ANZ RESEARCH

NEW ZEALAND ECONOMICS
MARKET FOCUS

30 May 2016

INSIDE

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RECALIBRATION

ECONOMIC OVERVIEW

The dairy sector remains the clear soft point in what is otherwise a good economic picture. Amidst strains, one facet not fully appreciated is the recalibration of cost bases; a welcome and necessary adjustment, albeit painful. Without sugar-coating the challenge, those who respond and adapt the best will emerge in the strongest positions in the future. We hold the sector in higher regard than we do many global peers that are becoming more vocal about government support. That just delays the inevitable market adjustment. It is a busy week ahead, with some backward-looking data (which we expect to be mixed) and more forward-looking gauges (including some of our propriety indicators) to focus on. This week's GDT auction is expected to eke out a small rise.

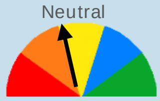
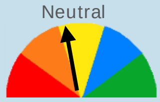
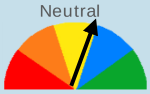
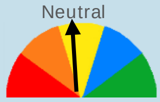
INTEREST RATE STRATEGY

Short-end rates remain at risk of a mild move higher, but are likely to tread water ahead of next week's RBNZ *MPS*. Although we have seen a dramatic re-pricing of expectations, confirmation of an unchanged OCR is likely to see expectations adjust further. With a Fed hike now on the visible horizon, there is less risk of the NZD adjusting higher on a stable OCR outcome, which in turn puts more pressure on interest rates. NZGS bond valuations were affirmed by the "robust" Budget and the associated reduction in the bond programme. We expect geographic spread compression to remain a key theme for NZGS, and for the curve to bear-steepen as US yields rise. Planned issuance of an April 2037 bond will add further pressure on the curve to steepen.

CURRENCY STRATEGY

The NZD/USD is still caught between solid domestic data and a market revaluing FOMC and USD prospects. There looks to be some downside risks to US data this week, which should ensure support from 0.66 to 0.67 remains strong. NZD/AUD was knocked off highs by the low Fonterra milk price forecast, but will have a busy week with plenty of Australasian data to drive it independently of global factors; there is still room for it to squeeze back to test highs.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	2.4% y/y for 2017 Q1	While growth momentum looks reasonable now, tighter financial conditions suggest a more moderate backdrop over 2H 2016.	Neutral Negative  Positive
Unemployment rate	5.3% for 2017 Q1	The unemployment rate should continue to trend lower. Wage inflation is contained, but a turn may be in sight.	Neutral Negative  Positive
OCR	1.75% by Mar 2017	A further 50bps of cuts out to early 2017, despite housing, with the global scene and NZD strength key drivers.	Neutral Down  Up
CPI	1.4% y/y for 2017 Q1	Lower petrol prices and further ACC levy cuts from July expected to keep headline inflation low this year. Core inflation measures to remain historically low.	Neutral Negative  Positive

ECONOMIC OVERVIEW

SUMMARY

The dairy sector remains the clear soft point in what is otherwise a good economic picture. Amidst strains, one facet not fully appreciated is the recalibration of cost bases; a welcome and necessary adjustment, albeit painful. Without sugar-coating the challenge, those who respond and adapt the best will emerge in the strongest positions in the future. We hold the sector in higher regard than we do many global peers that are becoming more vocal about government support. That just delays the inevitable market adjustment. It is a busy week ahead, with some backward-looking data (which we expect to be mixed) and more forward-looking gauges (including some of our propriety indicators) to focus on. This week's GDT auction is expected to eke out a small rise.

FORTHCOMING EVENTS

Building Consents Issued – April (10:45am, Tuesday, 31 May). Issuance has been volatile recently. We have some concerns regarding sector capacity constraints, but issuance should still trend higher.

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

RBNZ Credit Aggregates – April (3:00pm, Tuesday, 31 May). Credit growth may not accelerate from current elevated rates, but it remains well above income growth.

Overseas Trade Indexes – Q1 (10:45am, Wednesday, 1 June). Despite softer NZD export prices, sharply weaker oil prices should see the terms of trade post a modest (but temporary) increase. Export volumes should be soft, led by dairy and meat.

QV House Prices – May (12:00pm, Wednesday, 1 June). National annual house price growth is likely to be accelerating again.

ANZ Regional Trends – Q1 (1:00pm, Wednesday, 1 June).

GlobalDairyTrade Auction (early am, Thursday, 2 June). The auction will highlight any early risk to Fonterra's opening milk price forecast. We expect prices to eke out a small gain.

Building Work Put in Place – Q1 (10:45am, Friday, 3 June). Modest increases (circa 2% q/q) in both residential and non-residential volumes are likely.

ANZ Commodity Price Index – May (1:00pm, Friday, 3 June).

WHAT'S THE VIEW?

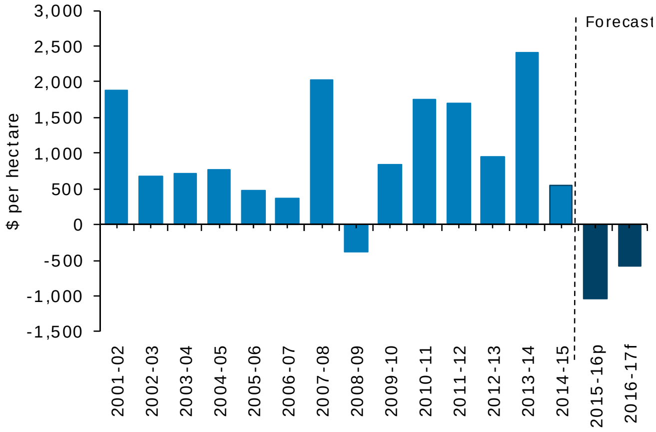
We'll start this week with our latest thinking on the dairy sector. It remains the clear soft point in what is otherwise a good domestic economic picture.

Fonterra is prudently taking a conservative approach to pricing. Its $4.25/kg MS opening milk price forecast for 2016/17 looks to be modelled off current market pricing, as opposed to assuming any meaningful price recovery. This conservativeness is appropriate. The past two seasons have taught us that ongoing disappointment is not helpful for planning and budgeting considerations, nor farmer sentiment. Fonterra also left its 2015/16 estimate unchanged at $3.90/kg MS.

While this means that farm cashflow in 2016/17 will be better than the last 12 months, it is only at the margin, and not enough to restore profitability for the sector. Based on these figures, we estimate that a fully-shared Fonterra farmer will receive $3.97/kg MS in 2015/16 and $4.40/kg MS in 2016/17.

When you map this profile against expected expenditure, it is clear that many farmers will still struggle to break even in the coming season despite cuts in expenditure and other farm management changes. Until the milk price moves back above $5/kg MS (and higher dividend payments persist) – which we expect in the 2017/18 season – it's going to be difficult for many farmers to generate profit/breakeven. We ultimately expect this season's payout (2016/17) to end up in the $4.50-$5/kg MS range. This means negative cash-flow for the average dairy farm until early 2018. The cumulative impacts are the biggest concern.

