ANZ RESEARCH

NEW ZEALAND ECONOMICS
MARKET FOCUS

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AN UNEASY REALITY

ECONOMIC OVERVIEW

The OCR is still biased lower, with the global scene, still-high NZD, bank funding costs and the dairy sector some of the drivers. While we can rationalise further cuts on broader inflation grounds, we are becoming somewhat uneasy about the trade-offs. Surging debt and asset price inflation foretell problems down the track; there is no free lunch. This week, Q4 GDP and current account data should show the economy ended 2015 on a reasonable footing, while consumer confidence data will help gauge if that momentum has been sustained. Dairy prices should show more signs of stabilising (at a low level).

DATA PREVIEW: Q4 GDP & BALANCE OF PAYMENTS

Respectable Q4 GDP growth of 0.6% q/q is expected (led by services and construction), confirming decent momentum to end the year. Although a wider seasonally adjusted current account deficit is likely, the annual deficit should fall to 3.2% of GDP – the lowest in a year and below its historical average.

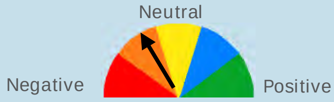
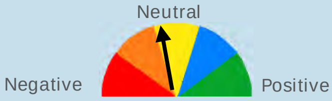
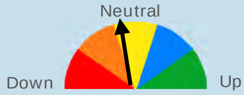
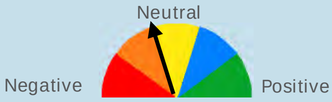
INTEREST RATE STRATEGY

We expect short-end rates to continue edging lower, with our expectation of a further 50bps of OCR cuts over 2016 not yet fully priced in (especially over H2). Central bank actions look set to dominate again this week, with BoJ, Norges Bank, the SNB, Fed, and BoE decisions all scheduled. Some look set to act on easing biases, but the FOMC is likely to remain the outlier, which could see long-term yields move higher. Local yields are at historic lows, and the curve should continue to steepen as the realisation of more RBNZ easing sets in. Opposing policy biases and our high outright local yields have already helped narrow geographic spreads, and should help slow the drift up in local long-term yields.

CURRENCY STRATEGY

NZD resilience remains an anomaly that we believe will correct with time. Last week's OCR cut reinforces this, and we expect our forecast of further easing to start to weigh on the NZD TWI. We continue to favour playing NZD/USD from the short side, looking for USD strength to emerge post FOMC. Tomorrow's BoJ decision should cap NZD/JPY as markets continue to debate whether unconventional policy is reaching its limits – at least for impact on currencies.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.3% y/y for 2016 Q4	While growth momentum looks reasonable now, tighter financial conditions suggest a more moderate backdrop over 2H 2016.	
Unemployment rate	5.4% for 2016 Q4	The demand for labour has recovered, and labour supply is cooling from strong rates. Wage inflation contained.	
OCR	1.75% by Dec 2016	A further 50bps of cuts this year. Growth is set to moderate, credit conditions have deteriorated, and global risks abound.	
CPI	0.8% y/y for 2016 Q4	Lower petrol prices and further ACC levy cuts from July expected to keep headline inflation low this year. Core inflation measures to remain low.	

ECONOMIC OVERVIEW

SUMMARY

The OCR is still biased lower, with the global scene, still-high NZD, bank funding costs and the dairy sector some of the drivers. While we can rationalise further cuts on broader inflation grounds, we are becoming somewhat uneasy about the trade-offs. Surging debt and asset price inflation foretell problems down the track; there is no free lunch. This week, Q4 GDP and current account data should show the economy ended 2015 on a reasonable footing, while consumer confidence data will help gauge if that momentum has been sustained. Dairy prices should show more signs of stabilising (at a low level).

FORTHCOMING EVENTS

GlobalDairyTrade Auction (early am, Wednesday, 16 March). Prices look set to rise on seasonally lower volumes, bargain hunting, and improving wider commodity sentiment. However, the fundamental backdrop is not conducive to a meaningful recovery just yet.

Balance of Payments – Q4 (10:45am, Wednesday, 16 March). A larger seasonally adjusted deficit is expected, although the annual deficit should narrow to 3.2% of GDP. Our preview is on page 6.

GDP – Q4 (10:45am, Thursday, 17 March). We expect quarterly growth of 0.6%, led by construction and services. See page 6 for our preview.

ANZ Job Ads – Feb (10:00am, Friday, 18 March).

ANZ-Roy Morgan Consumer Confidence – Mar (1:00pm, Friday, 18 March).

International Travel & Migration – Feb (10:45am, Monday, 21 March). The current strength in net inflows is expected to continue. It is hard to see much of a change unless the domestic economic picture worsens. Tourism inflows are also expected to be strong.

WHAT'S THE VIEW?

We'll start with a *mea culpa* for obviously misreading the OCR tea leaves last week (we expected no change). But like a host of others we are left scratching our heads over the tone of the RBNZ's communication in the month prior, with a couple of key speeches interpreted as signalling it was in no hurry to move. Our big "error" was in placing far too much weight on the RBNZ's repeated reference to its core inflation measure (1.6%) – which had ticked up, and not enough weight on recent moves in various inflation expectation measures. Stepping back, we clearly have a Governor who will shift quickly with economic developments, and is also very in tune with the global scene. Enough said.

Moving on, the OCR still looks biased lower. We note:

- **The global scene remains precarious.** The RBNZ wasn't upbeat on global prospects, and neither are we. Brace for more downgrades of global growth expectations and more dis-inflationary pressure on offer. The race into more negative yields is not abating (witness the ECB last week), which is adding to currency jostling and is one factor shifting credit spreads.
- **The NZD is still doing the RBNZ no favours;** currencies are diverging from local fundamentals globally. You can't have divergent currency and rates markets indefinitely. If the NZD is going to remain divergent, tossed around by the fun and games globally, rates need to converge. That's been the secular trend and it has further to run. New Zealand bonds are well into overvalued territory. But a 10-year NZGB yield of 3% still dwarfs the G10 average 10-year yield of 1.0%. It is analogous to what is happening in the commercial property sphere; flow is still being determined by the chase for the last bastions of positive yield on offer, no matter what the asset class.
- **Funding costs are having a bearing;** the lack of full-pass through from last week's OCR cut is telling. It's a story that has a lot further to run. We think there has been a structural shift in markets in favour of investors and we are not expecting markets to settle. Increases in the marginal cost of funds will seep into banks' average cost of funds over 2016.
- **Structural forces are suppressing inflation.** China needs to deleverage. That's deflationary. More broadly, technology and demographics are also huge factors suppressing inflation. Low wage inflation is partially a by-product of less job security, given threats from technology. New Zealand is caught in the rip.

We still think the New Zealand economy is in pretty good shape. We have obvious challenges across dairying, but by-and-large the remainder of the economy is in good heart. **In fact, you could argue some parts are doing too well – house price inflation outside of Auckland is ramping up with each passing day and the RBNZ just poured more fuel on that fire.**

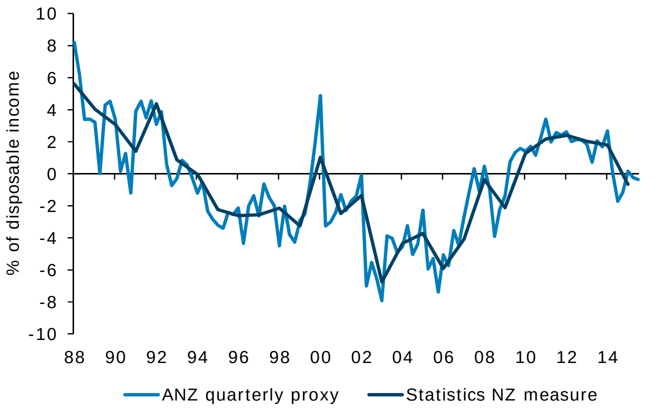
As such, we are becoming increasingly uneasy about some trade-offs going forward. We are not big believers in a rigid approach to inflation targeting, and we didn't think the RBNZ was either. But the cut last week suggests it is certainly less flexible and

ECONOMIC OVERVIEW

relaxed than we assumed after the Governor's February speech.

