4 May 2017

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Economic Outlook

The New Zealand economy continues to perform well and we anticipate reasonable growth ahead. High immigration is playing a role but momentum is broad-based. Still, we believe the growth phase is broadly maturing/peaking. We forecast annual NZ GDP growth to slow to 2.7% this year and 2.5% in 2018. This is after posting a creditable 3.1% expansion in 2016. Activity was modestly disrupted by the 14 November Kaikoura earthquake but, ultimately, this will add to (re)building activity. In addition to immigration, economic momentum is coming from a robust labour market and investment cycle, commodity income (including a decent recovery in dairy income), soaring tourism, and improving global growth. Generally speaking, consumer confidence is robust and business expectations strong. Indeed, they suggest we might yet be too conservative with our GDP forecasts for the coming period.

Interest Rate Outlook and Strategy

Interest rates, across the board – even mortgage rates – have started to push up off recent extreme lows. This is part of a global trend, but to do with local factors too. This includes a pinch from domestic funding, relative to the strengthening demand for credit. Our formal forecasts have the RBNZ hiking its cash rate mid-2018, but we can understand market pricing for something earlier than that. The only thing preventing us from bringing our rate hike call into 2017 is the Bank's expressed intent to leave its OCR unchanged right the way into 2019. We can't believe the Bank can hold to the length of this view at its 11 May Monetary Policy Statement, especially with pressure for it to lift its CPI inflation forecasts.

Currency Outlook

The currency continues to reflect New Zealand's relatively good economic underpinnings. Sure, at near 0.7000, NZD is down from its 2014 peak of around 0.8800, but mostly because of a rebound in the US dollar. The trade-weighted exchange rate (TWI) has also moderated over this period but remains relatively high on any long-term chart. But then, why wouldn't it be? There is above trend growth, rising inflation, a lean current account deficit, the terms of trade retesting all-time highs, and rising fiscal surpluses. We forecast NZD to base around 0.6700 late this year. However, there remains the very real risk that the exchange rate will hang up for longer, until such time that the economy's wheels fall off, for whatever reason.

New Zealand At A Glance

Overview

The New Zealand economy continues to perform well and we anticipate reasonable growth ahead. High immigration is playing a role but momentum is broad-based. Still, we believe the growth phase is broadly maturing/peaking. This is manifesting in capacity constraints and slowing productivity. As this plays out, inflation is firming up, which will, in time, force a reluctant RBNZ to lift its cash rate. We expect the currency to drift slightly lower over 2017, but broadly underpinned by favourable relativities in GDP, positive fiscal accounts and a limited external deficit. Risks to the outlook relate mainly to the local property cycle and many matters global. It's also an election year for New Zealand.

International

World growth indicators continue to firm, having been a bit below par last year. Forecasters expect global growth to be better in 2017 than it was in 2016 – and better still in 2018. Meanwhile, there has been a push higher in inflation, supported by the bounce in world commodity prices as well as indications of lessening spare capacity. In the US, the Fed is slowly (but surely) taking its foot of its policy rate gas, while looking to start unwinding its QE later this year. This process will be important for markets to digest. As will rising geo-political tensions, potentially aggravated by Trump, while Brexit negotiations also get serious from now on.

Growth

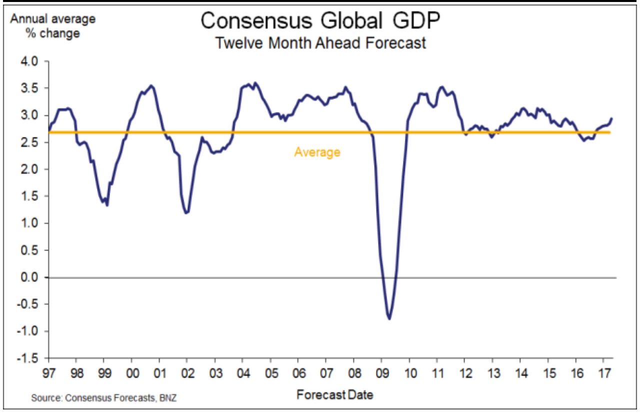
We forecast annual NZ GDP growth to slow to 2.7% this year and 2.5% in 2018. This is after posting a creditable 3.1% expansion in 2016. Activity was modestly disrupted by the 14 November Kaikoura earthquake but, ultimately, this will add to (re)building activity. In addition to immigration, economic momentum is coming from a robust labour market and investment cycle, commodity income (including a decent recovery in dairy income), soaring tourism, and improving global growth. Generally speaking, consumer confidence is robust and business expectations strong. Indeed, they suggest we might yet be too conservative with our GDP forecasts for the coming period.