FIGURE 1: AVERAGE DAIRY FARM PROFITABILITY BEFORE TAX



Source: ANZ, Fonterra, Dairy NZ

However, there are lots of moving parts at present, and one thing that has become more apparent is the cost adjustment underway. The deflationary impacts of lower dairy prices and the broad-based weakness in global commodity prices have shown up in the cost of farm inputs in 2015/16. It fell 2.9% in 2015/16 – the largest fall seen in data going back to 2000/01.

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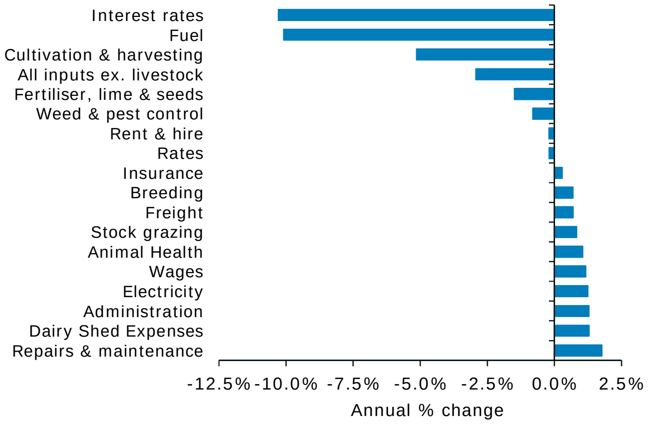
This adjustment is welcome and necessary. We stand by our view that dairy prices are not only weak in a cyclical sense; there is structural adjustment going on too. Dairy prices (whole milk powder) are not going to average US$3,500 per tonne over the cycle going forward so forget about the payout averaging $6.50/kg MS; we think something closer to $6 is more likely. If incomes are down on average across the cycle then expenses need to be too.

Price falls are occurring in some of the largest dairy expenditure categories. To be fair, it is being led by interest rates and fuel, which are of course part of a wider thematic. Both are down around 10% compared to a year ago. But prices are also softer for cultivation, harvest and purchase of animal feed (-5.1%); fertiliser, lime & seeds (-1.5%); weed & pest control (-0.8%); rent & hire (-0.2%) and even rates (-0.2%), which are all more sector-specific. Prices are often sticky on the downside; the fact they are falling in the current instance shows the sector is adapting. Together, these cost categories account for around 60% of total farm expenditure on the average dairy farm. Annual wage increases, at just 1.2%, were also the second-lowest in the 16 years of this data, with only 2009/10 recording a weaker outcome (+0.9%).

FIGURE 2: INPUT PRICE MOVEMENTS FOR DAIRYING



Source: ANZ, Statistics NZ

Some of these expense lines look set to rebound next season (fuel especially). But we suspect there will be more weakness to come for others. Indeed, grazing prices have only started re-rating in recent months. The general feed/grain market remains oversupplied, and many service providers are now feeling a more significant pinch and offering 'specials'. Fertiliser prices are still under downward pressure. This specific pressure comes on top of the lack of wider inflationary pressures within the local and global economies more generally.

These adjustments, alongside other cuts in expenditure and farm management changes, are helping recalibrate cost bases. Time will tell how successful these adjustments prove to be and there is no way to sugar-coat the challenges. Our expectation is that the average break-even for a dairy farm will fall below $5/kg/MS from $5.25 now (it was $5.50 over a year ago). Prolonged tighter cost control and financial pressures will continue to have wider impacts on many rural communities and support businesses over the next 18 months nonetheless, particularly for cash-flow-dependent businesses. Many farmers have the ability to fall back on equity built up when land prices were rising. Cash-flow leveraged (dependent) businesses don't tend to have the same luxury and this is the under-appreciated aspect as to where the pain will be focused.

From a medium-term perspective we are still optimistic. We certainly hold the sector in a higher regard than we do many of its global peers, which are pushing (in many cases quite vocally) for government support and subsidies. It has long been a feature in the likes of Europe, but has become more evident across the Tasman of late too. It highlights the political reality of dairying, but is only a Band-Aid answer to key structural and cyclical challenges. Interference with market forces will only lengthen the time required to bring the market back into balance. We prefer the New Zealand approach, which, while painful, will put the sector on a much more sustainable path over the longer term. It opens up a Pandora's Box of problems if a sector goes looking for (and expects) government assistance when it gets into financial difficulty.

From a broader economy perspective, we still believe there is enough support elsewhere to ensure that dairy challenges can be weathered. Considering the extended period for which dairy strains have existed (though it's still early days in terms of the pressure on cash-flow), this is really quite remarkable. The tourism, construction and non-pastoral agricultural sectors, with assistance from booming migration, are helping to pick up the slack. Our core view remains that GDP growth can hold in a 2½% to 3% range over the next few years.

Turning to the week ahead, the next GDT auction will highlight any early risk around Fonterra's milk price forecast. Mixed movement in NZX future prices over recent weeks is reflecting nervousness about how the market will cope with high seasonal volumes over coming months. **Views range from there being potential for another meltdown (think July / August last year) through to steady improvement, especially for WMP and milkfat products.**

Capitulation fears centre on high inventory levels offshore and buyers taking a wait-and-see approach

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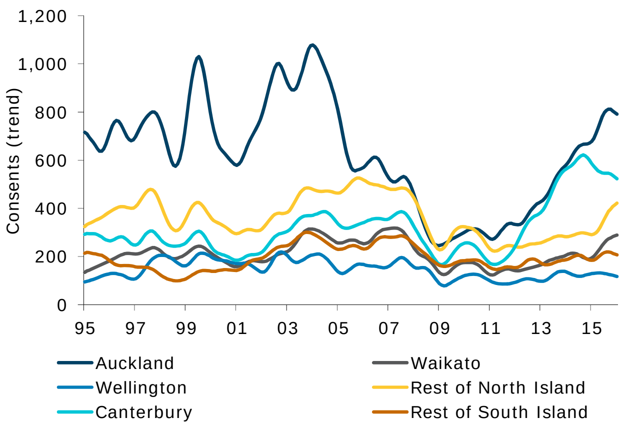
with plentiful options available. Indeed the absence (low buying presence) of China at recent auctions has been highlighted as a concern.

However, some other factors will possibly counter this. Local inventory levels are lower; there is potential for GDT supply to be knocked back due to lower milk supply (fewer cows and other farm management changes); and also the possibility that buyers have been holding back in anticipation of higher seasonal supply. If prices can hold steady or improve through the next several auctions – as NZX future prices suggest they will – this will be a good sign that something higher than the opening milk price forecast of $4.25/kg MS will be achievable. **At this stage we are in the 'steady' camp and feel something in the high-$4/kg MS is more likely.**

Dwelling consent issuance is likely to rebound in April, although we are becoming more concerned about the sector's capacity to lift issuance much further. Issuance has certainly been volatile recently, falling 10% m/m in March after a 10% increase in February. But looking through this volatility shows that issuance has been broadly stable for the past nine months or so. In fact, Statistics NZ estimates that on a trend basis, issuance is now falling modestly (down 0.4% m/m in March). One of our core views is that due to strong existing house price growth, lower borrowing costs and an ongoing push from policy makers, consent issuance will gradually trend higher, particularly in Auckland. However, recent data, as well as anecdotes of considerable cost and capacity pressures, is calling that view into question to a degree. We are therefore watching the data closely.