Locally, there has been a clear deterioration in the structural side of the equation. Household saving has dipped and people are re-leveraging. The Auckland property market has everyone scratching their heads. Updated household debt-to-income figures shows that borrow-and-spend style growth has returned. We knew that; it partly reflects monetary policy at work. We just didn't realise that credit growth had accelerated and disposable income revised such that the ratio is now over 167% – some 7%pts above where it peaked in 2009. Now, we never rely too much on individual statistics, but that got us musing. Many regional housing markets are now booming. Credit appetites look pretty good. And monetary policy is still easing. It's not driving general inflation but it sure is lifting asset price inflation and appetites to borrow.

FIGURE 1. HOUSEHOLD SAVING



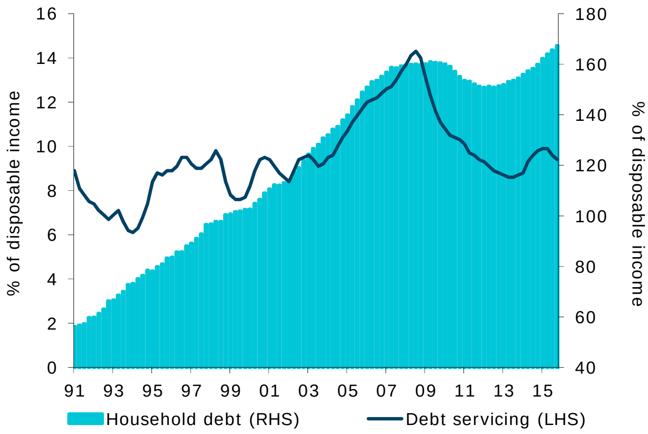
Source: ANZ, Statistics NZ

Now of course there is the conciliatory rhetoric. Namely: a) bank stress tests look okay; b) supply shortages are driving the housing market (a partial truth); c) the debt-servicing burden still looks fine (though looking at that in isolation is daft; it's fine simply because interest rates are low); and d) there is strong deposit growth too (it's when credit growth outstrips deposit growth that the net external debt position can deteriorate sharply). And of course, a host of other structural indicators are still in a good position. The fiscal accounts are strong and we have a much lower net external debt position, with the latter expected to be evident in this week's current account figures.

So we can discount the household debt figures to some degree, looking at the broader picture. Nonetheless, the data got us musing about policy trade-offs; **cutting the OCR further is this environment is not a free lunch; it's called debt and it will need to be paid back! Debt levels are now in uncharted territory**, at least in terms of the share of income (if not serviceability). **The current price of credit does not appear to be an impediment to borrowing.**

To be fair, monetary policy always comes with trade-offs and no doubt the RBNZ's macro-prudential and financial stability teams are on top of things. It's just that we're simply becoming more prickly and watchful over these issues now, relative to normal.

FIGURE 2. HOUSEHOLD DEBT TO INCOME



Source: ANZ, RBNZ

So it's with a sense of trepidation and with a nervous eye over one shoulder that we forecast the OCR heading lower still. In a world where China issues look set to persist, all central banks are struggling to hit inflation mandates (at least excluding the Fed!), local interest rate cuts are not being passed on fully given international funding pressures, and currency markets are misaligned, as highlighted above, there will be more pressure for the OCR to move down. All these factors will manifest into inflation and growth outcomes. **We're just not sure we like the end game, given re-leveraging behaviour in combination.**

Turning to the week ahead, it is dominated by the principal releases for Q4: GDP and the Balance of Payments. They should show that the economy ended 2015 on a reasonable footing. Our preview for both releases is on page 6.

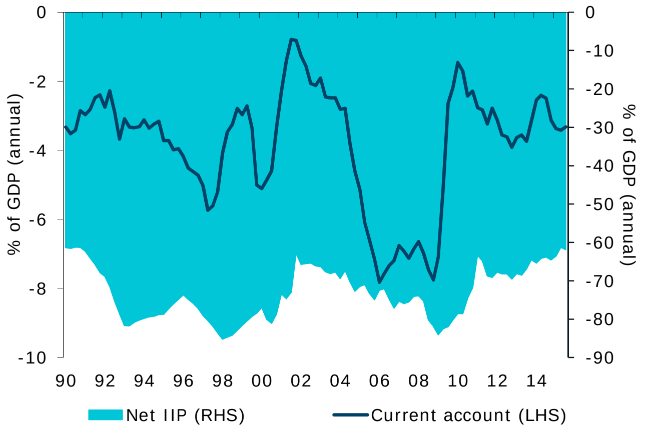
GDP growth of 0.6% q/q is expected to have been recorded. While that is a modest step-down from the 0.9% q/q growth rate seen in Q3 – and it will see annual growth soften to 2.0% – the moderation is well within the usual quarterly volatility. Taking Q3 and Q4 together, annualised growth of 3% was likely achieved over the second half of the year, which is certainly a decent acceleration from the 1% seen over the first half. It is also close to, if not above, where we see trend at

ECONOMIC OVERVIEW

present. And importantly, it shows that despite the pressure evident in the dairy sector and the global headwinds, the economy has so far managed to withstand those pressures overall, with the likes of the construction, tourism and services sectors performing well. We expect a decent performance from each of those sectors to be evident in the Q4 data.

The current account data is also likely to show that external vulnerabilities are not as large as the not-too-distant past. While a wider seasonally adjusted current account deficit is expected in Q4, the annual deficit is expected to print at 3.2% of GDP – below its historical average of 3.7%. We are, admittedly, forecasting deterioration from here. But the starting point is important and shows that, together with the reduction in net external debt (to 56% of GDP), the economy is less exposed to the shifts and swings in global financial market forces than it was, say, six or seven years ago. But that is not to say the economy is immune – having a current account deficit means that we still need to borrow offshore or sell assets to fund our domestic lifestyle – but the better starting point is meaningful, particularly at a time of elevated global risks.

FIGURE 3. CURRENT ACCOUNT & NET IIP

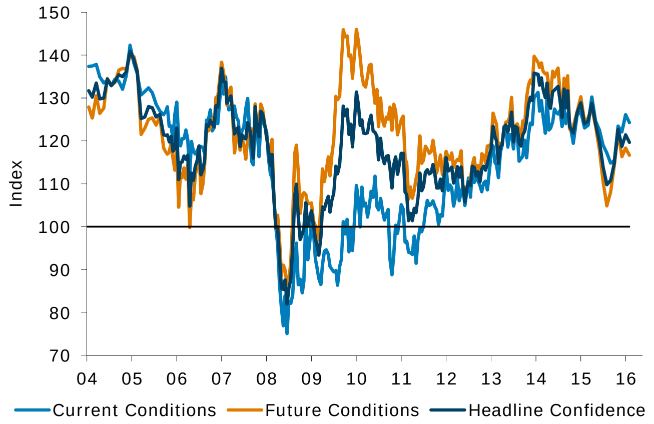


Source: ANZ, Statistics NZ

But both the GDP and current account data are now somewhat historical. And while the starting point matters, more focus should be on the outlook from here.