Labour Market

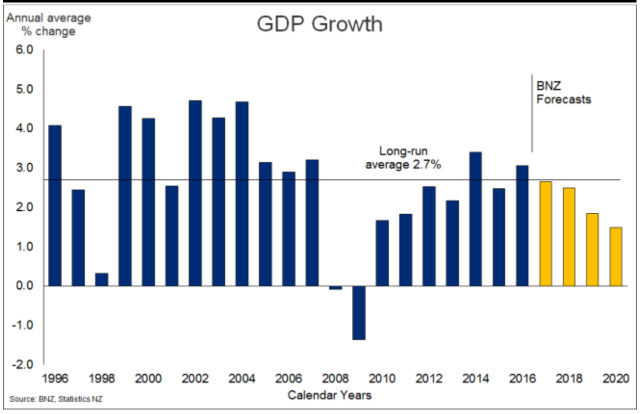
New Zealand's labour market still has a lot of momentum about it. Employment growth remains well strong enough to absorb the rapidly increasing labour supply, amid record highs in net inward migration and the participation rate. Hiring intentions are, by and large, still better than average. On balance, the unemployment rate continues to edge lower; being 4.9% in Q1 2017. Nominal wage pressures are, for the meantime, contained. However, we expect these to pick up, as skill shortages become even more obvious and widespread, and cost-of-living claims strengthen in line with (already) resurfacing CPI inflation.

Key Indicators	December Years					
	Actual			Forecasts		
	2014	2015	2016	2017	2018	2019
GDP production (an avg %)	3.4	2.5	3.1	2.7	2.5	1.8
Consumers Price Index (ann %)	0.8	0.1	1.3	2.3	2.1	1.7
Unemployment Rate (end qtr %)	5.5	4.9	5.2	5.0	5.4	5.6
Current Account (% of GDP)	-3.2	-3.4	-2.7	-2.4	-3.5	-3.4
Fiscal Balance (% GDP June Yr)	-1.2	0.2	0.7	0.4	1.2	1.8
NZD/USD (Dec mth avg)	0.78	0.67	0.70	0.67	0.69	0.73
Overnight Cash Rate (Dec mth end %)	3.50	2.50	1.75	1.75	2.50	3.50
10 Year Govt Bond (Dec mth avg %)	3.90	3.40	3.30	3.30	3.60	3.80

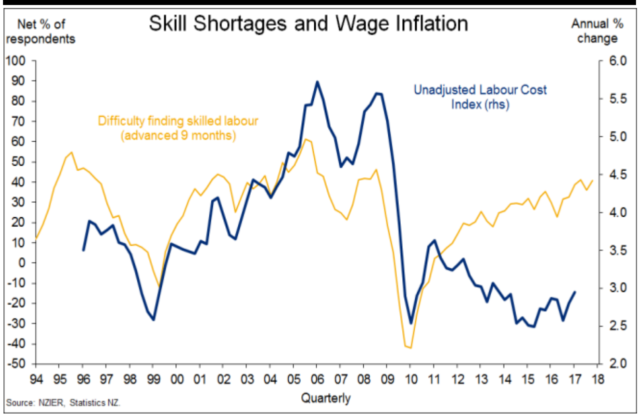
Global Growth Looking Better



NZ Growth Solid But Peaking



Wage Growth Still Missing in Action



Inflation

Inflation is becoming more evident, including now in the headline CPI. For the year ended March 2017, CPI inflation was 2.2%, up from 1.3% over calendar 2016 (and 0.1% in 2015). While some of this reflects a rebound in global commodity prices, it also fundamentally reflects above-trend demand and a tightening labour market. Also of note, annual rates of core inflation are now clustered closer to 2% y/y. We forecast annual CPI inflation to stay at or just above, the mid-point of the Reserve Bank's 1.0 to 3.0% target band this year, and beyond. This is predicated on the trade-weighted exchange rate (TWI) completing its moderation over the remainder of 2017.

Housing

The housing market is losing steam in Auckland, peaking in Canterbury, but still stretching its legs most, everywhere. In Auckland, sale prices have been going sideways for about six months (albeit at levels doubled from five years ago), while turnover is now running below par. This probably reflects Auckland being most impacted by the RBNZ's further tightened loan-to-value ratio (LVR) restrictions, especially around investors. This policy is evidently denting home sales around the rest of the country too, but, not so clearly, when it comes to inflation. The RBNZ is currently seeking a debt-to-income lending cap tool but the government is sounding reluctant to grant it this new lever.

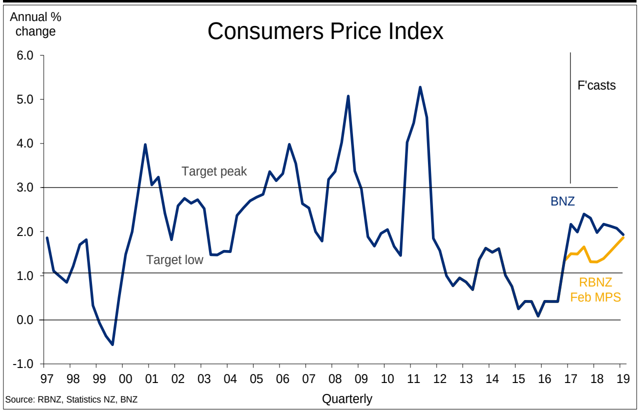
External Accounts

Despite surging domestic demand, and a prior run of weak dairy prices, New Zealand's external accounts have held together quite nicely. For calendar 2016 the current account deficit was just 2.7% of GDP. We believe it will drift a bit lower throughout 2017, as recovering dairy export returns spill in. All the while, the travel balance is being boosted by booming tourist arrivals. The biggest reason the external deficit has shrunk so much, however, from its 7.8% of GDP peak in 2008, is a pruned deficit in international investment income. This is now just 3.0% of GDP – reflecting much lessened net international liabilities, and lows in interest rates.