FIGURE 3: DWELLING CONSENT TREND

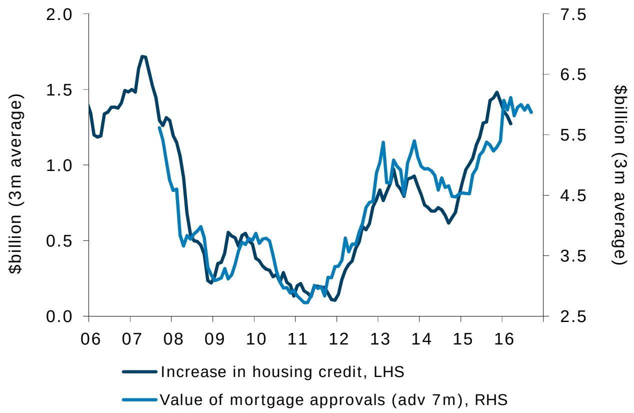


Source: ANZ, Statistics NZ

As usual, our ANZ Business Outlook will provide a timely update on broader domestic economic trends. The April survey gave a reasonable synopsis of the economic backdrop. Agriculture sector sentiment is – unsurprisingly – down in the dumps, but other sectors are showing a "just get on with it" attitude. Firms' own activity, profit, employment and investment intentions are all at decent levels. In fact, it is only investment intentions that are not above historical averages, and even then it is a close-run thing. It is these activity measures, rather than headline confidence, which have proven to be the better signal on domestic economic momentum, and the message from this survey so far this year is that momentum is showing few signs of rolling over.

Credit growth figures for April will no doubt remain strong. Total private sector credit expanded at a 7% annual pace in March, and we expect a broadly similar result in April. On a sector basis, the leaders remain agriculture (+8.2% y/y) and housing (+8.0% y/y), with the latter the strongest growth since June 2008. While the latest mortgage approvals data suggest housing credit growth may stabilise around this pace, the strength in housing market activity suggests it could sit there for a while. With borrowing continuing to outpace income growth, the ratio of household debt-to-income ratio looks set to continue lifting from already record-high levels.

FIGURE 4: MORTGAGE APPROVALS AND HOUSING DEBT



Source: ANZ, RBNZ

The message from two partial indicators for Q1 GDP growth looks set to be mixed.

- **OTI figures may show a bounce in the terms of trade, but weaker export volumes.** The lift in the terms of trade may seem a little odd at first blush, particularly as NZD export prices likely fell over the quarter. But it comes about largely due to an estimated 26% q/q fall in the price of NZD crude oil imports, seeing the terms of trade rise by perhaps around 2.5% q/q. Of course with oil prices rebounding of late and NZD export prices still falling, we see this terms of trade bounce as temporary. Weaker dairy and meat export volumes are expected to see overall goods export volumes fall around 2% q/q.

- **Building Work Put in Place is expected to show a modest lift in total building volumes, perhaps around 1.0% q/q.** If so it would be the fifth consecutive increase and the 16th increase in the past 17 quarters. Both residential and non-residential building volumes are expected to contribute to this gain, although we see more risk around the latter given that ready-mix concrete production volumes fell a seasonally adjusted 7.2% q/q in Q1.

Our Regional Trends gauge will also provide a useful indication of how Q1 activity growth fared, and of course the regional mix of that activity. In Q4, the composite measure of nationwide activity surged 1.8% q/q. While that proved to be far stronger than subsequent official GDP data (+0.9% q/q), it certainly was consistent with the direction of risk. A 2.0% q/q lift in North Island activity was a key part of that strength, although the 0.9% q/q growth in South Island activity was nothing to scoff at either. Economic commentary is often dominated by Auckland strength, and while Auckland is growing strongly at present, our figures show that despite dairy challenges, many regions are growing strongly too, supported by housing markets and a booming tourism sector.

Finally, our ANZ Commodity Price Index for May will be watched to see how non-dairy export prices have fared. In April, non-dairy export prices eased 0.3% m/m, reversing some of the improvement seen in the prior two months. But what was more concerning was that in NZD terms, prices fell 2.2%, to be down 11% from September 2015 levels. It is this dynamic that drives our view that although data this week may show that the starting point for the terms of trade is a little better than feared, the risks are skewed lower.

LOCAL DATA

Overseas Merchandise Trade – April. An unadjusted trade surplus of $229m was recorded, with seasonally adjusted deficit narrowing to $163m.

Budget Economic & Fiscal Update. An OBEGAL surplus of 0.3% of GDP is forecast for 2016/17, with surpluses growing to 2.2% by 2020. Net debt peaks below 26% of GDP and falls to 20.8% by 2020.

INTEREST RATE STRATEGY

SUMMARY

Short-end rates remain at risk of a mild move higher, but are likely to tread water ahead of next week's RBNZ *MPS*. Although we have seen a dramatic re-pricing of expectations, confirmation of an unchanged OCR is likely to see expectations adjust further. With a Fed hike now on the visible horizon, there is less risk of the NZD adjusting higher on a stable OCR outcome, which in turn puts more pressure on interest rates. NZGS bond valuations were affirmed by the "robust" Budget and the associated reduction in the bond programme. We expect geographic spread compression to remain a key theme for NZGS, and for the curve to bear-steepen as US yields rise. Planned issuance of an April 2037 bond will add further pressure on the curve to steepen.

THEMES

- Market expectations are now much more in line with our view of no cut in June. However, we still expect confirmation of this no-change to drive the short end mildly higher.
- Fed Chair Yellen warns that the Fed is on track to rate hikes "in the coming months". Higher US bond yields remain a key assumption in our forecasts. We believe the US market is poorly placed for what the Fed has in store.
- We remain of the view that higher US interest rates, and an on-hold outlook locally, portend a parallel shift higher in the yield curve, with a steepening bias, and an ongoing narrowing in geographic spreads. Local yields remain high in a global comparison.
- Last week's Budget was bond market friendly, with a supply reduction of $2bn per annum over the next four fiscal years flagged. We expected reductions, but not of that magnitude.
- Local long-term interest rates sit at unusually low levels given where we are in the global monetary policy cycle. This is not new – but can it be sustained as the Fed tightens? We think not.

PREFERRED STRATEGIES – INVESTORS

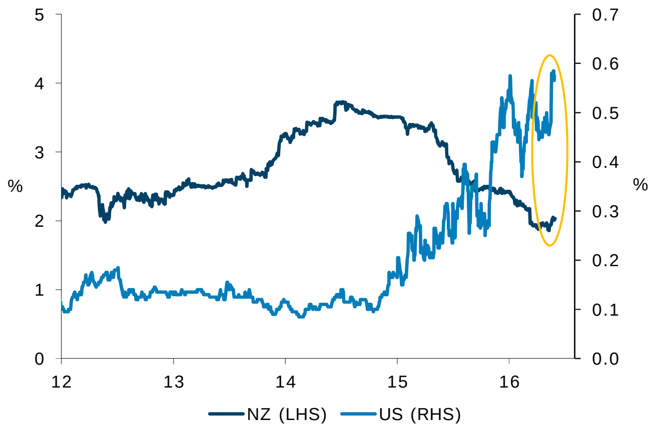
KEY VIEWS – FOR INVESTORS		
GAUGE	**DIRECTION**	**COMMENT**
Duration	Neutral/short	Yields set to drifty mildly higher this week. NZ cheap on global relative basis, and we prefer duration in NZ than in the US.
2s10s Curve	Steeper	Enough cuts priced in, but long end still biased mildly higher.
Geographic 10yr spread	Narrower	Divergent policy biases argue for further gradual narrowing.
Swap spreads	Neutral/wider	Reduced NZGS supply and increased hedge paying.

