.

We think the bottom has been reached (especially considering we didn't think we would see powder prices at US$1,400-$1,600/t), but we remain cautious on the extent of the likely rebound at this stage with a 5-10% lift this week being more realistic. While premiums via other channels should support GDT prices, it remains to be seen how much demand is being satisfied via the other sale channels and to what extent this reduces buyers' activity via GDT. There needs to be more concrete evidence of increased Chinese demand, lower New Zealand supply and reduced offshore inventories, which are still being reported as high.

FIGURE 2. NZX WMP FUTURES BY CONTRACT PERIOD



Source: ANZ, NZX, GlobalDairyTrade

And importantly, from a dairy farmer perspective, prices need to improve substantially to even hit Fonterra's latest $3.85/kg MS milk price forecast, let alone restore profitability. It depends on the timing and extent of recovery, but prices need to get back into the US$2,000-$2,200 range as soon as possible to achieve it. And even at this level it means most businesses will still make a loss. International prices would need to go well north of US$2,500/t, and sooner rather than later, to even begin to restore

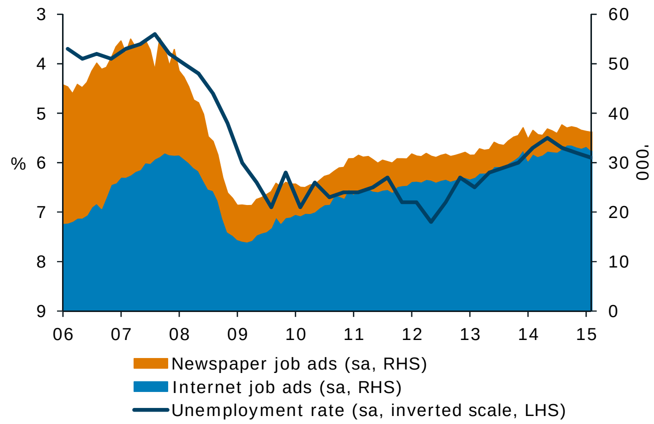
ECONOMIC OVERVIEW

profitability. This seems unlikely, with most major international dairy processors pushing their expectations for a substantial recovery above these levels back into mid-2016, which will influence the 2016/17 outlook more than 2015/16.

In other events this week, **a couple of our proprietary indicators (job ads and consumer confidence) will provide another timely update on the state of domestic economic momentum this week.** A flattening trend in job advertising since the start of the year (total ads have fallen in five of the past six months) provided an early signal that labour demand was beginning to cool from its previous strong pace. This was reinforced by falls in firms' hiring intentions. This softer labour demand trend has of course subsequently been confirmed by official labour market data, with HLFS employment rising by a modest 0.3% q/q in Q2.

The job ads data has also provided a clear indication of the regional aspects of this softer demand, with labour conditions weakening in the likes of Canterbury, the Waikato and the Manawatu, while they are stronger (although still softening) in Auckland. Part of this simply reflects a more mature business cycle and skill shortages. However, it also suggests employers are increasingly thinking twice before advertising for new staff as a result of strengthening economic headwinds. The unemployment rate rose to 5.9% in the June quarter on the back of this softer labour demand and still-strong supply-side growth. We expect it to hover around this level for the next 12 months or so.

FIGURE 3. JOB ADS VS UNEMPLOYMENT RATE

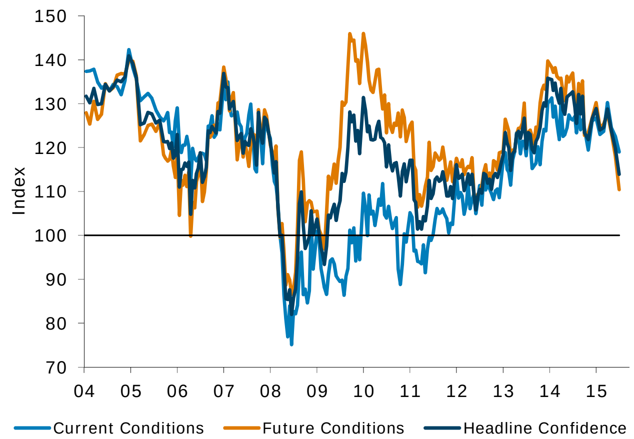


Source: ANZ, Statistics NZ, Seek, Trade Me, Dominion Post, Hawke's Bay Today, Manawatu Standard, NZ Herald, ODT, The Press, Waikato Times

Consumer confidence has retreated from highs over recent months. While the seasonal winter blues are partly to blame, there are other factors at play too and these forces continue to linger. The ANZ-Roy Morgan Consumer Confidence Index has fallen 15 points this year to be back below its historical average and near the lowest level in three years. It is little wonder, with dairy sector stress percolating through the rural regions, the Canterbury economy cooling on the back of less impetus from the earthquake rebuild, and global ructions and risks clear to see.

Interestingly, however, **consumers are more upbeat when asked about their own household's prospects** (rather than the economy more broadly). This possibly reflects the fact that nationwide house prices continue to rise, mortgage interest rates are falling and petrol prices remain low. The previously strong labour market (despite low nominal wage growth) has also likely contributed. The majority of these forces remain in place, although it will be interesting to see how consumer sentiment fares if the softening in labour market conditions continues.