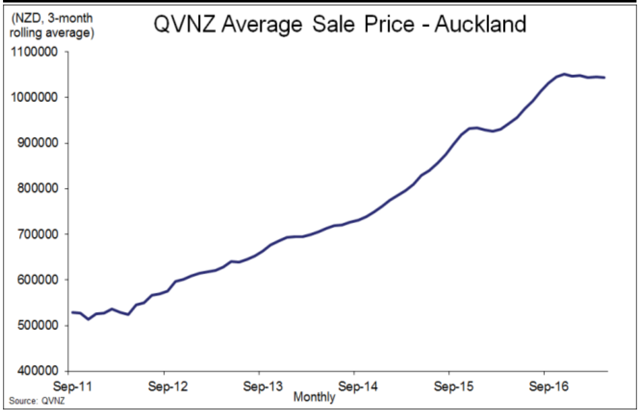
Commodities

New Zealand's commodity export prices are generally in a good space. Notably, dairy export prices have recovered very well, from worryingly low levels barely a year ago. This means dairy farmers will be back to reasonable (but not buoyant) profitability this season. We see a similar story for next season. There has also been increase in other commodity export prices of late, to decent levels. This includes meat, forestry, seafood, aluminium, even horticulture. All up, commodity prices, in world terms, increased 24% in April, from a year ago. Converted to NZ dollars the annual lift has been about 20%. It's consistent with a reclaimed record high in the goods terms of trade.

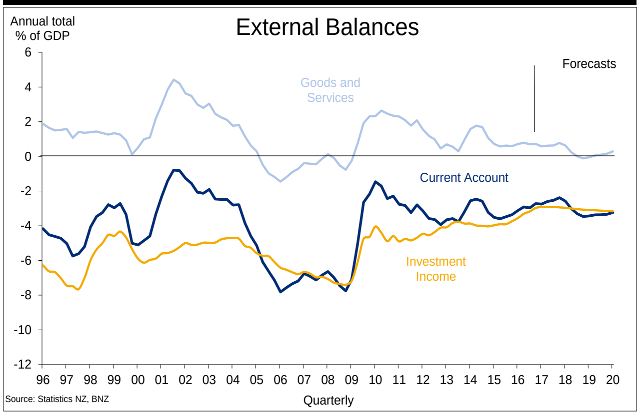
Middling Inflation, Here to Stay



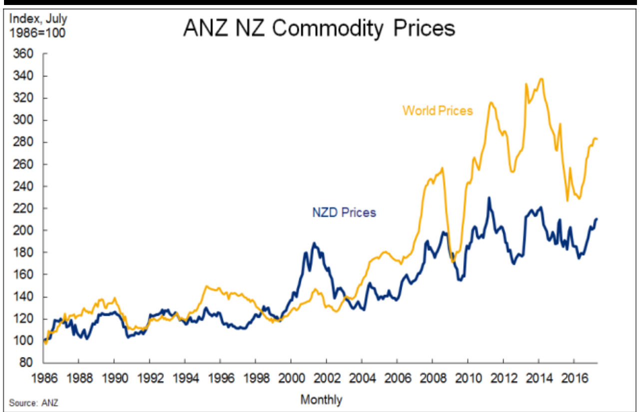
How's the Air Up There?



External Accounts Well Behaved



Much Improved



Fiscal Policy

The government's accounts just keep getting better, mainly on the coattails of a strong economy. A third successive (core) operating surplus for 2016/17 could yet be stymied by Kaikoura earthquake costs. But beyond that it's looking increasingly positive. This gives the government plenty of options for its 25 May Budget including: extra spending; income tax relief (already well signalled) and; enough left over to keep paying down debt – to between 10 to 15% of GDP by 2025, on a net basis, as has become the newly extended government target.

Interest Rates

Interest rates, across the board – even mortgage rates – have started to push up off recent extreme lows. This is part of a global trend, but to do with local factors too. This includes a pinch from domestic funding, relative to the strengthening demand for credit. Our formal forecasts have the RBNZ hiking its cash rate mid-2018, but we can understand market pricing for something earlier than that. The only thing preventing us from bringing our rate hike call into 2017 is the Bank's expressed intent to leave its OCR unchanged right the way into 2019. We can't believe the Bank can hold to the length of this view at its 11 May Monetary Policy Statement, especially with pressure for it to lift its CPI inflation forecasts.