Two of our proprietary indicators (job ads and consumer confidence) this week will help provide a timelier update on domestic economic momentum. We will be particularly interested in how consumer sentiment is tracking. It has been resilient to global forces to date, as well as to ongoing dairy sector stress. In seasonally adjusted terms, headline confidence has remained stable for the past three months at around its historical average. If that has remained the case in March, that would clearly be an encouraging sign.

FIGURE 4. ANZ ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ

This week's GDT auction looks like it could be a repeat of the last – a lift in wholemilk powder prices, while the rest of the complex tracks sideways. NZX dairy futures are pointing to a 6.5% lift for WMP and little change for SMP (-1.3%), AMF (+0.2%) and butter (+1.2%). This implies the GDT-TWI could lift by around 3%.

In our view, the drivers of the different movements are: a) a seasonal decline in New Zealand WMP volumes while Northern Hemisphere SMP volumes are still on the rise; b) the general bounce in commodity prices (especially oil) and recently announced China stimulus; and c) the normalisation in stream returns between WMP/SMP/milkfat (this played out at the last auction and WMP has further to go).

Focus will now shift to Fonterra's first-half results to be released on 23rd March. While we don't forecast dividend earnings, underlying momentum and other restructuring activity should support results toward the top of the guidance band ($0.45-0.55/share).There could even be an upgrade, given the underperformance of the milk price (input cost for dividend). The market will need to be on the watch out for other activities to aid farmer cash flow too. This is likely to include an extension of the farmer loans offered earlier in the season and the possibility of paying out 100% of the dividend (current guidance infers 75-80%). Of course both have implications for Fonterra's debt position and the strategy of trying to push more milk into "value-add" products/channels.

And finally on Monday next week net migration and visitor arrivals data for February are released. We have no reason to think they will

ECONOMIC OVERVIEW

point to anything other than a continuation of strong trends. While a further acceleration in net migrant inflows is probably a challenge from these already record levels (3-month annualised net inflow of 71,680), it is also hard to see what the catalyst will be for moderation. We like to think of migration as a swing variable in that in the first instance it is more likely to respond to, rather than drive, economic outcomes. Therefore it is unlikely to change unless the domestic economic picture sours. While visitor arrivals growth could get thrown around by the timing of Chinese New Year, we expect the underlying trend to be one of strong growth.

LOCAL DATA

ANZ Truckometer – February. The Heavy Traffic Index rose 1.6% m/m, while the Light Traffic Index rose 2.0% m/m.

Economic Survey of Manufacturing – Q4. Total manufacturing sales volumes rose 1.3% q/q, with "core" volumes (excluding meat and dairy) rising 1.0% q/q.

ANZ Monthly Inflation Gauge – February. The headline Gauge posted a 0.3% m/m increase. The Underlying Ex-housing Gauge rose 0.1% m/m.

Electronic Card Transactions – February. Total retail spending rose 0.7% m/m, while core spending lifted 1.2% m/m.

RBNZ *Monetary Policy Statement*. The OCR was cut to an all-time lower of 2.25% and the Bank's 90-day bank bill projection implied a further 25bp cut (around mid-year) to 2.0%.

BNZ-Business NZ PMI – February. The headline index fell 2.0 points to 56.0.

Food Price Index – February. Food prices fell 0.6% m/m, with annual growth holding at -0.5% y/y.

REINZ Housing Market Statistics – February. In seasonally adjusted terms, sales volumes rose 3.3% m/m, while the REINZ House Price Index rose 1.6% m/m (11.9% y/y).

BNZ-Business NZ PSI – February. The headline index rose 1.5 points to 56.9.

DATA PREVIEW

SUMMARY

Respectable Q4 GDP growth of 0.6% q/q is expected (led by services and construction), confirming decent momentum to end the year. Although a wider seasonally adjusted current account deficit is likely, the annual deficit should fall to 3.2% of GDP – the lowest in a year and below its historical average.

CURRENT ACCOUNT – 2015Q4

(Wednesday 16 March, 10.45am)

Current Account	ANZ	Market
Quarter (nsa)	**-$2,690m**	-2,950m
Quarter (sa)	**-$2,000m**	--
Annual	**-$7.8bn**	-$8.0bn
% of GDP	**-3.2%**	-3.3%

In line with its typical seasonal pattern, the unadjusted current account deficit should narrow in Q4. A deficit of around $2.7bn is expected (down from $4.7bn in Q3). However, as this is a smaller deficit than recorded in Q3 2014, the annual deficit should drop from over $8.1bn to around $7.8bn, which should be enough to see the deficit as a share of GDP narrow to 3.2% – the lowest in a year and below its historical average (3.7% of GDP).

That said, we still expect the deficit to widen a touch in seasonally adjusted terms. This widening is entirely due to an expected deterioration in the goods deficit, which we see expanding to close to $1bn (the largest since 2008). This is on the back of the weaker terms of trade and softer primary export volumes. It is offset to a degree by a further lift in the services balance (to the biggest surplus on record) as the tourism sector continues to boom and we see a narrowing in the primary income deficit on an expected reduction in debt-servicing costs and a modest fall in the returns foreigners achieved on their New Zealand investments in the quarter.

At a time of global volatility and nervousness, the fact the current account deficit is below its historical average is encouraging. Together with a reduction in net external debt and lengthening in the maturity profile of its international liabilities, it shows the economy in a far less vulnerable position than compared with previous bouts of global unease.

That said, we still see the deficit widening over the next few years as the impact of weaker export prices flow through. So while the starting point is reasonable, and highlights a greater degree of resilience now than in the past, the fact a deficit exists at all shows that the economy remains a savings-deficient nation, and therefore exposed to conditions in offshore credit markets and the whims of global financial market sentiment.

GROSS DOMESTIC PRODUCT – 2015Q4

(due Thursday 17 March, 10.45am)

GDP	ANZ	RBNZ	Market
QoQ	**+0.6%**	0.7%	0.7%
YoY	**+2.0%**	2.1%	2.1%
Ann. Ave.	**+2.4%**	2.4%	2.4%

We expect a 0.6% q/q lift in production-based GDP (+2.0% y/y), which is a touch below the median market expectation and RBNZ's March *MPS* pick. Risks around our forecasts are modestly tilted to the upside.

Led by construction, the goods sector is expected to have risen 1.2% q/q. Driven by increases across residential, non-residential and other construction work (the latter bouncing back from a sharp fall in Q3), construction sector activity is expected to have lifted 4%. Wider manufacturing activity is expected to be broadly unchanged, with a 2% drop in food, beverage & tobacco manufacturing, offset by a 1% lift in "core" manufacturing.

At 0.7% q/q, services sector activity is expected to have expanded at a similar pace to Q3. Although wholesale activity is likely to be flat, we expect solid growth in the retail and accommodation sectors, which are in part linked with the strong-performing tourism sector. Our *Truckometer* and the solid growth in visitor arrivals numbers also point to a lift in transport, postal and warehousing activity. Weaker house sales activity is likely to weigh on rental, hiring & real estate services, and finance & insurance services activity. However, the strong 1.9% Q4 lift in services sector paid hours speaks of respectable activity growth overall.

This helps to offset weaker primary sector activity (-0.7% q/q). A further drop in milk production largely drives the fall in agriculture value add, with offsetting moves for other components.