FIGURE 4. CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

Producer price data for Q2 should confirm benign inflation pressures overall. Admittedly it does feel a little "old" now considering CPI data has already been released, and we also know how commodity prices fared over the quarter. We are expecting both input and output prices to have retreated over the quarter (with the former expected to fall by a slightly larger amount). Driving this expectation are falls in imported crude oil prices, weaker export commodity prices and falls in wholesale electricity prices. At around -4½% and -3½% below last year's levels respectively, input and output prices are expected to be on par with GFC (deflation) rates.

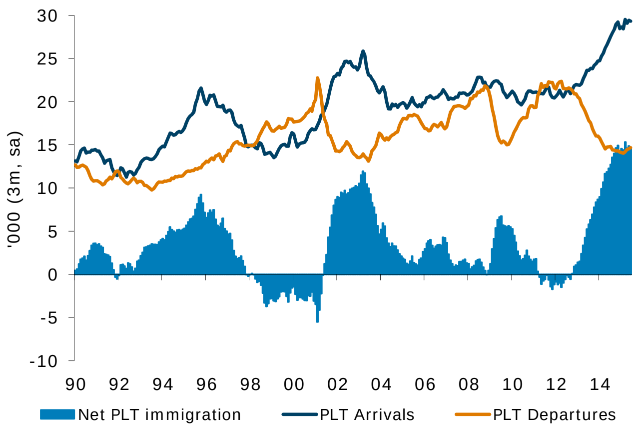
Net migration and visitor arrivals data for July round out the week and we have little reason to think they will not be consistent with recent trends. Over the past six months, the net inflow of long-term migration has been in a roughly 4.8K to

ECONOMIC OVERVIEW

5.5K monthly range (with the average a touch below 5k). This has seen the 12-month rolling net inflow continue to reach new all-time highs (currently just over 58K). If the monthly net inflow holds around this level, the annual inflow should peak shortly. The trickier question is where inflows head beyond that. While we assume that they will begin to moderate, there is admittedly little evidence of that occurring yet. It will be interesting to see how a softening domestic job market impacts, particularly with the earthquake rebuild reaching a more mature phase.

Visitor arrivals growth, on the other hand, has moderated over recent months. This can likely be put down to the lagged impact of the strong NZD as well as the waning of some temporary influences. It is possible this weaker trend continues in the near term. However, given recent NZD weakness, and the ongoing structural shift with regard to airline capacity and new route development, we have high hopes for the tourism sector more generally over the next few years.

FIGURE 5. PLT MIGRATION



Source: Statistics NZ, ANZ

LOCAL DATA

ANZ Truckometer – July. The Heavy Traffic Index fell 0.3% sa, which is the sixth fall over the past seven months. The Light Traffic Index fell 0.2%.

SNZ Electronic Card Transactions – July. Total retail spending rose 0.4% m/m (5.0% y/y), with core retail spending up 0.5% m/m (5.9% y/y).

ANZ Monthly Inflation Gauge – July. The Gauge rose 0.3% m/m, led by higher local authority rates, offset by lower vehicle registration fees. The Underlying Ex-housing Gauge was flat in July.

Business NZ PMI – June. The headline index eased 1.6 points to 53.5.

SNZ Food Price Index – July. Food prices rose 0.6% m/m (1.2% y/y) led by seasonal increases in fruit and vegetable prices.

REINZ Housing Market Data – July. Seasonally adjusted house sales rose 8.0% m/m (37% y/y), with the REINZ House Price Index rising 1.1% sa (14.9% y/y).

SNZ Retail Trade Survey – Q2. Both total and core retail sales volumes rose a modest 0.1% q/q, following strong rates of growth in Q1 and prior.

Business NZ PSI – June. The headline index eased 1.6 points to 56.5.

INTEREST RATE STRATEGY

SUMMARY

Local markets look set to remain range-bound for the remainder of the month, with volumes light, Europe on holiday, a sensible amount of easing priced in, and almost four weeks until the September *MPS*. While we see the risk profile as skewed lower in a strategic and three-month sense, we are tactically bearish on short-term rates given current market pricing. We still take odds with the tick-shaped curve that implies an increase in the OCR from mid-2016. This seems premature, and as such we expect the short end of the curve to flatten. There is also considerable scope for flattening pressure to extend to longer-term rates, as the market reassesses the magnitude of hikes built into the interest rate term structure. The Fed is inching ever closer to lift-off, but low inflation, expansionary global monetary policy, falling oil prices, and a negatively skewed risk profile should cap long-term global yields.

THEMES

- Offshore events hold sway, with the flattening in global curves driven by more pessimism over the Chinese outlook. This (plus softer domestic data) has seen local yields ease.
- While a September OCR cut is about 85% priced in and the New Zealand market is expecting 40bps of rate cuts by the end of 2015, it is the pricing of H2 2016 rate hikes that looks premature to us. But we expect it will take time to iron this issue out.
- Market pricing for a September Fed hike is still around 50:50. We expect a September hike, but expect low inflation and a fickle global scene to cap upward pressure on global yields, keeping rates historically low and adding to flattening pressure.
- Local long-end yields have fallen considerably, although not by as much as global counterparts. Outright local yields remain high, bond demand is strong, and markets are re-thinking views on long-term anchors – such as estimates of the neutral OCR.