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Politics

The 2017 General Election will be held on 23 September. Recent trends in polling suggest it's becoming an increasingly tight run thing. It seems almost certain that the incumbent National party will win more seats than any other party but, equally, the only way that it will be able to rule is with the help of minor parties. Moreover, there is a very real chance that NZ First will be in the box seat to decide who gets the nod – National, or a Labour/Greens bloc. There is still some time to go, campaigning to occur, and, not to forget, a Budget due 25 May (with its likely tax relief). But also watch business and consumer sentiment in the lead into the election.

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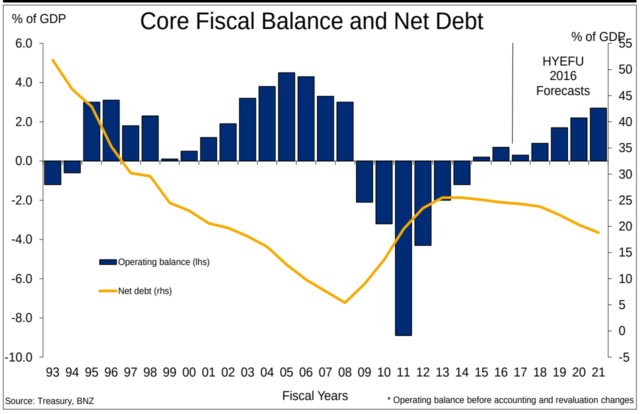
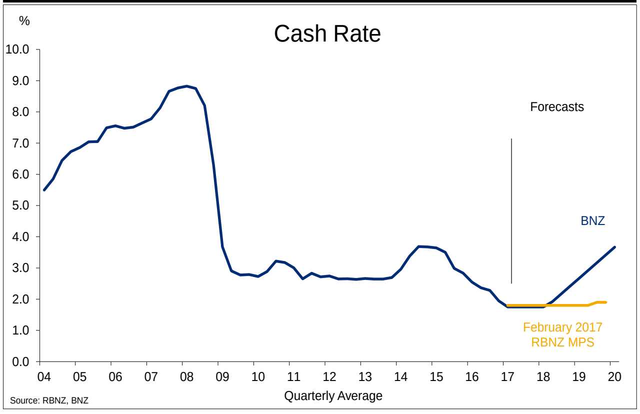
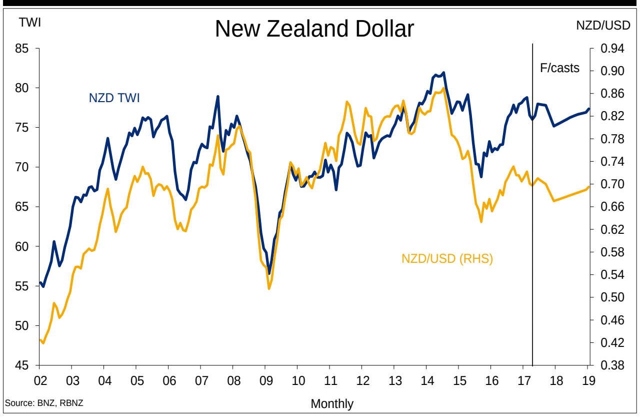
An Envious Fiscal Position



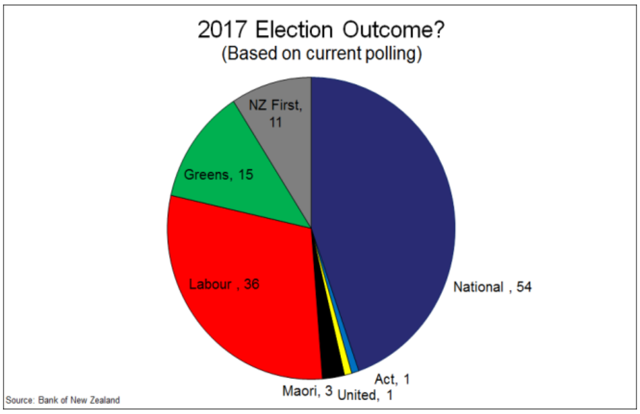
Interest Rates Headed Higher



NZD Correction Nearing Completion?