Expenditure GDP should be supported by solid domestic demand growth. Household consumption and residential investment are expected to grow 0.7% and 3.5% q/q respectively. Other investment should be flat, with falls in transport and plant & machinery investment expected. Inventories should contribute positively to growth (reversing the rundown in Q3), but this should be largely offset by the negative net export position.

MARKET IMPLICATIONS

The historical nature of this data means any market reaction should be fleeting. With the RBNZ now acting on its easing bias and mindful of risks on the horizon, of far more importance are forward-looking indicators, which this data is not.

INTEREST RATE STRATEGY

SUMMARY

We expect short-end rates to continue edging lower, with our expectation of a further 50bps of OCR cuts over 2016 not yet fully priced in (especially over H2). Central bank actions look set to dominate again this week, with BoJ, Norges Bank, the SNB, Fed, and BoE decisions all scheduled. Some look set to act on easing biases, but the FOMC is likely to remain the outlier, which could see long-term yields move higher. Local yields are at historic lows, and the curve should continue to steepen as the realisation of more RBNZ easing sets in. Opposing policy biases and our high outright local yields have already helped narrow geographic spreads, and should help slow the drift up in local long-term yields.

THEMES

- The curve is expected to steepen, with our expectation of a further 50bps of OCR cuts not yet reflected in market pricing. We expect the OCR to remain at 1.75% into 2018, which should see short-term swap rates fall further.
- Very near-term expectations for the OCR (~80% odds of a cut by June) are reasonable, given that the April meeting is "live" and our expectation of a cut in June, but there's not enough priced in further out. This suggests we will see 2-3 year swap rates move lower yet.
- Resilient US data and signs of firming inflation are expected to keep the Fed on track to lift rates, albeit in a gradual manner. With markets factoring in only one Fed hike by the end of the year, the term structure of US interest rates is at risk of being re-priced higher.
- Local long-term yields are at historic lows but remain high compared to global counterparts. Our high outright local yields and opposing policy biases should keep geographic spreads on a narrowing trajectory, slowing the gradual rise in NZ long-end yields.

PREFERRED STRATEGIES – INVESTORS

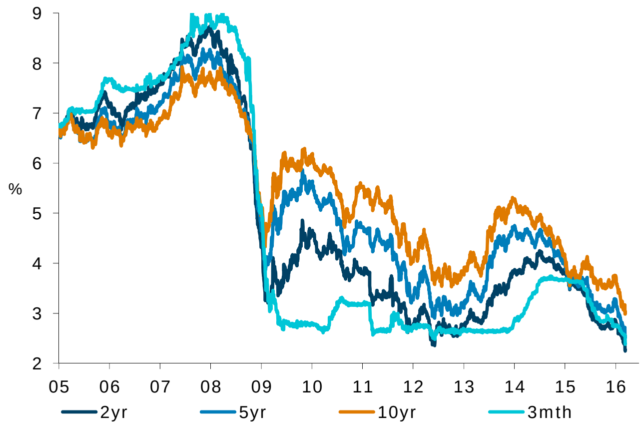
KEY VIEWS – FOR INVESTORS		
GAUGE	**DIRECTION**	**COMMENT**
Duration	Neutral/ Bullish	Short end lower, long end rates still high in global context.
2s10s Curve	Steeper	OCR cuts coming, but long end still biased mildly higher.
Geographic 10yr spread	Narrower	Divergent policy biases argue for gradual narrowing.
Swap spreads	Neutral	Long-end spreads at risk of narrowing, given supply.

CENTRAL BANKS STILL IN FOCUS

Local yields have rallied sharply following last week's surprise OCR cut, with the curve steepening due to more modest falls in longer-dated yields. Compared to a week ago, wholesale interest rates are down 13-18bps, with outright swap yields at historic lows. The 2-year swap at 2.25% is about 15bps below the 90-day bank bill rate, and with the market pricing 30bps of cuts over 2016.

Near-term expectations for the OCR (~80% odds of a cut priced in by June) look reasonable, but the market is still really only toying with one more (as opposed to two more) 25bp cuts. This looks too light to us and there is scope for the market to rally as the low-for-longer message filters through. We note that at a time of already-low inflation, the possibility of more modest, sub-trend growth represents a clear problem for the RBNZ. This week's Q4 GDP print is expected to show that the economy ended 2015 with reasonable momentum, but tighter financial conditions point to slowing growth towards the end of the year. This week's GDT auction is expected to show signs of stabilisation, but the fundamental backdrop for dairy prices remains weak.

FIGURE 1. NZD SWAP RATES



Source: ANZ, Bloomberg

RBNZ cuts have been on par with the easing tone elsewhere. Last week saw the ECB deliver more policy easing than was generally expected, with cuts to its various interest rates by 5bps to 10bps (with the deposit rate down to -0.4%), and expansion of its monthly asset purchases by €20bn as well as broadening the range of eligible assets. The BoJ tomorrow could also throw in the kitchen sink and cut rates further into negative territory, whilst a cut is expected from the Norges Bank and SNB. The BoE are expected to maintain policy settings.

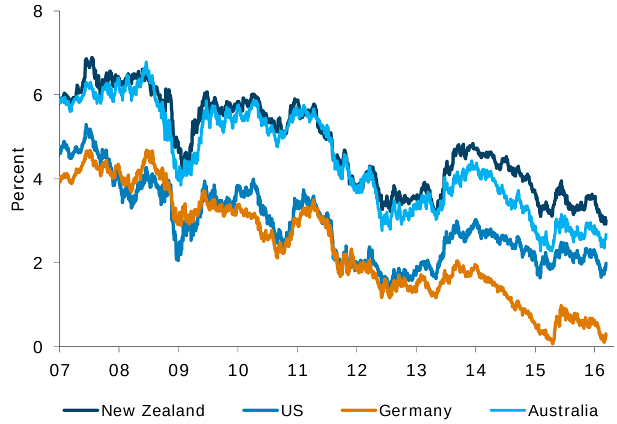
Another key issue markets are grappling with is negative interest rates. While in theory they

INTEREST RATE STRATEGY

should stimulate lending as banks look to borrow at a negative rate and lend at a higher rate, they are causing problems in credit markets as investors baulk at buying bonds with negative yields. The end result has been wider credit spreads. We note that OCR cuts have not been fully passed on by lenders, most likely as a consequence of a more challenging funding environment. Along with the high NZD and benign inflation outlook, this bolsters the case for OCR cuts.

The Fed is the most notable central bank swimming against the global tide. While no change is expected in March, rising oil prices and firming signs on the inflationary front are expected to keep subsequent moves in the Fed funds rate tilted upwards. There remains a significant disconnect between current market pricing – in which slightly more than one 25bp hike is fully priced in – versus the three hikes signalled in the December "dot plots". While the Fed could further shade down their interest rate expectations closer to the market, they are likely to remain some way above it. All else equal, this poses upside risks to the long end.

FIGURE 2: SOVEREIGN BOND YIELDS



Source: ANZ, Bloomberg

Although local yields have touched hit all-time lows in recent weeks, they remain very high by global comparison, with 5-year government bond yields in negative territory in five G10 markets. Local 10-year government bond yields have fallen in relation to US and Australian yields, but at around 3% are significantly above global counterparts, with the average G10 yield at 1% (excluding NZ). There is scope for geographic spreads to US yields to narrow further, which should partly offset the impact of higher US yields.