TREADING WATER

Having moved sharply higher in recent weeks, we now believe the short end is set for a period of consolidation ahead of next week's *Monetary Policy Statement*. As it stands, the market is pricing in odds of around 30% for a cut next week, and while that's a little aggressive, it would be unusual for the market to go into the decision without some probability of action priced in. What is perhaps more important is that the market has basically moved to remove follow-on cuts from its expectation profile, with the low point in the OCR assumed to be a shade under 2% in Q1 next year (Figure 1). While we have two cuts in our forecast profile, the timing of them is tricky to determine, and the second cut is really a hat-tip to the fragile global scene.

All told, then, we believe market pricing looks roughly fair at the moment, and is unlikely to change much until the RBNZ delivers fresh projections and risk scenarios next week. At that point, we'd expect confirmation of no cut to lead to a mild upward movement in rates, especially at the very short end. Finally, we note that with the Fed now in play (see below for a more detailed discussion), there is a limit to how much currency appreciation can be expected in the event of a more neutral *MPS*, adding further upside risks to rates for the very short end.

FIGURE 1: 6 MONTH AHEAD CASH RATE EXPECTATIONS



Source: ANZ, Bloomberg

By contrast, the US market is not well placed for what is coming its way, with less than 50/50 odds of a June hike priced in, and less than one more hike priced in by the end of the year (Figure 1). Recent "Fedspeak" has been far more hawkish than market pricing, largely centred on the theme of the June meeting being "live". This has been further cemented by comments by Fed chair Yellen on Friday when she warned that it was likely appropriate to continue to lift the fed funds rate "in the coming months". In our view, the market has a lot of adjusting to do – not just to bring forward the timing of the next hike to

INTEREST RATE STRATEGY

something more in keeping with Fedspeak, but to also add more hikes into the profile – all of which suggests US bond yields need to rise.

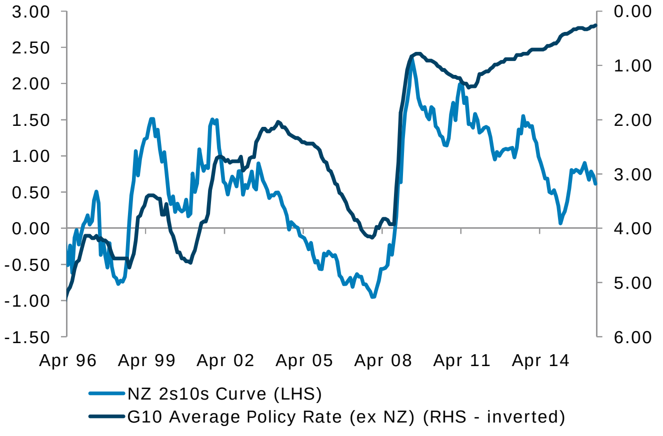
How quickly the market reacts, of course, will depend on the data flow – and in that regard, **we expect there to be an intense focus on Friday's US non-farm payrolls data.** At the moment, the consensus is for a +160k increase, and a 0.1%pt fall in the unemployment rate to 4.9%. It goes without saying that anything stronger than that will further cement rate hike expectations, although it is also worth noting that +160k is a fairly low hurdle, with the average monthly gain in payrolls over the past two years sitting at a far higher +233k. Yellen is also scheduled to speak very early next Tuesday morning (NZ time), which will be the last time she speaks before the June FOMC meeting. Markets therefore have a lot to digest in the coming week, and in our view, the risks for yields are decidedly to the upside.

The link between US and New Zealand rates is well known – and most readers will be aware that local 10-year bond yields are far more correlated with US 10-year yields than they are with the OCR. **This has two obvious implications. The first is that the yield curve and geographic spreads tend to be more responsive to relative (rather than outright) domestic monetary policy settings.** In the current environment, with the Fed in hiking mode and the RBNZ in easing mode, this suggests a steeper curve and NZ/US spread narrowing – especially given the reduced domestic bond supply, and the intention to issue a new longer bond, that were flagged in last week's Budget.

The second implication is that local long-end rates are more responsive to where global (think US) policy rates are headed, thanks to the role global (US) policy rates play in setting global (US) long-end interest rates. In that regard, we are surprised at how flat the curve is and how low domestic long-end interest rates are, given where we are in the global policy cycle.

Granted, it's really only the Fed that is about to embark on further tightening. However, unless one has a strong conviction that the other major economies are about to embark on *more* easing, then we have likely reached the low on G10 average policy rates. If that is the case, given the inverse correlation between G10 policy rates and the slope of the yield curve, the risks point to a much steeper curve, led by the long end. While it is easy to point to reasons why the relationship between the two has broken down, the fact remains that the curve is fairly flat, yet global policy is at a record easy extreme (Figure 2).

FIGURE 2: G10 POLICY RATES VS NZ YIELD CURVE



Source: ANZ, Bloomberg

PREFERRED STRATEGIES – BORROWERS

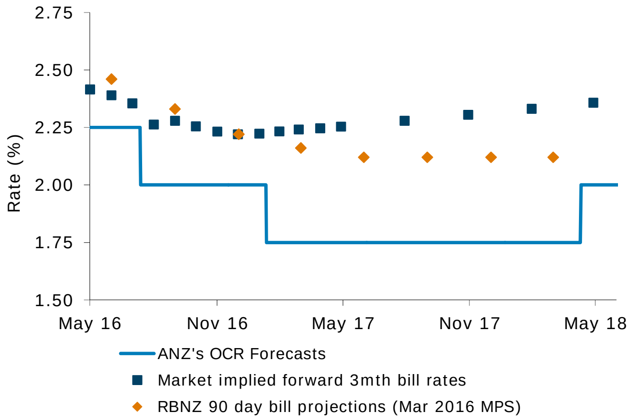
Our expectation of higher US interest rates points to higher term rates here, albeit with some offset provided by spreads. However, OCR stability/cuts will keep BKBM lower for longer, making for a quandary best solved via optionality.

KEY VIEWS – FOR BORROWERS		
GAUGE	**VIEW**	**COMMENT**
Hedge ratio	Majority hedged	Options preferred for upside protection and exposure to lower floating interest rates.
Value	Cheap	More upside risk emerging.
Uncertainty	Elevated	Watch credit spreads.

MARKET EXPECTATIONS

Market pricing has consolidated in the past week, with around 30% odds of a June cut priced in, and a full cut priced in overall. We don't expect much ahead of the MPS, but confirmation of no change is likely to lead to further upward re-pricing of the short end.