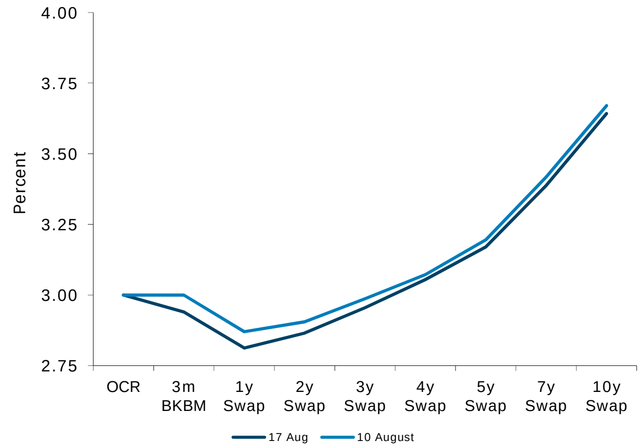
PREFERRED STRATEGIES – INVESTORS

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, and 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.

GLOBAL RALLY ON CHINA FEARS

Moves by the PBoC to manage the CNY lower dominated price action and caused an initial rally in global long-end yields. While bond yields have almost returned to levels prevailing before the move, the **PBOC's actions have highlighted potential weakness in the world's second-largest economy**, with implications for commodity prices, global growth and inflation. This has seen global rates edge lower, with larger falls for long-term rates, and a bull flattening of the curve. Falls in local yields have been more uniform across the curve (see Figure 1).

FIGURE 1: NZ SWAP CURVE



Source: ANZ, Bloomberg

Local short-end rates look set to range trade over the next few weeks, with ranges continuing to narrow ahead of the September *MPS*. Recent backward-looking domestic data has confirmed a loss of momentum, but it has not been one-way traffic, with July housing market data particularly resilient. This week's GlobalDairyTrade auction is expected to deliver the first price increase in five months – and a large one at that, with NZX milk futures flagging a sharp lift. The danger is that the market jumps on this, given the terms of trade have been a key driving force behind expectations of lower rates from the RBNZ. However, caution is warranted – any uplift is likely to simply reverse exaggerated recent falls. Prices need to improve substantially to even hit Fonterra's latest NZD3.85/kg MS milk price forecast and the outlook is still weak for the goods terms of trade. We expect the September *MPS* forecasts to project something like a 20% peak-to-trough fall in the terms of trade vis-à-vis the 13% fall forecast within the June *MPS*.

Liquidity and trading volumes remain thin, with Europe on summer holidays and the market unwilling to push things too far ahead of the September *MPS,* which is still almost four weeks away. While our expectation is for the RBNZ to cut the OCR in September, we remain more circumspect on prospects

INTEREST RATE STRATEGY

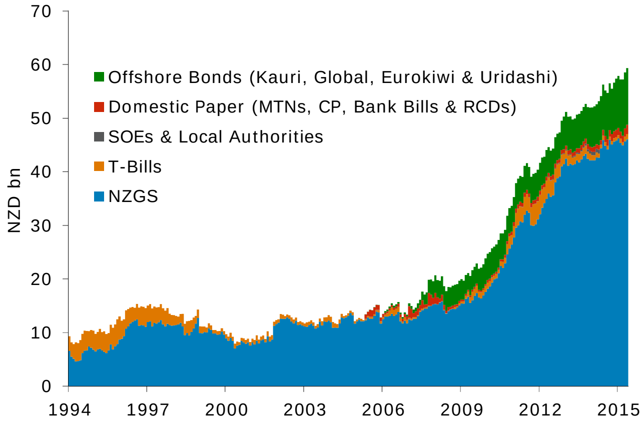
for four cuts in a row; we expect four 25bp cuts all up, but simply not in a sequential fashion.

We expect flattening pressure to continue to be exerted on longer-term yields given the lack of global inflation, falling energy prices, and as the market factors in a longer period of on-hold OCR settings, a more gradual path for policy tightening, and a low OCR endpoint. With growth set to remain below trend for a while yet it's hard to see upward pressure on core inflation emerging.

GLOBAL (AND NZ) BOND YIELDS CAPPED

Market expectations for a September Fed hike are split 50:50. While this portends event risk volatility, the reality is that **it is the pace, and not the minutiae of timing, of the upcoming Fed policy normalisation that matters most.** Markets expect the Fed Funds rate to be at 1% by the end of 2016. This week's FOMC minutes are expected to confirm that a September move is "live" but that the path will be more of a "crawl-off" than "off to the races". While the trajectory is low by historic standards, set against the experience of every single post-GFC policy tightening across the G10 having to be unwound, and the ECB signalling the possibility of more easing, it's hard to get overtly bearish on global bonds. Furthermore, as we noted last week, inflation expectations, as measured by the spread between nominal and inflation-linked bonds, have fallen sharply of late, with US 10-year expectations falling another 7bps last week. Lower oil prices will only serve to add to disinflation risks, keeping a lid on bond yields.