PREFERRED STRATEGIES – BORROWERS

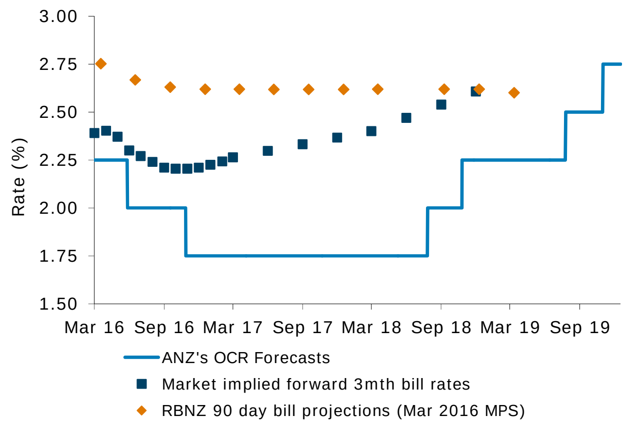
With 10-year swap rates close to record lows, it is difficult to argue that fixing now does not offer good value from an historical perspective. However, rates could move lower still, especially for tenors out to 5 years. But what really concerns us is what happens to hedge effectiveness as credit spreads widen. If wider credit spreads lead to more RBNZ easing and lower swap rates, hedges designed to protect against rising rates will become ineffective, as they don't guard against what's really driving overall funding costs up – i.e. wider spreads. This – and the volatile trading environment – **has us biased towards favouring an option-based strategy when it comes to new hedging.** We note too that floating rates are also historically cheap, particularly with our expectation of a further 50bps of cuts by the end of the year. This makes the decision to take on more expensive term cover an even more difficult one – hence our preference for optionality.

KEY VIEWS – FOR BORROWERS		
GAUGE	**VIEW**	**COMMENT**
Hedge ratio	Majority hedged	Options preferred so as to maintain exposure to lower floating interest rates.
Value	Cheap	Low, but the catalyst for an immediate rise is absent.
Uncertainty	Elevated	The key reason for caution.

MARKET EXPECTATIONS

Market expectations for an April OCR cut are close to 30%, with 18bps of cuts by June, 24bps by August, with about 30bps of cuts by the end of the year.[1] Our core view is for 50bps of OCR cuts this year, and for the OCR to remain on hold until mid-2018. As such, there is potential for short-term yields to rally and for the curve to steepen as deeper cuts get priced in.

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



Source: ANZ, Bloomberg

[1] From July, the new schedule for OCR decisions will be introduced, with four *MPS* and associated OCR announcements each year (in February, May, August and November) and three intervening OCR Reviews (in March, June and September).

CURRENCY STRATEGY

SUMMARY

NZD resilience remains an anomaly that we believe will correct with time. Last week's OCR cut reinforces this, and we expect our forecast of further easing to start to weigh on the NZD TWI. We continue to favour playing NZD/USD from the short side, looking for USD strength to emerge post FOMC. Tomorrow's BoJ decision should cap NZD/JPY as markets continue to debate whether unconventional policy is reaching its limits – at least for impact on currencies.

TABLE 1: KEY VIEWS

CROSS	WEEK	MONTH	YEAR
NZD/USD	↓	Too expensive	Downside risks
NZD/AUD	↔/↑	Bottom of the range	Remain above long-run averages
NZD/EUR	↔	Still in range	EUR capped by ECB?
NZD/GBP	↔	Consolidating	GBP resurgence
NZD/JPY	↔/↑	BoJ could do more	JPY finding a range

THEMES AND RISKS

- Tuesday's BoJ meeting – the first since JPY strengthened as rates went negative – has wider implications than just for JPY, which we expect to remain strong. Central banks ability to control currencies – with negative rates – is in question.
- Expectations are high for the SNB and Norges bank to follow the ECB, weighing on SEK and CHF.
- US data is suggestive of a more hawkish FOMC than what's priced in, biasing USD higher.
- Domestic data will be a focus, with New Zealand Q4 GDP expected to show relative strength.

TABLE 2: KEY UPCOMING EVENT RISK

EVENT		WHEN (NZDT)	IMPACT RISK
AUD	RBA minutes	Tue 13:30	NZD/AUD ↑
JPY	BoJ	Tue pm	NZD/JPY ↑
USD	Retail sales, Empire	Wed 01:30	NZD/USD ↓
NZD	GDT auction	Wed am	NZD ↔/↓
NZD	Q4 Current account	Wed 10:45	NZD ↔
GBP	Employment	Wed 22:30	NZD/GBP ↓
GBP	UK Budget	Thu 01:30	NZD/GBP ↓
USD	CPI	Thu 01:30	NZD/USD ↔/↓
USD	Industrial production	Thu 02:15	NZD ↔/↓
USD	FOMC	Thu 07:00	NZD/USD ↓
NZD	Q4 GDP	Thu 10:45	NZD ↑
AUD	Employment	Thu 13:30	NZD/AUD ↓
CHF	SNB	Thu 21:30	NZD/CHF ↑
NOK	Norges Bank	Thu 22:00	NZD/NOK ↑
EUR	EU CPI	Thu 23:00	NZD/EUR ↑
GBP	BoE	Fri 01:00	NZD/GBP ↓
USD	Philadelphia Fed	Fri 01:30	NZD/USD ↓
NZD	ANZ Job Ads	Fri 10:00	NZD
NZD	ANZ Consumer conf.	Fri 13:00	NZD
USD	Michigan confidence	Sat 03:00	NZD/USD ↓
NZD	Net migration	Mon 10:45	NZD ↑

EXPORTERS' STRATEGY

We believe the NZD is toppy here, and as such we favour holding off for now, waiting for better levels later. We favour options if immediate cover is needed.

IMPORTERS' STRATEGY

Importers should consider hedging at current levels. We are near range edges and the TWI remains strong and disconnected with other markets.

DATA PULSE

The NZD remains strong, having rebounded to fill the "RBNZ gap" lower. While this reflects the current relative strength of the New Zealand economy, forward looking signs are modestly less upbeat. The Business PMI, Truckometer, and card spending were strong. However, Q4 manufacturing activity and Fonterra's milk price downgrade sounded warnings.

The AUD soared with iron ore. February NAB business confidence ticked higher along with ANZ RM consumer confidence, but home lending declined.

Chinese data remains a weight on CNY. The trade surplus shrunk as exports fell faster than imports – and expected. Aggregate financing, industrial production and retail sales were weaker than expected, although CPI surprised higher.

The EUR strengthened following the data (German and French industrial production were strong) **rather than the ECB** – who threw the policy kitchen sink at the currency. Draghi's assessment that further rate cuts were unlikely also drove EUR higher.

The USD broadly weakened over the week, despite Fed Vice-Chair Fischer seeing the "first stirrings" of inflation.

TABLE 3: NZD VS AUD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔	FV is above long-run averages.
Yield	↔/↓	More downside risks to NZ rates.
Commodities	↓	Iron ore stable, milk less so.
Data	↔/↓	NZ data tenor to soften.
Techs	↔/↑	On support
Sentiment	↔	Equal reactions to sentiment
Other	↑↓	Volatility is high.
On balance	↔/↑	**Bottom of the two year range.**

TABLE 4: NZD VS USD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔	Closer to fair value.
Yield	↔/↓	Yield advantage to change.
Commodities	↔/↓	Dairy expected to stabilise, but non-dairy is a risk.
Risk aversion	↔↑	Resilience to risk notable.
Data	↓	Peak NZ optimism/ US pessimism?
Techs	↓	Top of the range.
Other	↓	China remains a key downside.
On balance	↓	**Downside risks.**

CURRENCY STRATEGY

TECHNICAL OUTLOOK

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

NZD/USD is anchored to the pivot zone around 0.67, unable to accelerate higher, but unwilling to trade below it. The 200dma in the low 0.66s is also functioning well as a support with markets quick to rebound from the post-RBNZ test of this level.