FIGURE 3: ANZ OCR FORECAST VS MARKET-IMPLIED FWD 3MTH BILL RATES AND RBNZ 90-DAY PROJECTION



Source: ANZ, Bloomberg

CURRENCY STRATEGY

SUMMARY

The NZD/USD is still caught between solid domestic data and a market revaluing FOMC and USD prospects. There looks to be some downside risks to US data this week, which should ensure support from 0.66 to 0.67 remains strong. NZD/AUD was knocked off highs by the low Fonterra milk price forecast, but will have a busy week with plenty of Australasian data to drive it independently of global factors; there is still room for it to squeeze back to test highs.

TABLE 1: KEY VIEWS

CROSS	WEEK	MONTH	YEAR
NZD/USD	↔/↑	Awaiting catalysts	Profile still lower
NZD/AUD	↔	Room to test higher	Remain above long-run averages
NZD/EUR	↔	Still in range	Political risks for EUR
NZD/GBP	↔	Brexit risks easing	GBP resurgence
NZD/JPY	↔/↑	Oversold?	JPY returning to averages

THEMES AND RISKS

- US activity is pivotal this week and the regional Fed surveys and Verizon workers strike suggests potential for weaker ISM/payrolls outturns.
- Forecasts for this week's Chinese PMI are at 50; in other words, stability is expected.
- Despite the international focus, the Australasian data flow is heavy. NZ has business confidence and terms of trade, while Australia has Q1 GDP.

TABLE 2: KEY UPCOMING EVENT RISK

EVENT		WHEN (NZST)	IMPACT RISK
AUD	Q1 profits, Inventories	Mon 13:30	NZD/AUD ↓
EUR	German May CPI	Tue 00:00	NZD/EUR ↓
NZD	ANZ B/C	Tue 13:00	NZD
AUD	Q1 C/A	Tue 13:30	NZD/AUD ↓
AUD	Building approvals	Tue 13:30	NZD/AUD ↑
EUR	May EU CPI	Tue 21:00	NZD/EUR ↓
USD	Personal income/spend	Wed 00:30	NZD/USD ↓
USD	Chicago PM	Wed 01:45	NZD/USD ↑
USD	Consumer confidence	Wed 02:00	NZD/USD↑
NZD	Q1 ToT	Wed 10:45	NZD ↑
CNY	PMIs	Wed 13:00	NZD ↑
AUD	Q1 GDP	Wed 13:30	NZD/AUD ↓
EUR	Markit (mfg) PMIs	Wed 20:00	NZD/EUR ↑
GBP	Markit (mfg) PMIs	Wed 20:30	NZD/GBP ↑
NZD	GDT auction	Thu am	NZD ↔/↑
USD	ISM	Thu 02:00	NZD/USD ↑
USD	Beige book	Thu 06:00	NZD/USD ↓
AUD	Retail sales, T/B	Thu 13:30	NZD/AUD ↓
EUR	ECB	Thu 23:45	NZD/EUR ↓
NZD	Q1 Value of buildings	Fri 10:45	NZD/USD ↑
NZD	ANZ Commodity prices	Fri 13:00	NZD
EUR	Markit PMI (svcs)	Fri 20:00	NZD/EUR ↓
GBP	Markit PMI (svcs)	Fri 20:30	NZD/GBP ↑
USD	Payrolls	Sat 00:30	NZD/USD ↑
USD	ISM (non-mfg)	Sat 02:00	NZD/USD ↑

EXPORTERS' STRATEGY

Exporters should remember recent strength; NZD/USD direction is dependent on USD direction, which remains uncertain in the short term.

IMPORTERS' STRATEGY

We are at a level where NZD/AUD importers can begin to build hedging. NZD/USD importers should be relatively full on hedging. If not, await better levels.

DATA PULSE

The USD consolidated as the data offset Fed speakers (now including Fed Chair Yellen) and softened slowly. Both the Markit PMIs softened and the Richmond Fed was also weaker. Durable goods were solid, but capital goods orders were weak. While both Q1 GDP and Michigan Confidence improved on prior results, both missed expectations.

NZD grudgingly slipped lower, partially driven by the lower-than-expected Fonterra opening milk price. However, it found support from a solid lift in exports, along with a sensible and stable Budget.

AUD spent the week resisting attempts to drive it lower. RBA's Stevens emphasised the inflation mandate. Q1 capex and construction work done data were weak, with only skilled vacancies lifting.

EUR tested lower as the Markit PMIs showed soft activity, but German IFO confidence helped it to recover.

GBP surged, as polls allowed markets to reduce Brexit odds. CBI reported sales were solid, but home loans and the details of Q1 GDP were soft.

CAD strengthened, after the Bank of Canada presented an optimistic view of the growth outlook.

TABLE 3: NZD VS AUD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔	FV is above long-run averages.
Yield	↔	In line with shift in yields.
Commodities	↔	Similar themes driving both.
Data	↔/↑	NZD data is resilient.
Techs	↔/↓	Towards the top of the range.
Sentiment	↔	Equal reactions to sentiment.
Other	↔/↓	RBA sentiment the driver.
On balance	↔	**Close to top of range.**

TABLE 4: NZD VS USD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔	Closer to fair value.
Yield	↔/↓	RBA cut applies pressure.
Commodities	↔	Risks reasonably well priced.
Risk aversion	↔/↑	Resilience to risk notable.
Data	↔/↓	US data has improved, but NZD data remains strong.
Techs	↔	Testing pivotal support.
Other	↔/↓	USD sentiment on the improve.
On balance	↔/↓	**Factors still point lower, but near-term catalysts missing.**

CURRENCY STRATEGY

TECHNICAL OUTLOOK

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

NZD/USD is testing support. The weekly close below the 100dma and the 0.67 level opens up markets for a test of the 200dma at 0.6656. Below that, there are two uptrends that converge near 0.66, which should provide solid support. This implies that buyers should consider further falls as prime territory for long NZD/USD positions.

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

NZD/AUD has eased back from over-bought status. Support is now entrenched near the 200dma at 0.9178. There is currently no technical suggestion that this cross will break its recent range, which is bounded on the topside by 0.95, and thus importers could use any trips into the 0.94's to hedge.

TABLE 5: KEY TECHNICAL ZONES		
CROSS	SUPPORT	RESISTANCE
NZD/USD	0.6600 – 0.6650 0.6480 – 0.6520	0.6850 – 0.6920 0.7050 – 0.7080
NZD/AUD	0.9160 – 0.9200 0.9010 – 0.9060	0.9400 – 0.9430 0.9480 – 0.9520
NZD/EUR	0.5800 – 0.5850	0.6200 – 0.6230
NZD/GBP	0.4530 – 0.4560	0.4930 – 0.4980
NZD/JPY	69.80 – 70.20	77.70 – 78.50

POSITIONING

Markets bought USD last week. EUR shorts doubled, while JPY longs were reduced by a third. AUD longs were almost halved while NZD longs were reduced. GBP shorts were also reduced, and are now pretty balanced.

GLOBAL VIEWS

Fed members have been active over the last few weeks, restoring some optionality to the June and July FOMC decision dates. While they have been successful in this, the data hasn't been playing ball.