FIGURE 2: OFFSHORE HOLDINGS OF NZD BONDS



Source: ANZ, RBNZ

New Zealand bond yields have not fully participated in the global rally over the past few weeks. Spreads to US yields have widened, but have stabilised somewhat over the past few days. Recent volatility has not helped demand for local bonds, with bid-cover at last week's April 2027 NZGS tender just 1.8 times. More encouragingly, however, **offshore holdings of NZD denominated bonds rose to yet another record high in July**, confirming demand for NZD bonds remains strong.

There remains scope for spreads to compress, given our high outright local yields, the high degree of offshore participation in the market, the fact that the lower NZD has made our assets cheaper for offshore investors, and given that the RBNZ is still in easing mode as the Fed inches closer to hiking. As such, local longer-term rates should outperform global rates and the local curve could flatten.

PREFERRED STRATEGIES – BORROWERS

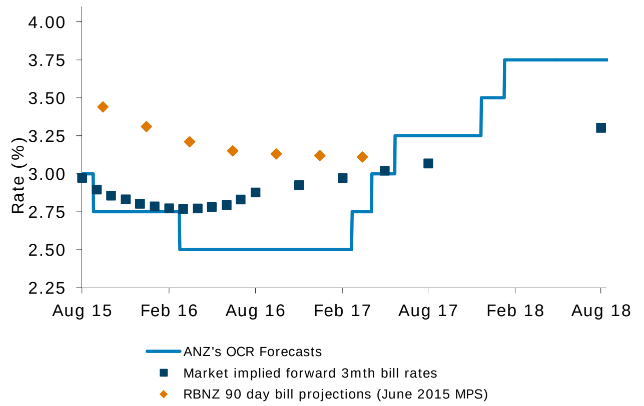
Our preference remains to watch and wait. The RBNZ has cut the OCR by 50bps and is on an easing bias. Developments are moving quickly. Rates are historically low, but locking into hedges now would prevent borrowers from taking advantage should interest rates fall further than currently priced. The upward sloping 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 about 85% priced in for September, with 40bps of cuts priced in by the end of the year; the OCR is priced to trough at 2.53% by early next year. This is close to our OCR view, although we expect the RBNZ to pause from September, with a final 25bp cut in March next year. We retain a strategically bullish bias towards the front end; the risk is clearly that the RBNZ does more as opposed to less if global concerns over China expand. For now, however, it is a waiting game, with yields in a consolidation phase.

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 toward the NZD/USD, but continue to be tactically neutral. Indicators are suggesting dairy prices will bounce, which risks a short-term NZD squeeze, but any dairy bounce just removes exaggerated negative risks and the outlook for monetary policy is unchanged; we still see rates as headed lower. Thus, we continue to view any pull-backs as opportunities to establish short positions for the medium-term, but the lack of near-term catalysts allow patience. NZD/AUD looks to have defined a new range, and is close to support.

TABLE 1: KEY VIEWS			
CROSS	WEEK	MONTH	YEAR
NZD/USD	↔/↑	Downside risks remain	USD to strengthen
NZD/AUD	↔	Closer to fair value	Consolidating
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

- NZX futures are pointing to a relatively significant bounce in this week's GDT auction price. This adds to the risk of a short-term NZD squeeze, despite the fact it would only go some way to reversing the "capitulation" evident recently.
- The NZD has a heightened sensitivity to any further developments in China – with China-related developments likely to keep NZD under pressure. However, we expect China to recede as a short-term driver as the week progresses.
- We expect the USD to remain strong, supported by a continued run of solid data, and the FOMC minutes reinforcing progress toward Fed goals.

TABLE 2: KEY UPCOMING EVENT RISK			
EVENT		WHEN (NZDT)	LIKELY IMPACT
USD	August Empire Survey	Tue 00:30	NZD/USD ↓
AUD	RBA minutes	Tue 13:30	NZD/AUD ↔
GBP	CPI, RPI, PPI	Tue 20:30	NZD/GBP ↑
NZD	GDT auction	Wed am	NZD ↑
NZD	Q2 PPI	Wed 10:45	NZD ↓
JPY	Trade balance	Wed 11:50	NZD/JPY ↓
USD	July CPI	Thu 00:30	NZD/USD ↓
USD	FOMC minutes	Thu 06:00	NZD/USD ↓
NZD	ANZ Job Ads	Thu 10:00	NZD ↔
USD	Fed Kocherlakota	Thu 12:20	NZD/USD ↑
NZD	ANZ Consumer conf.	Thu 13:00	NZD ↔
USD	Fed Williams	Thu 18:45	NZD/USD ↓
GBP	Retail sales	Thu 20:30	NZD/GBP ↑
GBP	CBI trends	Thu 22:00	NZD/GBP ↓
USD	Philadelphia Fed	Fri 02:00	NZD/USD ↓
NZD	Migration	Fri 10:45	NZD ↑
USD	Markit PMI (prelim)	Fri 21:00	NZD/USD ↓

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 rallies to extend hedging as we don't expect NZD strength to be enduring.