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

NZD/AUD is oversold and sitting on support that has been established since Q4 2013. This level is pivotal for those with a longer focus as it marks the base for the last two and a half years. Technically, 0.87-0.89 is the buy zone.

TABLE 5: KEY TECHNICAL ZONES		
CROSS	**SUPPORT**	**RESISTANCE**
NZD/USD	0.6480 – 0.6520	0.6940 – 0.6980
NZD/AUD	0.8860 – 0.8890 0.8700 – 0.8740	0.9040 – 0.9080 0.9480 – 0.9520
NZD/EUR	0.5800 – 0.5850	0.6280 – 0.6330
NZD/GBP	0.4630 – 0.4660	0.4930 – 0.4980
NZD/JPY	73.50 – 74.00 69.80 – 70.20	79.50 – 80.00 82.40 – 83.00

POSITIONING

CFTC data showed that leveraged accounts brought AUD, NZD, CAD and JPY, while EUR and GBP shorts were increased.

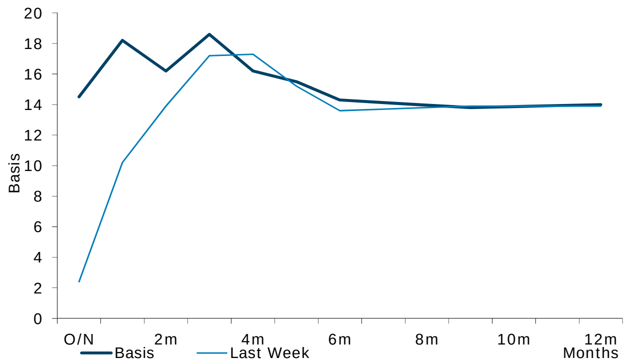
GLOBAL VIEWS

The ECB over delivered versus market expectations, with cuts to all three rates, more QE, widening the list of eligible assets to acquire, and four new TLTROs. But ECB President Draghi's suggestion that the ECB is done cutting rates and assertion that deeper cuts in the deposit rate may hurt the banking sector have been interpreted as a sign that the ECB has reached the limits of its interest rate cutting cycle. This highlights the challenges faced by central bankers as they look to stimulate their economies. EUR looks to have bottomed for now and in our view can really only weaken further if the Fed surprises on the hawkish side, or if the market is prepared to debate the prospect of more novel policy alternatives.

But this interpretation has wider implications than just EUR as it builds on the JPY reaction to the BoJ decision to take rates into negative territory. It perhaps indicates markets believe the ability of central banks to influence currency levels with unconventional policy may be waning. That said, currencies with central banks still in conventional territory – like NZD – are still likely to follow policy moves.

FORWARDS: CARRY AND BASIS

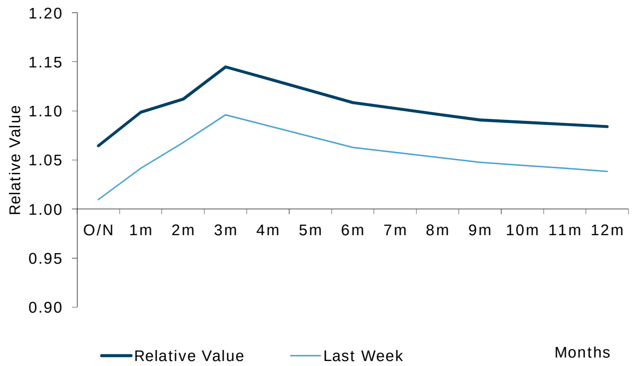
FIGURE 3. NZD/USD SHORT BASIS CURVE



Source: ANZ, Bloomberg, Reuters

There is notable pressure on short dated cash as markets square up S/B NZD positions post RBNZ. The March/June IMM roll is also adding to tightness and we do not expect conditions to change until next week.