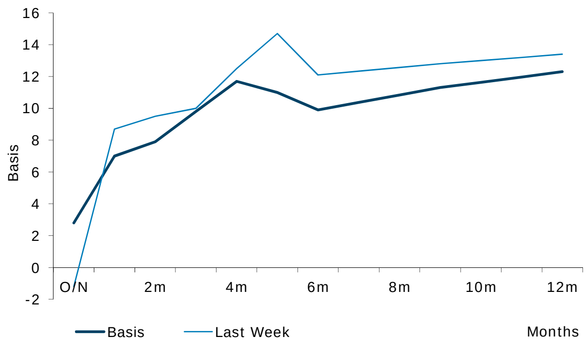
Regional manufacturing activity gauges such as the NY Empire, Philadelphia Fed, Richmond Fed, Kansas City Fed, and the wider Markit manufacturing PMI have all indicated that there are risks of a greater fall in Wednesday's ISM manufacturing survey than the 0.3 point fall forecast. Should the fall push the ISM below 50 then the Fed may have to work hard to convince markets that a June hike is still viable. Markets are also forecasting China's ISM to fall back to 50. If it drops below 50 then global fears may again rise.

US employment has been a perennial strong point for the data, but with the Verizon workers strike (largest labour action in years) currently in progress there are risks that the payrolls number will be impacted.

Thus the data may threaten the nascent USD uptrend and warns against being overly bullish USD.

FORWARDS: CARRY AND BASIS

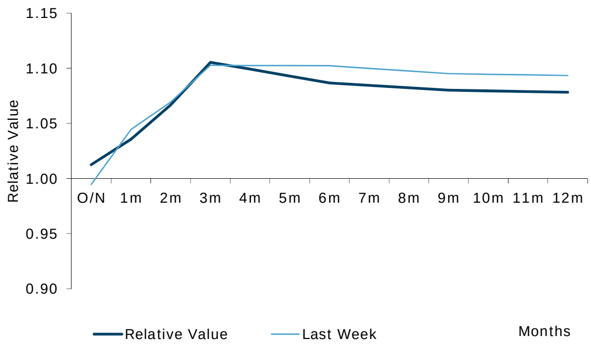
FIGURE 3. NZD/USD SHORT BASIS CURVE



Source: ANZ, Bloomberg, Reuters

Basis has contracted across the board. With cash well behaved as well, there appear to be no stresses in the spot market. Despite basis easing, it is still attractive to S/B 3m basis, although the market is moving overall yields higher at present.

FIGURE 4. RELATIVE ATTRACTION OF THE FWD CURVE



Source: ANZ, Bloomberg, Reuters

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
30-May	GE	Import Price Index MoM - Apr	0.4%	0.7%	18:00
	GE	Import Price Index YoY - Apr	-6.2%	-5.9%	18:00
	EC	Economic Confidence - May	104.4	103.9	21:00
	EC	Business Climate Indicator - May	0.17	0.13	21:00
	EC	Industrial Confidence - May	-3.5	-3.7	21:00
	EC	Services Confidence - May	11.3	11.5	21:00
	EC	Consumer Confidence - May F	-7	-7	21:00
31-May	GE	CPI MoM - May P	0.3%	-0.4%	00:00
	GE	CPI YoY - May P	0.1%	-0.1%	00:00
	GE	CPI EU Harmonized MoM - May P	0.3%	-0.5%	00:00
	GE	CPI EU Harmonized YoY - May P	-0.1%	-0.3%	00:00
	NZ	Building Permits MoM - Apr	--	-9.8%	10:45
	AU	ANZ-RM Consumer Confidence Index - 29-May	--	115.7	11:30
	NZ	ANZ Business Confidence - May	--	6.2	13:00
	AU	BoP Current Account Balance - Q1	-19.4B	-21.1B	13:30
	AU	Building Approvals MoM - Apr	-3.0%	3.7%	13:30
	AU	Private Sector Credit MoM - Apr	0.5%	0.4%	13:30
	NZ	Money Supply M3 YoY - Apr	--	7.8%	15:00
	GE	Retail Sales MoM - Apr	0.9%	-1.4%	18:00
	GE	Retail Sales YoY - Apr	1.7%	0.7%	18:00
	GE	Unemployment Change (000's) - May	-5k	-16k	19:55
	GE	Unemployment Claims Rate SA - May	6.2%	6.2%	19:55
	EC	M3 Money Supply YoY - Apr	5.0%	5.0%	20:00
	EC	Unemployment Rate - Apr	10.2%	10.2%	21:00
	EC	CPI Estimate YoY - May	-0.1%	-0.2%	21:00
	EC	CPI Core YoY - May A	0.8%	0.7%	21:00
1-Jun	US	Personal Income - Apr	0.4%	0.4%	00:30
	US	Personal Spending - Apr	0.7%	0.1%	00:30
	US	PCE Core MoM - Apr	0.2%	0.1%	00:30
	US	PCE Core YoY - Apr	1.6%	1.6%	00:30
	US	S&P/CS 20 City MoM SA - Mar	0.70%	0.66%	01:00
	US	S&P/CS Composite-20 YOY NSA - Mar	5.11%	5.38%	01:00
	US	Chicago Purchasing Manager - May	50.5	50.4	01:45
	US	Consumer Confidence Index - May	96.3	94.2	02:00
	US	Dallas Fed Manf. Activity - May	-8.0	-13.9	02:30
	NZ	Terms of Trade Index QoQ - Q1	1.0%	-2.0%	10:45
	AU	AiG Perf of Mfg Index - May	--	53.4	11:30
	NZ	QV House Prices YoY - May	--	12.0%	12:00
	NZ	ANZ Regional Trends - Q1	--	1.8%	13:00
	CH	Manufacturing PMI - May	50	50.1	13:00
	CH	Non-manufacturing PMI - May	--	53.5	13:00
	AU	GDP SA QoQ - Q1	0.6%	0.6%	13:30
	AU	GDP YoY - Q1	2.7%	3.0%	13:30
	CH	Caixin PMI Mfg - May	49.2	49.4	13:45
	UK	Nationwide House PX MoM - May	0.3%	0.2%	18:00
	UK	Nationwide House Px NSA YoY - May	4.8%	4.9%	18:00
	AU	Commodity Index AUD - May	--	87	18:30
	AU	Commodity Index YoY - May	--	-9.4%	18:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA / EVENT	MKT.	LAST	NZ TIME
1-Jun	GE	Markit/BME Manufacturing PMI - May F	52.4	52.4	19:55
	EC	Markit Manufacturing PMI - May F	51.5	51.5	20:00
	UK	Net Consumer Credit - Apr	£1.6B	£1.9B	20:30
	UK	Net Lending Sec. on Dwellings - Apr	£3.8B	£7.4B	20:30
	UK	Mortgage Approvals - Apr	67.9k	71.4k	20:30
	UK	Money Supply M4 MoM - Apr	--	-0.4%	20:30
	UK	M4 Money Supply YoY - Apr	--	1.6%	20:30
	UK	Markit PMI Manufacturing SA - May	49.6	49.2	20:30
	US	MBA Mortgage Applications - 27-May	--	2.3%	23:00
2-Jun	US	Markit Manufacturing PMI - May F	50.5	50.5	01:45
	US	ISM Manufacturing - May	50.4	50.8	02:00
	US	ISM Prices Paid - May	58.0	59.0	02:00
	US	Construction Spending MoM - Apr	0.6%	0.3%	02:00
	US	US Federal Reserve releases Beige Book	--	--	06:00
	AU	Trade Balance - Apr	-2100M	-2163M	13:30
	AU	Retail Sales MoM - Apr	0.3%	0.4%	13:30
	UK	Markit/CIPS Construction PMI - May	52.0	52.0	20:30
	EC	PPI MoM - Apr	0.1%	0.3%	21:00
	EC	PPI YoY - Apr	-4.1%	-4.2%	21:00
	EC	ECB Main Refinancing Rate - Jun	0.00%	0.00%	23:45
	EC	ECB Deposit Facility Rate - Jun	-0.40%	-0.40%	23:45
	EC	ECB Marginal Lending Facility - Jun	0.25%	0.25%	23:45
3-Jun	US	ADP Employment Change - May	175k	156k	00:15
	US	Initial Jobless Claims - 28-May	270k	268k	00:30
	US	Continuing Claims - 21-May	2152k	2163k	00:30
	US	ISM New York - May	--	57	01:45
	NZ	Value of All Buildings SA QoQ - Q1	1.0%	2.5%	10:45
	AU	AiG Perf of Services Index - May	--	49.7	11:30
	NZ	ANZ Commodity Price - May	--	-0.8%	13:00
	CH	Caixin PMI Services - May	--	51.8	13:45
	CH	Caixin PMI Composite - May	--	50.8	13:45
	GE	Markit Services PMI - May F	55.2	55.2	19:55
	GE	Markit/BME Composite PMI - May F	54.7	54.7	19:55
	EC	Markit Services PMI - May F	53.1	53.1	20:00
	EC	Markit Composite PMI - May F	52.9	52.9	20:00
	UK	Markit/CIPS Services PMI - May	52.5	52.3	20:30
	UK	Markit/CIPS Composite PMI - May	52.3	51.9	20:30
	EC	Retail Sales MoM - Apr	0.4%	-0.5%	21:00
	EC	Retail Sales YoY - Apr	2.1%	2.1%	21:00
4-Jun	US	Trade Balance - Apr	-$41.0B	-$40.4B	00:30
	US	Change in Nonfarm Payrolls - May	160k	160k	00:30
	US	Unemployment Rate - May	4.9%	5.0%	00:30
	US	Markit Services PMI - May F	51.4	51.2	01:45
	US	Markit Composite PMI - May F	--	50.8	01:45
	US	ISM Non-Manf. Composite - May	55.4	55.7	02:00
	US	Factory Orders - Apr	1.8%	1.5%	02:00
	US	Durable Goods Orders - Apr F	--	3.4%	02:00
	US	Durables Ex Transportation - Apr F	--	0.4%	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