DATA PULSE

New Zealand data continues to point toward a lower NZD. Readings from the ANZ Inflation Gauge have remained tame. Both the ANZ Truckometer and Q2 retail sales were weak. However, despite declining, the Business PMI and PSI are at solid overall levels.

Chinese July data were weaker than expected, reinforcing the negative sentiment from the RMB devaluation. The change in the Chinese currency methodology and associated devaluation drove an increase in the global risk premia, thus a weaker NZD.

The AUD remained strong, with confidence in the Australian NAB business confidence still reasonably solid despite the July decline. Speeches by RBA Lowe and Kent reinforced the notion that the RBA is on hold.

GBP price action remains constructive despite the run of weaker data. The employment report was disappointing, along with construction output. Both the ECB minutes and European Q2 GDP results were soft, **reinforcing medium-term EUR weakness**.

USD found a bid through positive surprises in retail sales and industrial production, although August confidence was lower than expected.

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 prices troughed?
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 trend slows.
Techs	↔/↑	NZD consolidating.
Other	↑	FOMC signals slow normalisation.
On balance	↔	**Consolidation is still required. But risks are still lower.**

CURRENCY STRATEGY

TECHNICAL OUTLOOK

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

The NZD has established a pattern of declines followed by periods of consolidation, and this pattern looks set to continue. The NZD has printed a succession of cycle lows, but the failure of any to develop further sends a warning to those expecting further declines at the current time. Support between 0.6470-0.6490 remains pivotal, but while it holds, risks are of a retest of resistances that start at 0.6680.

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

With the retest toward 0.88 it is looking increasingly like NZD/AUD has established a new trading range. Technically, any further declines from here would move cross into a range-trading buy zone.

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	0.5750 – 0.5800	0.6100 – 0.6150
NZD/GBP	0.4100 – 0.4150	0.4350 – 0.4400
NZD/JPY	80.00 – 80.50	83.50 – 84.50

POSITIONING

USD positioning has increased again, with the overall implied long position growing by around 14%. CAD short positions increased in line with oil declines. Both AUD and NZD shorts were relatively unchanged.

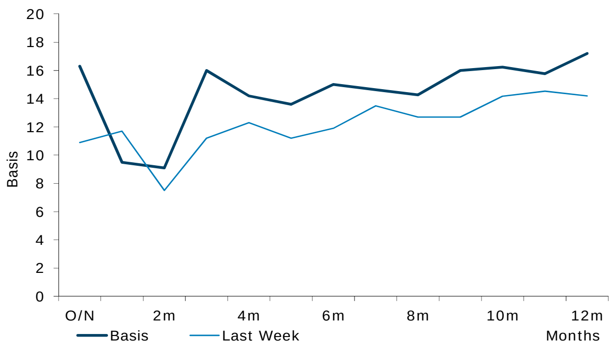
GLOBAL VIEWS

China dominated last week, driving NZD lower by causing an increase in the global risk premia. For currencies the move was important, as China moved to a more market-oriented method of setting their currency rate. While the PBOC retains the ability to intervene in the currency, the new “central parity rate” will be set close to the USD/CNY spot closing rate. This allows the USD/CNY to be driven by market forces and effectively de-pegs the CNY from the USD, allowing NZD/CNY a degree of freedom of movement. Businesses with Chinese exposure will now need to hedge NZD/CNY, whereas before NZD/USD had been sufficiently correlated to cover exposure.

These events only increase the importance of monitoring Chinese events. We expect China to remain a focus, but see the situation as having stabilised – for now at least. This week we believe the USD will reverse weakness against G3 and continue to broadly strengthen – aided by regional Fed surveys, Fed speakers, and the FOMC Minutes.

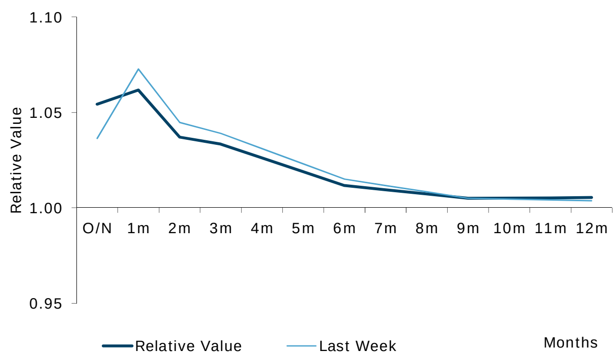
FORWARDS: CARRY AND BASIS

FIGURE 3. NZD/USD SHORT BASIS CURVE



Basis moved higher in yield earlier last week, driven by cash-implied yields, which moved from flat to +20bps over the OCR. This move was reversed by active liquidity management ensuring forward markets had ample NZD, keeping basis tight. This pattern of active liquidity management should encourage basis receivers out to 3 months on any spread widening.