FIGURE 4. RELATIVE ATTRACTION OF THE FWD CURVE



Source: ANZ, Bloomberg, Reuters

DATA EVENT CALENDAR

DATE	COUNTRY	DATA / EVENT	MKT.	LAST	NZ TIME
14-Mar	AU	Credit Card Balances - Jan	--	A$52.1B	13:30
	AU	Credit Card Purchases - Jan	--	A$27.6B	13:30
	NZ	Non Resident Bond Holdings - Feb	--	67.6%	15:00
	EC	Industrial Production SA MoM - Jan	1.7%	-1.0%	23:00
	EC	Industrial Production WDA YoY - Jan	1.6%	-1.3%	23:00
15-Mar	AU	ANZ-RM Consumer Confidence Index - 13-Mar	--	114.8	11:30
	AU	New Motor Vehicle Sales MoM - Feb	--	0.5%	13:30
	AU	New Motor Vehicle Sales YoY - Feb	--	5.1%	13:30
	AU	RBA March Meeting Minutes	--	--	13:30
	EC	Employment QoQ - Q4	--	0.3%	23:00
	EC	Employment YoY - Q4	--	1.1%	23:00
	JN	BoJ Annual Rise in Monetary Base - Mar	¥80t	¥80t	UNSPECIFIED
	JN	BoJ Monetary Policy Statement - Mar	--	--	UNSPECIFIED
	JN	BoJ Basic Balance Rate - Mar	--	0.10%	UNSPECIFIED
	JN	BoJ Macro Add-On Balance Rate - Mar	--	0.00%	UNSPECIFIED
	JN	BoJ Policy Rate - Mar	-0.10%	-0.10%	UNSPECIFIED
16-Mar	US	Retail Sales Advance MoM - Feb	-0.1%	0.2%	01:30
	US	Retail Sales Ex Auto MoM - Feb	-0.2%	0.1%	01:30
	US	Retail Sales Ex Auto and Gas - Feb	0.2%	0.4%	01:30
	US	Retail Sales Control Group - Feb	0.2%	0.6%	01:30
	US	PPI Final Demand MoM - Feb	-0.2%	0.1%	01:30
	US	PPI Final Demand YoY - Feb	0.1%	-0.2%	01:30
	US	PPI Ex Food and Energy MoM - Feb	0.1%	0.4%	01:30
	US	PPI Ex Food and Energy YoY - Feb	1.2%	0.6%	01:30
	US	PPI Ex Food, Energy, Trade MoM - Feb	0.1%	0.2%	01:30
	US	PPI Ex Food, Energy, Trade YoY - Feb	--	0.8%	01:30
	US	Empire Manufacturing - Mar	-11.50	-16.64	01:30
	US	NAHB Housing Market Index - Mar	59.0	58.0	03:00
	US	Business Inventories - Jan	0.0%	0.1%	03:00
	US	Total Net TIC Flows - Jan	--	-$114.0B	09:00
	US	Net Long-term TIC Flows - Jan	--	-$29.4B	09:00
	NZ	BoP Current Account Balance - Q4	-2.950B	-4.749B	10:45
	NZ	Current Account GDP Ratio YTD - Q4	-3.300%	-3.300%	10:45
	AU	Westpac Leading Index MoM - Feb	--	-0.04%	12:30
	UK	Claimant Count Rate - Feb	2.2%	2.2%	22:30
	UK	Jobless Claims Change - Feb	-9.1k	-14.8k	22:30
	UK	Average Weekly Earnings 3M/YoY - Jan	2.0%	1.9%	22:30
	UK	Weekly Earnings ex Bonus 3M/YoY - Jan	2.1%	2.0%	22:30
	UK	ILO Unemployment Rate 3Mths - Jan	5.1%	5.1%	22:30
	UK	Employment Change 3M/3M - Jan	144k	205k	22:30
	EC	Construction Output MoM - Jan	--	-0.6%	23:00
	EC	Construction Output YoY - Jan	--	-0.4%	23:00
17-Mar	US	MBA Mortgage Applications - 11-Mar	--	0.2%	00:00
	UK	UK's Osborne makes Budget Speech to Parliament	--	--	01:30
	US	Housing Starts - Feb	1150k	1099k	01:30
	US	Housing Starts MoM - Feb	4.6%	-3.8%	01:30
	US	Building Permits - Feb	1200k	1202k	01:30
	US	Building Permits MoM - Feb	-0.2%	-0.2%	01:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
17-Mar	US	CPI MoM - Feb	-0.2%	0.0%	01:30
	US	CPI YoY - Feb	0.9%	1.4%	01:30
	US	CPI Ex Food and Energy MoM - Feb	0.2%	0.3%	01:30
	US	CPI Ex Food and Energy YoY - Feb	2.2%	2.2%	01:30
	US	Industrial Production MoM - Feb	-0.3%	0.9%	02:15
	US	Capacity Utilization - Feb	76.9%	77.1%	02:15
	US	FOMC Rate Decision - Mar	0.50%	0.50%	07:00
	NZ	GDP SA QoQ - Q4	0.7%	0.9%	10:45
	NZ	GDP YoY - Q4	2.1%	2.3%	10:45
	AU	Employment Change - Feb	12.0k	-7.5k	13:30
	AU	Unemployment Rate - Feb	6.0%	6.0%	13:30
	AU	Full Time Employment Change - Feb	--	-40.3k	13:30
	AU	Part Time Employment Change - Feb	--	32.8k	13:30
	AU	Participation Rate - Feb	65.2%	65.2%	13:30
	AU	RBA FX Transactions Government - Feb	--	-749M	13:30
	AU	RBA FX Transactions Market - Feb	--	728M	13:30
	AU	RBA FX Transactions Other - Feb	--	44M	13:30
	EC	Trade Balance SA - Jan	€19.5B	€21.0B	23:00
	EC	Trade Balance NSA - Jan	€10.0B	€24.3B	23:00
	EC	CPI MoM - Feb	0.1%	-1.4%	23:00
	EC	CPI YoY - Feb F	-0.2%	-0.2%	23:00
	EC	CPI Core YoY - Feb F	0.7%	0.7%	23:00
18-Mar	UK	Bank of England Bank Rate - Mar	0.50%	0.50%	01:00
	UK	BoE Asset Purchase Target - Mar	£375B	£375B	01:00
	US	Current Account Balance - Q4	-$117.4B	-$124.1B	01:30
	US	Philadelphia Fed Business Outlook - Mar	-1.7	-2.8	01:30
	US	Initial Jobless Claims - 12-Mar	266k	259k	01:30
	US	Continuing Claims - 5-Mar	2230k	2225k	01:30
	US	JOLTS Job Openings - Jan	5550	5607	03:00
	US	Leading Index - Feb	0.2%	-0.2%	03:00
	NZ	ANZ Job Advertisements MoM - Feb	--	-3.2%	10:00
	NZ	ANZ Consumer Confidence Index - Mar	--	119.7	13:00
	NZ	ANZ Consumer Confidence MoM - Mar	--	-1.4%	13:00
	GE	PPI MoM - Feb	-0.1%	-0.7%	20:00
	GE	PPI YoY - Feb	-2.6%	-2.4%	20:00
	EC	Labour Costs YoY - Q4	--	1.1%	23:00
19-Mar	US	U. of Mich. Sentiment - Mar P	92.2	91.7	03:00

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

Domestic economic momentum is reasonable at present. However, the outlook is darkening and with inflation already low, we now believe the RBNZ will cut the OCR twice more this year.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Wed 16 Mar (early am)	GlobalDairyTrade Auction	Stabilisation at low levels	The fundamental backdrop is not conducive to a meaningful recovery in prices.
Wed 16 Mar (10:45am)	Balance of Payments – Q4	Holding	While a larger seasonally adjusted deficit is likely, the annual current account deficit should hold around 3.2% of GDP.
Thu 17 Mar (10:45am)	GDP – Q4	0.6% q/q	Reasonable growth of 0.6% q/q is expected, supported by construction and services sector activity.
Fri 18 Mar (10:00am)	ANZ Job Ads – Feb	--	--
Fri 18 Mar (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Mar	--	--
Mon 21 Mar (10:45am)	International Travel & Migration – Feb	Still strong	Current themes are expected to continue. It is hard to see much of a change unless the domestic economic picture worsens.
Thu 24 Mar (10:45am)	Overseas Merchandise Trade – Feb	Deteriorating	Things have held up well recently, but we expect weaker export prices to dominate and result in a deteriorating trade picture overall.
Wed 30 Mar (10:45am)	Building Consents Issued – Feb	Recovery	Dwelling consent issuance fell sharply in January. But we see this as monthly volatility and are expecting a bounce.
Thu 31 Mar (1:00pm)	ANZ Business Outlook – Mar	--	--
Thu 31 Mar (3:00pm)	RBNZ Credit Aggregates – Feb	Peaked	Credit growth is running ahead of income growth, but we do believe a peak is now in place.
Tue 5 Apr (10:00am)	NZIER QSBO – Q1	Services led	Services activity at the forefront of domestic expansion. Benign pricing intentions, although capacity metrics to flag tensions.
Tue 5 Apr (1:00pm)	ANZ Commodity Price Index – Mar	--	--
Wed 6 Apr (12:00pm)	QV House Prices – Mar	Regional mix	The Auckland market has cooled and should be capped by affordability considerations. Regional markets are booming.
Thu 7 Apr (10:00am)	ANZ Truckometer – Mar	--	--
Fri 8 Apr (10:00am)	Government Financial Statements – Feb	In line	The numbers should be relatively close to forecast, with the impact of soft inflation offset by stronger activity.
Fri 8 Apr (1:00pm)	ANZ Monthly Inflation Gauge – Mar	--	--
11-15 Apr	REINZ Housing Statistics – Mar	Regional mix	The Auckland market has cooled and should be capped by affordability considerations. Regional markets are booming
Mon 11 Apr (10:45am)	Electronic Card Transactions – Mar	Decent	Lower petrol prices, falling mortgage rates, strong population growth and an improving labour market are key supports.
Wed 13 Apr (10:45am)	Food Prices – Mar	Drop	A modest fall is likely as prices continue to unwind the sharp increase in January.
Thu 14 Apr (10:30am)	BNZ-Business NZ Manufacturing PMI - Mar	Holding up	Outside of monthly volatility, sentiment should have held up okay, with support from a solid domestic economic evident.
On balance		**Data watch**	**Reasonable momentum at present, but with risks. Inflation remains low.**