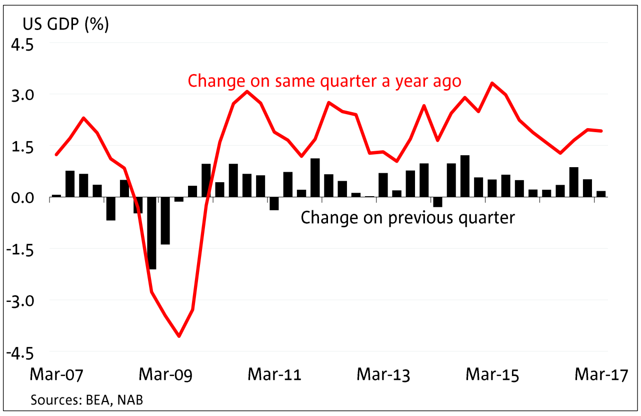
Election 23 September



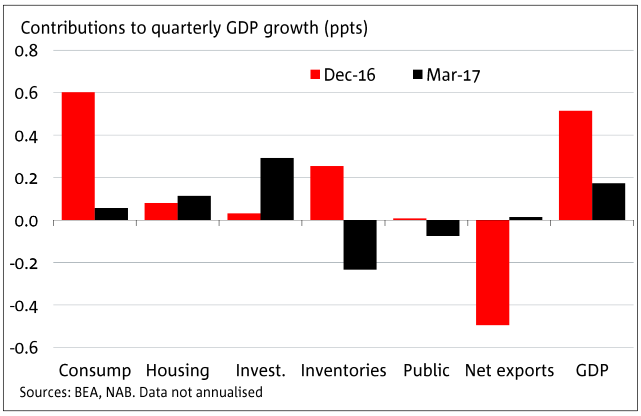
US Pothole Likely Temporary

- Q1 GDP growth sluggish (again)
- Confidence high
- Above trend outlook unchanged
- Fed remains on track to hike in June

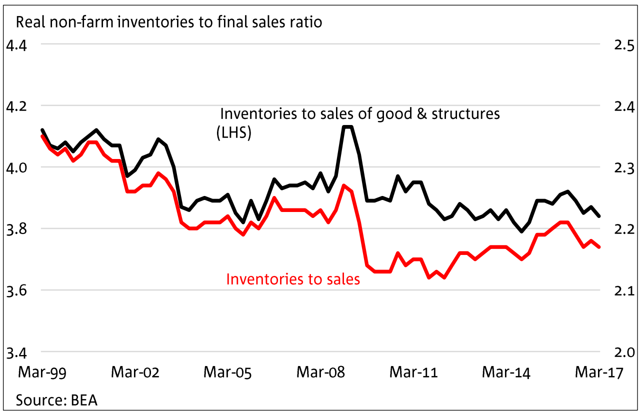
Another Slow Start To the Year in Q1



…But Not All Bad as Investment Takes Off



Inventory Weakness Looks Like a One-Off



Sluggish March quarter GDP growth suggests the economy got off to a slow start in 2017. However, March quarter weakness is not uncommon and business surveys and consumer confidence remain solid. The outlook for the US economy – of modestly above trend growth – remains unchanged.

A Slow Start To the Year…Again

March quarter 2017 US GDP grew by just 0.2% qoq, or 0.7% on an annualised basis. As growth at the start of last year was similarly sluggish, the annual growth rate was only down slightly to 1.9% yoy.

The details for quarterly growth, while mixed, where not as bad as the headline result. On the negative side, private consumption growth slowed significantly, and government demand declined. However, while inventories also detracted from growth it does not appear to be the start of a sustained inventory correction. Moreover, a clear positive was that investment – both businesses and in housing - was strong.

Real private consumer spending grew by only 0.1% qoq; the slowest quarterly growth rate since the end of 2009. Consumption may have been affected by delayed tax refunds. The weakness was particularly evident in motor vehicles and parts, housing & utilities, clothing, and gasoline & other energy goods. The fall in motor vehicle consumption followed a period of rapid growth and, with the level of vehicle purchases high, the scope for rapid growth may be limited. Gasoline consumption was probably affected by rising prices, although the worst of the price increases has probably passed. Moreover, the decline in housing & utilities almost certainly reflects the impact of unseasonably mild weather on utility consumption – which will reverse in time.

In contrast, business fixed investment recorded its strongest quarterly growth since the end of 2013. Mining structures investment (up 53% qoq) was a strong contributor, spurred by the recovery in oil prices; the oil and gas rig count so far in the June quarter is already tracking well above the March quarter level so the upswing in this sector is not done yet. Equipment investment also grew strongly, building on the recovery started at the end of last year following four consecutive quarterly declines.

However, the strength in business investment did not flow through to inventories where there was a marked slowdown in inventory accumulation. As a result inventories made a substantial detraction from GDP growth. However, inventory to sales ratios do not look particularly high, suggesting that a sustained detraction from GDP growth – as we saw from mid-2015 to mid-2016 – is unlikely.

Residential investment continued to recover from its mid-2016 slump, growing by a strong 3.3% qoq. The rebound in residential investment occurred despite the rise in mortgage rates since last November's elections. Mortgage rates have partially unwound some of their post-election gains since late March, so it looks like the rise in mortgage rates won't be strong enough to derail the housing market.

Net exports (exports less imports) were a neutral factor on GDP growth in the March quarter, with both exports and imports growing solidly by 1% or more. The annual growth rate also strengthened, with the pick-up in trade not only consistent with other indicators such as the ISM trade orders measures, but also with a solid US economy and an improvement in the global economy as well.

Annual headline personal consumption expenditure (PCE) inflation was 2.0% yoy in the March quarter 2017; the first time it has been at the Fed's 2% target since the start of 2012. However, core (ex energy and food) inflation – which the Fed regards as providing a better signal of future inflation – was unchanged at 1.7% yoy. Moreover, the quarterly number is consistent with the March month annual inflation declining to 1.6% yoy.