FIGURE 4. RELATIVE ATTRACTION OF THE FWD CURVE



Source: ANZ, Bloomberg, Reuters

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
17-Aug	NZ	Performance Services Index - Jul	--	56.5(a)	10:30
	UK	Rightmove House Prices MoM - Aug	--	-0.8%(a)	11:01
	UK	Rightmove House Prices YoY - Aug	--	6.4%(a)	11:01
	JN	GDP SA QoQ - Q2 P	--	-0.4%(a)	11:50
	JN	GDP Annualized SA QoQ - Q2 P	--	-1.6%(a)	11:50
	JN	GDP Nominal SA QoQ - Q2 P	--	0.0%(a)	11:50
	JN	GDP Deflator YoY - Q2 P	--	1.6%(a)	11:50
	EC	Trade Balance SA - Jun	€23.1B	€21.2B	21:00
	EC	Trade Balance NSA - Jun	--	€18.8B	21:00
18-Aug	US	Empire Manufacturing - Aug	4.50	3.86	00:30
	US	NAHB Housing Market Index - Aug	61.0	60.0	02:00
	US	Net Long-term TIC Flows - Jun	--	$93.0B	08:00
	US	Total Net TIC Flows - Jun	--	$115.0B	08:00
	AU	ANZ-RM Consumer Confidence Index - 16-Aug	--	112.5	11:30
	AU	RBA Aug. Meeting Minutes	--	--	13:30
	AU	New Motor Vehicle Sales MoM - Jul	--	3.8%	13:30
	AU	New Motor Vehicle Sales YoY - Jul	--	4.0%	13:30
	UK	CPI MoM - Jul	-0.3%	0.0%	20:30
	UK	CPI YoY - Jul	0.0%	0.0%	20:30
	UK	CPI Core YoY - Jul	0.9%	0.8%	20:30
	UK	Retail Price Index - Jul	258.5	258.9	20:30
	UK	RPI MoM - Jul	-0.1%	0.2%	20:30
	UK	RPI YoY - Jul	1.0%	1.0%	20:30
	UK	RPI Ex Mort Int.Payments (YoY) - Jul	1.0%	1.1%	20:30
	UK	PPI Input NSA MoM - Jul	-1.9%	-1.3%	20:30
	UK	PPI Input NSA YoY - Jul	-12.7%	-12.6%	20:30
	UK	PPI Output NSA MoM - Jul	-0.1%	0.0%	20:30
	UK	PPI Output NSA YoY - Jul	-1.5%	-1.5%	20:30
	UK	PPI Output Core NSA MoM - Jul	0.0%	0.0%	20:30
	UK	PPI Output Core NSA YoY - Jul	0.2%	0.1%	20:30
	UK	ONS House Price YoY - Jun	--	5.7%	20:30
19-Aug	US	Housing Starts - Jul	1186K	1174K	00:30
	US	Housing Starts MoM - Jul	1.0%	9.8%	00:30
	US	Building Permits - Jul	1230K	1337K	00:30
	US	Building Permits MoM - Jul	-8.00%	7.00%	00:30
	NZ	PPI Input QoQ - Q2	--	-1.1%	10:45
	NZ	PPI Output QoQ - Q2	--	-0.9%	10:45
	JN	Trade Balance - Jul	-¥53.0B	-¥70.5B	11:50
	JN	Trade Balance Adjusted - Jul	-¥158.6B	-¥251.7B	11:50
	JN	Exports YoY - Jul	6.5	9.5	11:50
	JN	Imports YoY - Jul	-6.9	-2.9	11:50
	AU	Westpac Leading Index MoM - Jul	--	0.0%	12:30
	AU	Skilled Vacancies MoM - Jul	--	-0.9%	13:00
	EC	ECB Current Account SA - Jun	--	18.0B	20:00
	EC	Current Account NSA - Jun	--	3.4B	20:00
	EC	Construction Output MoM - Jun	--	0.3%	21:00
	EC	Construction Output YoY - Jun	--	0.3%	21:00
	US	MBA Mortgage Applications - 14-Aug	--	0.1%	23:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
20-Aug	US	CPI MoM - Jul	0.2%	0.3%	00:30
	US	CPI YoY - Jul	0.2%	0.1%	00:30
	US	CPI Ex Food and Energy MoM - Jul	0.2%	0.2%	00:30
	US	CPI Ex Food and Energy YoY - Jul	1.8%	1.8%	00:30
	US	Real Avg Weekly Earnings YoY - Jul	--	1.8%	00:30
	US	US Fed Minutes from July 28-29 FOMC Meeting	--	--	06:00
	NZ	ANZ Job Advertisements MoM - Jul	--	-0.6%	10:00
	NZ	ANZ Consumer Confidence Index - Aug	--	113.9	13:00
	NZ	ANZ Consumer Confidence MoM - Aug	--	-5.0%	13:00
	AU	RBA FX Transactions Government - Jul	--	-2478M	13:30
	AU	RBA FX Transactions Market - Jul	--	2922M	13:30
	AU	RBA FX Transactions Other - Jul	--	147M	13:30
	GE	PPI MoM - Jul	0.0%	-0.1%	18:00
	GE	PPI YoY - Jul	-1.3%	-1.4%	18:00
	JN	Convenience Store Sales YoY - Jul	--	0.6%	19:00
	UK	Retail Sales Ex Auto Fuel MoM - Jul	0.4%	-0.2%	20:30
	UK	Retail Sales Ex Auto Fuel YoY - Jul	4.3%	4.2%	20:30
	UK	Retail Sales Inc Auto Fuel MoM - Jul	0.4%	-0.2%	20:30
	UK	Retail Sales Inc Auto Fuel YoY - Jul	4.4%	4.0%	20:30
	UK	CBI Trends Total Orders - Aug	-10	-10	22:00
	UK	CBI Trends Selling Prices - Aug	--	1	22:00
21-Aug	US	Initial Jobless Claims - 15-Aug	272K	274K	00:30
	US	Continuing Claims - 8-Aug	2265K	2273K	00:30
	US	Existing Home Sales - Jul	5.43M	5.49M	02:00
	US	Philadelphia Fed Business Outlook - Aug	7	5.7	02:00
	US	Existing Home Sales MoM - Jul	-1.2%	3.2%	02:00
	US	Leading Index - Jul	0.2%	0.6%	02:00
	NZ	Net Migration SA - Jul	--	4800	10:45
	NZ	Credit Card Spending MoM - Jul	--	0.3%	15:00
	NZ	Credit Card Spending YoY - Jul	--	6.5%	15:00
	GE	GfK Consumer Confidence - Sep	10.1	10.1	18:00
	GE	Markit/BME Manufacturing PMI - Aug P	--	51.8	19:30
	GE	Markit Services PMI - Aug P	--	53.8	19:30
	GE	Markit/BME Composite PMI - Aug P	--	53.7	19:30
	EC	Markit Manufacturing PMI - Aug P	--	52.4	20:00
	EC	Markit Services PMI - Aug P	--	54.0	20:00
	EC	Markit Composite PMI - Aug P	--	53.9	20:00
	UK	Public Finances (PSNCR) - Jul	--	£13.9B	20:30
	UK	Central Government NCR - Jul	--	£17.7B	20:30
	UK	Public Sector Net Borrowing - Jul	-£2.8B	£8.6B	20:30
	UK	PSNB ex Banking Groups - Jul	-£1.1B	£9.4B	20:30
22-Aug	US	Markit Manufacturing PMI - Aug P	53.8	53.8	01:45
	EC	Consumer Confidence - Aug A	-6.9	-7.1	02:00