KEY FORECASTS AND RATES

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
GDP (% qoq)	0.9	**0.6**	**0.5**	**0.6**	**0.6**	**0.6**	**0.7**	**0.7**	**0.6**	**0.6**
GDP (% yoy)	2.3	**2.0**	**2.3**	**2.6**	**2.4**	**2.3**	**2.5**	**2.6**	**2.6**	**2.7**
CPI (% qoq)	0.3	-0.5	**0.0**	**0.4**	**0.4**	**0.0**	**0.6**	**0.4**	**0.7**	**0.3**
CPI (% yoy)	0.4	0.1	**0.3**	**0.2**	**0.3**	**0.8**	**1.4**	**1.4**	**1.7**	**1.9**
Employment (% qoq)	-0.5	0.9	**0.6**	**0.5**	**0.5**	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**
Employment (% yoy)	1.4	1.3	**1.2**	**1.6**	**2.6**	**2.1**	**1.9**	**1.8**	**1.7**	**1.7**
Unemployment Rate (% sa)	6.0	5.3	**5.8**	**5.7**	**5.6**	**5.4**	**5.3**	**5.3**	**5.2**	**5.1**
Current Account (% GDP)	-3.2	**-3.2**	**-3.4**	**-3.8**	**-4.7**	**-5.7**	**-6.4**	**-6.7**	**-6.6**	**-6.0**
Terms of Trade (% qoq)	-3.8	-2.0	**-4.1**	**-6.9**	**-6.0**	**-4.4**	**-0.1**	**2.9**	**4.8**	**3.9**
Terms of Trade (% yoy)	-3.6	-3.2	**-8.2**	**-15.8**	**-17.7**	**-19.7**	**-16.4**	**-7.6**	**3.1**	**12.0**

	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Retail ECT (% mom)	1.3	0.5	0.4	0.4	0.9	0.1	0.8	0.1	0.4	0.7
Retail ECT (% yoy)	3.2	5.0	5.6	4.2	6.1	5.8	4.6	6.6	5.2	9.2
Credit Card Billings (% mom)	1.8	0.3	1.7	1.5	-1.9	1.7	0.7	-0.8	2.3	--
Credit Card Billings (% yoy)	7.2	6.7	9.7	10.4	7.3	7.8	8.5	7.4	8.9	--
Car Registrations (% mom)	-0.4	5.2	0.5	-2.3	0.0	-1.3	-2.0	3.1	-2.9	5.7
Car Registrations (% yoy)	6.8	11.2	10.7	7.8	5.0	3.8	1.3	2.4	-1.1	7.4
Building Consents (% mom)	1.3	-4.2	23.6	-8.1	-5.3	5.3	1.7	2.3	-8.2	--
Building Consents (% yoy)	6.9	-3.9	22.3	11.4	17.2	14.7	7.5	17.3	4.8	--
REINZ House Price Index (% yoy)	11.8	14.8	14.9	17.3	20.1	14.1	12.5	12.6	10.7	11.9
Household Lending Growth (% mom)	0.6	0.6	0.7	0.6	0.7	0.7	0.6	0.6	0.6	--
Household Lending Growth (% yoy)	5.5	5.6	6.0	6.3	6.7	7.0	7.2	7.4	7.5	--
ANZ Roy Morgan Consumer Conf.	123.9	119.9	113.9	109.8	110.8	114.9	122.7	118.7	121.4	119.7
ANZ Business Confidence	15.7	-2.3	-15.3	-29.1	-18.9	10.5	14.6	23.0	--	7.1
ANZ Own Activity Outlook	32.6	23.6	19.0	12.2	16.7	23.7	32.0	34.4	--	25.5
Trade Balance ($m)	367	-182	-730	-1090	-1140	-905	-796	-38	8	--
Trade Bal ($m ann)	50976	51371	51643	52446	52287	52101	52648	52511	52772	--
ANZ World Commodity Price Index (% mom)	-4.8	-3.1	-5.5	-5.3	5.6	7.1	-5.6	-1.8	-2.3	0.4
ANZ World Comm. Price Index (% yoy)	-18.0	-19.7	-22.1	-23.6	-18.2	-11.6	-15.3	-12.9	-14.7	-17.8
Net Migration (sa)	5120	4940	5740	5500	5590	6150	6230	5560	6130	--
Net Migration (ann)	57822	58259	59639	60290	61234	62477	63659	64930	65911	--
ANZ Heavy Traffic Index (% mom)	-1.0	1.7	0.0	-0.4	2.0	0.9	0.2	2.9	-4.3	1.6
ANZ Light Traffic Index (% mom)	-0.7	0.9	-0.2	-0.5	2.7	-1.1	0.2	0.9	-1.3	2.0

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-16	Feb-16	Today	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
NZD/USD	0.648	0.661	0.673	0.63	0.61	0.59	0.59	0.60	0.61	0.63
NZD/AUD	0.915	0.925	0.891	0.94	0.94	0.92	0.92	0.92	0.92	0.93
NZD/EUR	0.599	0.606	0.603	0.59	0.58	0.55	0.54	0.54	0.53	0.53
NZD/JPY	78.55	74.62	76.51	69.3	64.1	62.0	62.0	60.0	61.0	63.0
NZD/GBP	0.455	0.477	0.468	0.46	0.45	0.41	0.39	0.39	0.39	0.39
NZ$ TWI	70.5	71.0	71.9	68.8	67.0	64.2	63.7	63.7	64.1	64.9
INTEREST RATES	Jan-16	Feb-16	Today	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17
NZ OCR	2.50	2.50	2.25	2.25	2.00	2.00	1.75	1.75	1.75	1.75
NZ 90 day bill	2.70	2.56	2.38	2.40	2.10	2.10	1.90	1.90	1.90	1.90
NZ 10-yr bond	3.22	2.97	3.01	3.70	3.80	3.80	3.80	3.90	3.90	3.90
US Fed funds	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.25	1.50	1.75
US 3-mth	0.61	0.63	0.63	0.83	1.08	1.33	1.40	1.50	1.65	1.85
AU Cash Rate	2.00	2.00	2.00	2.00	1.75	1.50	1.50	1.50	1.50	1.50
AU 3-mth	2.29	2.29	2.33	2.20	2.30	2.40	2.40	2.40	2.40	2.40

	11 Feb	7 Mar	8 Mar	9 Mar	10 Mar	11 Mar
Official Cash Rate	2.50	2.50	2.50	2.50	2.25	2.25
90 day bank bill	2.63	2.56	2.56	2.56	2.38	2.39
NZGB 12/17	2.48	2.32	2.29	2.28	2.10	2.13
NZGB 03/19	2.55	2.42	2.39	2.38	2.21	2.26
NZGB 04/23	3.01	3.07	3.05	3.02	2.92	2.99
NZGB 04/27	3.36	3.38	3.36	3.33	3.24	3.31
2 year swap	2.54	2.45	2.45	2.46	2.27	2.29
5 year swap	2.69	2.60	2.58	2.57	2.40	2.43
RBNZ TWI	72.3	73.14	72.75	72.54	71.26	71.60
NZD/USD	0.6667	0.68	0.68	0.67	0.66	0.67
NZD/AUD	0.94	0.92	0.91	0.91	0.89	0.89
NZD/JPY	75.24	77.29	76.51	75.92	75.38	75.85
NZD/GBP	0.46	0.48	0.48	0.47	0.47	0.47
NZD/EUR	0.59	0.62	0.61	0.61	0.60	0.60
AUD/USD	0.71	0.74	0.74	0.74	0.75	0.75
EUR/USD	1.13	1.10	1.10	1.10	1.10	1.12
USD/JPY	112.86	113.65	112.95	112.64	113.60	113.28
GBP/USD	1.45	1.42	1.43	1.42	1.42	1.43
Oil (US$/bbl)	27.54	35.91	37.90	36.67	37.62	37.77
Gold (US$/oz)	1206.45	1260.75	1268.30	1254.55	1250.25	1271.50
Electricity (Haywards)	8.35	6.26	5.97	7.75	5.12	6.03
Baltic Dry Freight Index	290	354	366	376	384	388
Milk futures (USD)	29	40	38	40	39	40

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