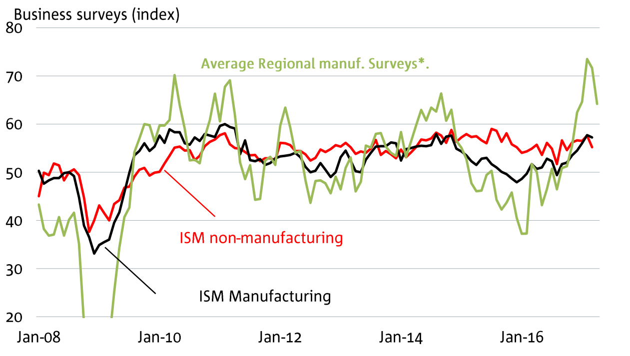
Assessment

The weak March quarter GDP outcome was broadly in line with expectations, both in terms of size and composition, so it does not fundamentally change the outlook.

In recent years March quarter growth has generally been much weaker than in the rest of the year. Whether just a coincidence, or due to problems with the statistician's seasonal adjustment, is still up for debate.

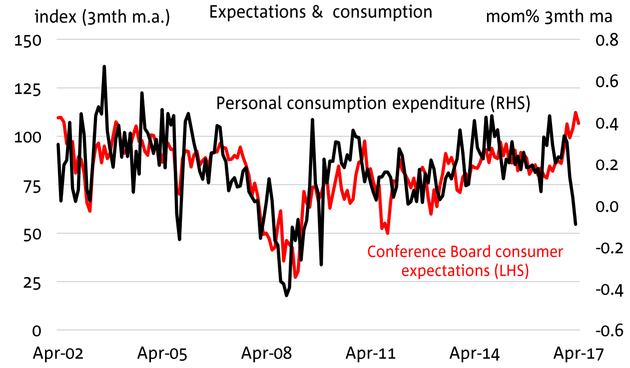
In any event, survey measures of the economy are suggesting that it is performing better than the GDP data suggest. Business confidence is solid and consumer confidence measures show positive sentiment amongst households. Consumer expectations broadly track actual consumption over time but right now there is a significant divergence, suggesting that the March quarter weakness will prove to be only temporary.

Business Confidence More Positive Than Q1 GDP



Sources: ISM, Conference Board, Univ.of Michigan/Thomson Reuters, Richmond, Dallas, Kansas City, Philadelphia & New York Federal Reserves (*simple average of survey results plus 50)

Consumer Confidence Strong



Source: BEA, NAB.

The truth is probably somewhere in the middle of the survey and GDP data. This would suggest that the economy is growing modestly above trend – consistent with the ongoing decline in the unemployment rate over time we are seeing.

We continue to expect that the Fed will next raise rates at its June meeting. Fed members will not be surprised by the Q1 slowdown but will want to see partial indicators to soon start providing evidence that it is only temporary. The dip in March inflation also increases the risk that the Fed will go slow. However, the Fed will take comfort from the Employment Cost Index (ECI), released the same day as the March quarter GDP estimate, which recorded its strongest quarterly increase in several years, consistent with the general picture that wages growth is gradually strengthening.

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Carbon and Commodities

- OPEC and Russia both delivering on agreed Crude oil production cuts, partially offset US production increases.
- US Crude inventories remain near historic highs, while rig count continues to steadily grow.
- Nickel Prices fall after Philippine Environmental secretary sacked.

Commodity	US$	Change (daily US$)	Change (Fortnight)	Change (Month)	Change (Year)
Brent Crude	50.61	0.15	-4.65%	-6.57%	13.65%
WTI Crude	47.55	-0.11	-5.99%	-6.82%	10.12%
Copper	5,574	-194.33	-1.52%	-6.24%	9.69%
Zinc	2,563	-80.40	1.97%	-7.03%	37.12%
Aluminium	1,923	18.93	2.18%	-1.64%	29.02%
Tin	19,950	-69.76	2.44%	-1.43%	15.92%
Nickel	9,279	-183.79	0.14%	-7.02%	5.89%

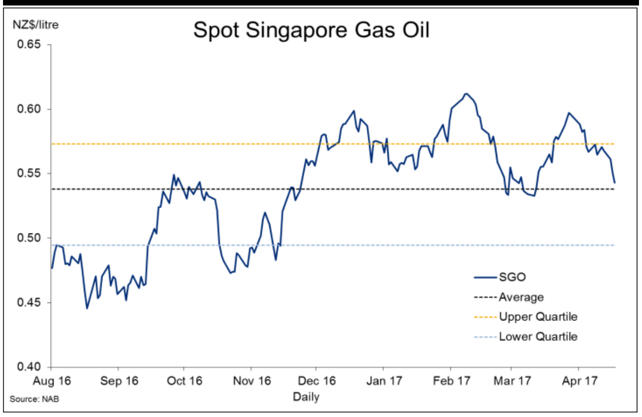
Crude oil prices have weakened back to the lower end of the year's trading ranges. OPEC compliance to the cuts agreed to in Algiers last November is near 100%, with overall OPEC production down by 2 million barrels per day versus the November peak of 34.2 million barrels per day. Russia has also said they have reduced production by more than their agreed cuts of 300k barrels per day. However, the battle of opposing supply forces sees US production increasing by 500k barrels per day since the start of the year, the rig count growing steadily every week (now 697), and US inventories still near record highs of 530 million barrels.