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
Wed 19 Aug (early am)	GlobalDairyTrade Auction	Bounce	Has the bottom in prices been seen? The reduction in GDT volumes on offer argues so. NZX futures prices are pointing to a decent bounce.
Wed 19 Aug (10:45am)	PPI – Q2	Weak	Both input and output prices 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 at around 5K. The annual net inflow will peak shortly, although there is little sign of moderation just yet.
Tue 25 Aug (1:00pm)	ANZ Regional Trends – Q2	--	--
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 they 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.
Mon 31 Aug (10:45am)	Building Consents – Jul	Drift	Higher Auckland dwelling consent numbers are being offset by falling numbers in Christchurch.
Mon 31 Aug (1:00pm)	ANZ Business Outlook – Aug	--	--
Mon 31 Aug (3:00pm)	RBNZ Credit Aggregates – Jul	Firming	Agricultural and household credit growth well above income growth.
Tue 1 Sep (10:45am)	Overseas Trade Indexes – Q2	Dairy price hit	Goods terms of trade are expected to fall 6%. Volume splits are expected to confirm a positive net trade contribution.
Tue 1 Sep (12:00pm)	QV House Prices – Aug	Peaking	Annual house price inflation likely to firm, but we are close to a cyclical peak.
Wed 2 Sep (early am)	GlobalDairyTrade Auction	Bounce	Has the bottom in prices been seen? The reduction in GDT volumes on offer argues so.
Wed 2 Sep (1:00pm)	ANZ Commodity Price Index	--	--
Thu 3 Sep (10:45am)	Building Work Put in Place – Q2	Flat	Low consent issuance suggests a small fall in residential work, with non-residential work to strengthen.
Tue 8 Sep (10:00am)	ANZ Truckometer – Aug	--	--
Tue 8 Sep (10:45am)	Economic Survey of Manufacturing – Q2	Up a touch	Manufacturing production was flat in Q1, largely due to weak primary production. We expect a modest reversal in Q2.
Thu 10 Sep (9:00am)	RBNZ Monetary Policy Statement	25bp cut	Falling terms of trade, low inflation and sub-trend growth justify another cut in the OCR. Further easing is also likely. However, we don't expect the RBNZ to signal that this is necessarily occurring in October.
Thu 10 Sep (10:45am)	Electronic Card Transactions – Aug	Modest	While petrol prices have eased a touch and mortgage rates continue to fall, weaker household income growth should constrain retail spending.
Fri 11 Sep (10:45am)	Food Prices – Aug	Flat to down	Food prices are typically flat to modestly down in August.
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)	**0.2**	**0.6**	**0.5**	**0.4**	**0.5**	**0.7**	**0.7**	**0.7**	**0.7**	**0.6**
GDP (% yoy)	**2.1**	**1.7**	**1.6**	**1.8**	**2.1**	**2.2**	**2.4**	**2.6**	**2.8**	**2.7**
CPI (% qoq)	0.4	**0.4**	**0.1**	**0.6**	**0.4**	**0.6**	**0.2**	**0.5**	**0.6**	**0.7**
CPI (% yoy)	0.3	**0.3**	**0.7**	**1.6**	**1.6**	**1.8**	**1.8**	**1.7**	**1.9**	**2.0**
Employment (% qoq)	0.3	**0.2**	**0.2**	**0.3**	**0.3**	**0.3**	**0.3**	**0.4**	**0.4**	**0.3**
Employment (% yoy)	3.0	**2.3**	**1.4**	**1.0**	**1.1**	**1.1**	**1.2**	**1.3**	**1.4**	**1.4**
Unemployment Rate (% sa)	5.9	**6.0**	**6.1**	**6.1**	**6.1**	**6.0**	**6.0**	**5.8**	**5.6**	**5.6**
Current Account (% GDP)	**-3.8**	**-4.1**	**-4.7**	**-5.6**	**-6.2**	**-6.3**	**-6.0**	**-5.5**	**-5.2**	**-4.9**
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	-0.7	1.3	0.5	0.4
Retail ECT (% yoy)	5.2	3.2	3.7	4.5	4.0	3.7	3.9	3.2	5.0	5.6
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)	-1.5	0.2	2.2	-0.7	-0.3	2.5	-1.4	-0.1	5.5	0.8
Car Registrations (% yoy)	21.3	16.5	21.0	17.1	12.1	11.8	11.2	6.8	11.2	10.7
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	14.9
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	-15.3
ANZ Own Activity Outlook	37.8	41.7	37.3	..	40.9	42.2	41.3	32.6	23.6	19.0
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	-11.2
ANZ World Comm. Price Index (% yoy)	-11.5	-12.5	-17.2	-18.4	-15.8	-11.9	-15.3	-18.0	-19.7	-26.8
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)	1.0	-2.9	3.3	-0.1	-0.5	-0.4	-0.5	-1.0	2.0	-0.3
ANZ Light Traffic Index (% mom)	0.3	-1.6	2.1	0.7	0.7	-1.0	0.1	-0.6	0.9	-0.2