Domestic economic momentum is reasonable at present, albeit moderating. However, downside risks exist (mainly from offshore) and with inflation already low, we believe the RBNZ will cut the OCR twice more, with the next cut pencilled in for August.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 31 May (10:45am)	Building Consent Issuance – Apr	Trending higher	Issuance has been volatile recently. We have some concerns regarding capacity constraints, but issuance should still trend higher.
Tue 31 May (1:00pm)	ANZ Business Outlook – May	--	--
Tue 31 May (3:00pm)	RBNZ Credit Aggregates – Apr	Re-leveraging	Credit growth may not accelerate from current elevated rates, but it remains well above income growth.
Wed 1 Jun (10:45am)	Overseas Trade Indexes – Q1	Terms of trade fall	Due to lower oil import prices, we expect a temporary lift in the terms of trade of perhaps 2½% q/q.
Wed 1 Jun (1:00pm)	ANZ Regional Trends – Q1	--	--
Thu 2 Jun (early am)	GlobalDairyTrade Auction	Still low	A small lift is possible. But the fundamental backdrop is still not yet conducive to a meaningful recovery in prices.
Fri 3 Jun (10:45am)	Building Work Put in Place – Q1	Modest lift	Modest increases in both residential and non-residential volumes are likely. We expect a 1.0% q/q lift in total volumes.
Fri 3 Jun (1:00pm)	ANZ Commodity Price Index – May	--	--
Tue 7 Jun (10:00am)	ANZ Truckometer – May	--	--
Wed 8 Jun (10:45am)	Economic Survey of Manufacturing – Q1	Mixed	Primary volumes may bounce back a touch, while core production should be reasonable, as signalled by the PMI.
Thu 9 Jun (9:00am)	RBNZ Monetary Policy Statement	On hold	We don't think the economy needs further interest rate support right now. However, a clear easing bias will be retained.
Fri 10 Jun (10:45am)	Electronic Card Transactions – May	Respectable	A number of support factors for consumer spending remain, which should keep the underlying pace respectable overall.
13-17 Jun	REINZ Housing Market statistics – May	Booming	Strength in the regions is being joined by a sharp recovery in Auckland activity. National house price growth is rising again.
Tue 14 Jun (10:45am)	Food Price Index – May	Small lift	A small lift is possible, led by a seasonal gain in fruit and vegetable prices.
Wed 15 Jun (10:45am)	Balance of Payments – Q1	Slightly wider	Courtesy of a deterioration in the goods balance, we expect the annual current account deficit to widen slightly.
Thu 16 Jun (early am)	GlobalDairyTrade Auction	Up off lows, but still low	Prices have lifted off lows, but we still do not believe the fundamental backdrop is conducive to a meaningful recovery.
Thu 16 Jun (10:45am)	GDP – Q1	Not bad	We have pencilled in a 0.7% q/q lift. While this is modestly below the pace of growth over H2 2015, it is still decent.
Fri 17 Jun (10:30am)	BNZ-Business NZ PMI – May	Holding up	Despite the pressures on manufacturing globally, the domestic sector continues to perform well.
Fri 17 Jun (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Jun	--	--
Mon 20 Jun (10:30am)	BNZ-Business NZ PSI – May	Still solid	Like a number of other indicators, we expect this to reinforce a reasonable picture for the economy overall.
Wed 22 Jun (10:45am)	International Travel & Migration – May	Steady and strong	Recent data has hinted that a top is in place. However, the net inflow overall looks set to remain large for some time yet.
Thu 23 Jun (10:00am)	ANZ Job Ads – May	--	--
On balance		**Data watch**	**Reasonable momentum at present, but with risks. Inflation remains low.**