Most analysts expect the current production surplus to revert to a deficit in H2 2017, and gradually ease the oversupply condition through 2018. This is dependent on the current OPEC agreement being extended after the June expiry, and demand growing steadily over the period. Prices are mostly forecast to remain in the $50-60 range for the remainder of the year.

Diesel Prices in NZ are currently mid range, but look like a good consumer hedging opportunity if spot prices fall to the lower quartile level of NZD 50 c/l. The forward price curves are only slightly upward sloping as all of the contango has flattened out in the USD price, and NZDUSD currency forwards reduce with the narrowing NZD-USD interest rate differential.

The sacking of Philippine Environmental secretary Regina Lopez has resulted in a 2% fall in Nickel prices. She had led a crusade against "greedy miners", shutting more than half the mines of the worlds top Nickel producing country in an effort to avoid damaging the Philippine environment. However mining lobby groups will now look to immediately reverse many of her measures, increasing Nickel supply. Copper has also fallen recently as supplies appear plentiful and Chinese demand is not as strong as previously forecast.

Singapore Gas Oil (NZ$/litre)



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NZD Looking Short-term Oversold

- Over the year to date the NZD has underperformed, against economic fundamentals which have remained supportive. These include high risk appetite and strong NZ terms of trade. Net speculative short positioning is the greatest in nearly two years.
- Thus, there is a low hurdle rate for the NZD to recover over coming weeks and months. That said, ultimately we see NZD/USD and NZD/EUR ending the year at 0.67 and 0.59 respectively. Economic relativities are expected to encourage NZD/AUD to gravitate to the mid 0.90s.

NZD under pressure through most of 2017

The NZD has recently been sold down to a level not seen since the middle of last year, unwinding the strength seen over 2H16 and through early 2017. As noted in our monthly wrap, in the three months ending April, the NZD TWI was down by just over 6%, with large falls on all the major crosses. These ranged from 5% against the AUD to 9% against GBP. The extent of the fall has surprised us, as it has gone against supportive fundamental forces.

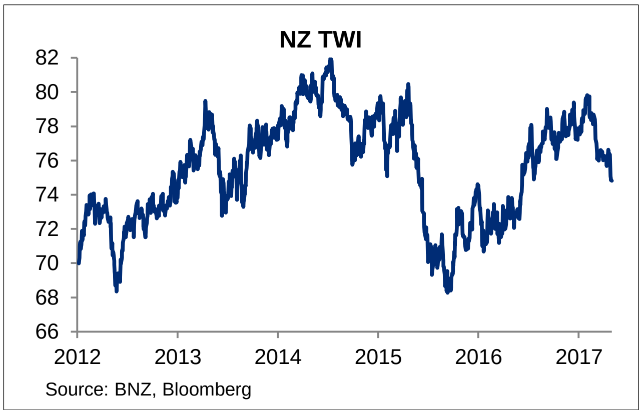
Intra-year falls of over 5% are common – in fact they have occurred every year for the past five years. On daily closes, the TWI has seen the following intra-year drawdowns:

- 2012: -5.5%
- 2013: -8.2%
- 2014: -7.6%
- 2015: -5.9% and -15.0%
- 2016: -5.2%

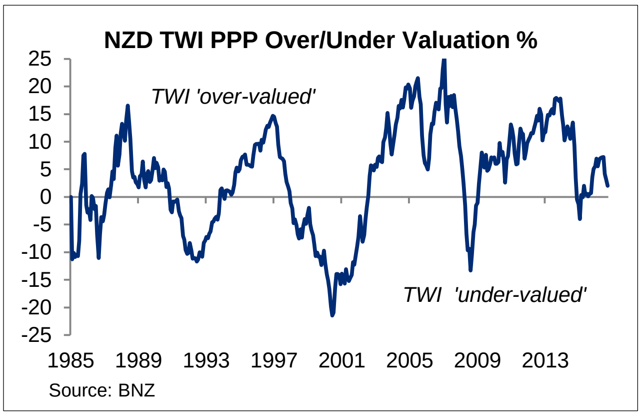
Those intra-year falls have all been in the context of a flat to higher TWI over that five year period.

NZD weakness has seen the TWI move down to within 2% of our long-term fair value estimate based on purchasing power parity. Of course, it has spent much of the time over the past 15 years above this long term estimate, a reflection of NZ's strong terms of trade. When the NZ's terms of trade are strong, the NZD should trade well above "fair value" in a longer term context. Our terms of trade estimate for Q1 puts it near record highs.