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	Jun-15	Jul-15	Today	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
NZD/USD	0.675	0.659	0.653	0.63	0.61	0.59	0.59	0.59	0.59	0.59
NZD/AUD	0.880	0.902	0.887	0.86	0.85	0.83	0.84	0.84	0.84	0.84
NZD/EUR	0.604	0.600	0.589	0.60	0.62	0.58	0.55	0.53	0.53	0.53
NZD/JPY	82.68	81.67	81.28	76.2	74.4	72.6	73.2	73.8	73.8	73.8
NZD/GBP	0.430	0.422	0.418	0.41	0.41	0.39	0.38	0.38	0.38	0.38
NZ$ TWI	71.2	70.8	70.3	68.4	67.7	65.1	64.4	63.7	63.7	63.7
INTEREST RATES	Jun-15	Jul-15	Today	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
NZ OCR	3.25	3.00	3.00	2.75	2.75	2.50	2.50	2.50	2.50	2.50
NZ 90 day bill	3.26	3.10	2.90	2.90	2.90	2.60	2.60	2.70	2.70	2.70
NZ 10-yr bond	3.63	3.35	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	0.31	0.32	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	2.14	2.20	2.20	2.20	2.20	2.20	2.20	2.20

	14 Jul	10 Aug	11 Aug	12 Aug	13 Aug	14 Aug
Official Cash Rate	3.25	3.00	3.00	3.00	3.00	3.00
90 day bank bill	3.19	3.01	2.97	2.96	2.96	2.94
NZGB 12/17	2.78	2.62	2.60	2.55	2.60	2.61
NZGB 03/19	2.83	2.65	2.64	2.58	2.63	2.64
NZGB 04/23	3.21	3.02	2.99	2.91	2.96	2.97
NZGB 04/27	3.59	3.38	3.36	3.28	3.32	3.33
2 year swap	2.99	2.86	2.84	2.82	2.84	2.82
5 year swap	3.22	3.07	3.05	3.01	3.04	3.06
RBNZ TWI	70.8	70.52	70.27	70.12	71.00	70.17
NZD/USD	0.6687	0.66	0.66	0.65	0.66	0.65
NZD/AUD	0.9001	0.89	0.89	0.90	0.90	0.89
NZD/JPY	82.56	82.28	81.66	81.19	82.33	81.29
NZD/GBP	0.4318	0.43	0.42	0.42	0.42	0.42
NZD/EUR	0.6077	0.60	0.60	0.59	0.59	0.59
AUD/USD	0.7429	0.74	0.73	0.72	0.74	0.74
EUR/USD	1.1003	1.10	1.10	1.11	1.11	1.12
USD/JPY	123.47	124.23	124.66	125.25	124.40	124.43
GBP/USD	1.5486	1.55	1.56	1.56	1.56	1.56
Oil (US$/bbl)	52.19	43.87	44.94	43.11	43.22	42.27
Gold (US$/oz)	1154.90	1096.95	1099.70	1110.95	1121.50	1113.39
Electricity (Haywards)	8.24	5.92	6.59	6.24	6.04	4.96
Baltic Dry Freight Index	915	1197	1162	1093	1046	1055
Milk futures (USD)	53	46	44	44	43	43

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