KEY FORECASTS AND RATES

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
GDP (% qoq)	0.9	**0.7**	**0.7**	**0.6**	**0.6**	**0.6**	**0.7**	**0.7**	**0.7**	**0.7**
GDP (% yoy)	2.3	**2.8**	**3.1**	**2.8**	**2.5**	**2.4**	**2.4**	**2.5**	**2.6**	**2.7**
CPI (% qoq)	-0.5	0.2	**0.4**	**0.4**	**0.0**	**0.6**	**0.4**	**0.7**	**0.3**	**0.6**
CPI (% yoy)	0.1	0.4	**0.4**	**0.5**	**1.0**	**1.4**	**1.4**	**1.7**	**1.9**	**1.9**
Employment (% qoq)	1.0	1.2	**0.6**	**0.5**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**
Employment (% yoy)	1.4	2.0	**2.3**	**3.3**	**2.7**	**1.9**	**1.7**	**1.6**	**1.6**	**1.6**
Unemployment Rate (% sa)	5.4	5.7	**5.5**	**5.4**	**5.4**	**5.3**	**5.2**	**5.2**	**5.1**	**5.0**
Current Account (% GDP)	-3.0	**-3.1**	**-3.3**	**-3.8**	**-4.2**	**-4.7**	**-4.8**	**-4.7**	**-4.5**	**-4.2**
Terms of Trade (% qoq)	-2.0	**2.5**	**-5.7**	**-2.8**	**-0.4**	**0.8**	**1.8**	**2.9**	**1.7**	**0.8**
Terms of Trade (% yoy)	-3.2	**-1.9**	**-8.9**	**-8.0**	**-6.5**	**-8.0**	**-0.6**	**5.2**	**7.5**	**7.4**

	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16
Retail ECT (% mom)	0.5	0.9	0.1	0.7	0.2	0.3	0.7	0.1	0.9	--
Retail ECT (% yoy)	4.2	6.1	5.8	4.6	6.6	5.2	9.2	6.2	7.8	--
Credit Card Billings (% mom)	1.5	-2.0	1.7	0.7	-0.7	1.8	-0.5	-1.4	2.5	--
Credit Card Billings (% yoy)	10.4	7.3	7.8	8.5	7.4	8.2	7.3	4.8	9.1	--
Car Registrations (% mom)	-2.3	0.0	-1.3	-2.0	3.1	-2.8	5.8	-3.6	6.3	--
Car Registrations (% yoy)	7.8	5.0	3.8	1.3	2.4	-1.1	7.4	-0.2	8.7	--
Building Consents (% mom)	-7.1	-4.8	5.0	1.7	2.7	-8.4	10.3	-9.8	--	--
Building Consents (% yoy)	11.1	17.5	14.6	7.2	17.7	4.9	26.7	0.6	--	--
REINZ House Price Index (% yoy)	17.3	20.1	14.1	12.5	12.6	10.7	11.9	13.3	14.5	--
Household Lending Growth (% mom)	0.6	0.7	0.7	0.6	0.6	0.6	0.6	0.6	--	--
Household Lending Growth (% yoy)	6.3	6.7	6.9	7.2	7.4	7.5	7.6	7.7	--	--
ANZ Roy Morgan Consumer Conf.	109.8	110.8	114.9	122.7	118.7	121.4	119.7	118.0	120.0	116.2
ANZ Business Confidence	-29.1	-18.9	10.5	14.6	23.0	..	7.1	3.2	6.2	--
ANZ Own Activity Outlook	12.2	16.7	23.7	32.0	34.4	..	25.5	29.4	32.1	--
Trade Balance ($m)	-1090	-1140	-905	-795	-42	12	366	189	292	--
Trade Bal ($m ann)	52446	52287	52101	52648	52510	52764	52834	52604	52662	--
ANZ World Commodity Price Index (% mom)	-5.3	5.6	7.1	-5.6	-1.8	-2.3	0.5	-1.3	-0.8	--
ANZ World Comm. Price Index (% yoy)	-23.6	-18.2	-11.6	-15.3	-12.9	-14.7	-17.8	-22.4	-16.8	--
Net Migration (sa)	5490	5570	6130	6200	5540	6090	6010	5330	5520	--
Net Migration (ann)	60290	61234	62477	63659	64930	65911	67391	67619	68110	--
ANZ Heavy Traffic Index (% mom)	-0.3	1.8	1.0	0.2	3.0	-4.4	1.7	3.3	-2.4	
ANZ Light Traffic Index (% mom)	-0.5	2.6	-0.4	0.3	-1.1	-1.4	2.6	0.5	0.0	

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	Mar-16	Apr-16	Today	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
NZD/USD	0.693	0.698	0.670	0.66	0.66	0.63	0.61	0.61	0.63	0.66
NZD/AUD	0.902	0.918	0.933	0.89	0.92	0.94	0.92	0.92	0.93	0.94
NZD/EUR	0.609	0.609	0.603	0.60	0.61	0.58	0.54	0.53	0.53	0.55
NZD/JPY	77.81	74.31	74.16	69.3	69.3	66.2	61.0	61.0	63.0	66.0
NZD/GBP	0.481	0.477	0.458	0.46	0.44	0.41	0.39	0.38	0.39	0.40
NZ$ TWI	72.2	72.2	72.5	69.3	69.8	67.5	64.5	64.0	64.8	67.4
INTEREST RATES	Mar-16	Apr-16	Today	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17
NZ OCR	2.25	2.25	2.25	2.25	2.00	2.00	1.75	1.75	1.75	1.75
NZ 90 day bill	2.34	2.40	2.41	2.40	2.20	2.10	2.00	2.00	2.00	2.00
NZ 10-yr bond	2.93	2.85	2.58	3.00	2.90	2.90	3.10	3.20	3.40	3.50
US Fed funds	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50
US 3-mth	0.63	0.64	0.67	0.83	0.83	1.08	1.08	1.33	1.33	1.58
AU Cash Rate	2.00	2.00	1.75	1.75	1.50	1.50	1.50	1.50	1.50	1.50
AU 3-mth	2.29	2.15	1.97	2.00	1.80	1.80	1.80	1.80	1.80	1.80

	20 Apr	16 May	17 May	18 May	19 May	20 May
Official Cash Rate	2.25	2.25	2.25	2.25	2.25	2.25
90 day bank bill	2.33	2.34	2.35	2.35	2.37	2.38
NZGB 12/17	2.11	2.07	2.10	2.13	2.18	2.17
NZGB 03/19	2.19	2.09	2.12	2.15	2.21	2.20
NZGB 04/23	2.69	2.45	2.49	2.49	2.56	2.55
NZGB 04/27	2.84	2.60	2.63	2.63	2.71	2.70
2 year swap	2.23	2.22	2.23	2.26	2.30	2.31
5 year swap	2.39	2.33	2.36	2.37	2.43	2.42
RBNZ TWI	73.5	72.56	72.67	72.84	72.53	72.88
NZD/USD	0.70	0.68	0.68	0.68	0.67	0.68
NZD/AUD	0.90	0.93	0.93	0.93	0.93	0.94
NZD/JPY	76.45	73.81	74.19	74.11	74.05	74.57
NZD/GBP	0.49	0.47	0.47	0.47	0.46	0.46
NZD/EUR	0.62	0.60	0.60	0.60	0.60	0.60
AUD/USD	0.78	0.73	0.74	0.73	0.72	0.72
EUR/USD	1.14	1.13	1.13	1.13	1.12	1.12
USD/JPY	109.03	108.96	108.97	109.08	110.02	110.15
GBP/USD	1.44	1.44	1.45	1.44	1.46	1.46
Oil (US$/bbl)	40.88	46.22	47.72	48.29	48.12	48.16
Gold (US$/oz)	1251.05	1277.10	1279.40	1275.95	1256.87	1254.55
Electricity (Haywards)	6.77	5.47	5.72	4.91	4.84	4.74
Baltic Dry Freight Index	669	613	643	642	634	625
Milk futures (USD)	44	48	49	49	49	48

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