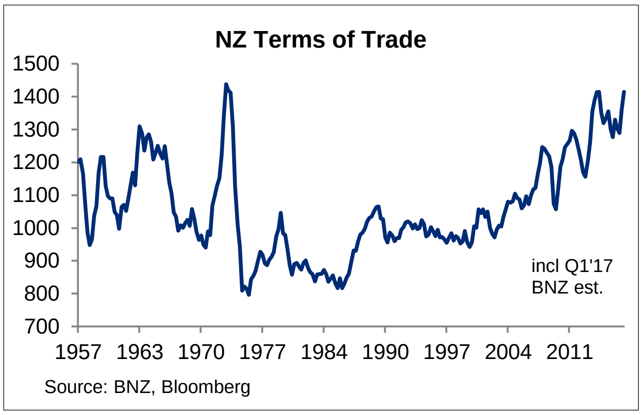
A Weak 2017 for the NZD So Far



TWI Close to Long-Term Fair Value



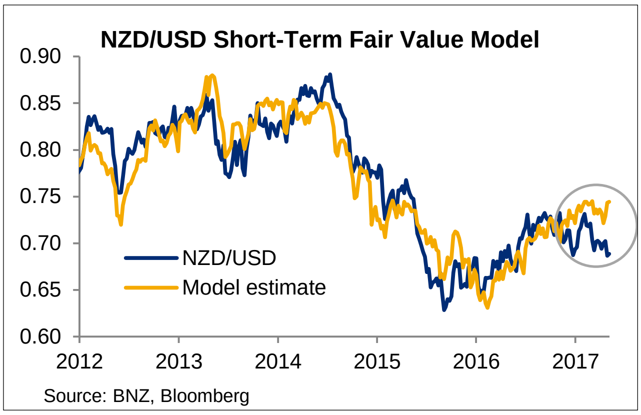
NZ Terms of Trade Nudging a Record High



NZD weakness against solid fundamentals

What makes the recent fall in the NZD more remarkable, compared to other episodes is that it has come over a time when fundamental factors have been generally supportive. This can be illustrated by our short term fair value NZD model. At the end of April, the gap between spot and fair value had extended to 8%, the largest gap since March 2009, or the depths of the GFC.

Gap in FV Model Estimate Unusually Large



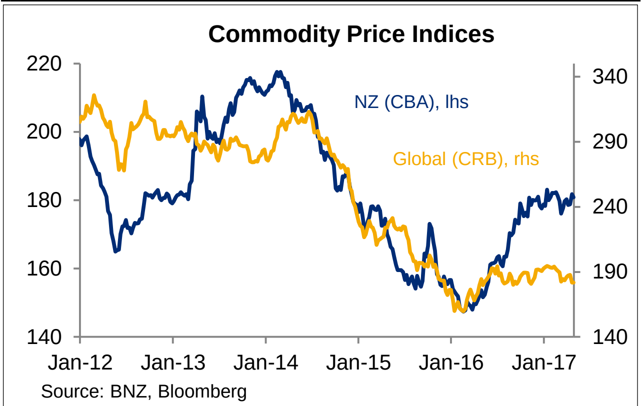
There is normally a positive correlation between our risk appetite index and the NZD but over the past few months it has been zero to slightly negative. The fact that our risk appetite index is hovering around a three-year high has, unusually, not been a positive factor for the NZD.

Various global commodity price indices recently reached fresh lows for the year and have been flat overall for the past year. Contrast that with the NZ export commodity price index which has managed to sustain the strong run up in prices seen through last year.

Some of the NZD's fall in early March can be attributed to a plunge in dairy prices, but whole milk powder prices have since recovered by around 20%, and that hasn't been reflected in a stronger NZD.

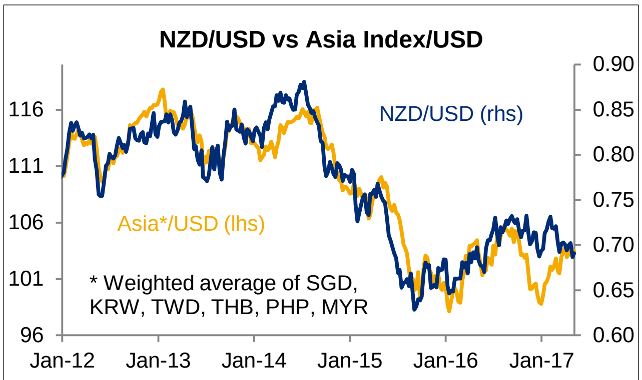
Some have attributed the weakness in the NZD over recent months to President Trump's "America First" trade policy. We don't find that explanation particularly satisfactory. If that was the case, then Asian currencies would also have been affected. Over the past few months, an Asian currency basket has managed to recover losses seen late last year as Trump has backed down on his pre-election trade rhetoric – China has not been deemed as a currency manipulator and widespread tariffs on China and Mexico imports have not been imposed.

NZ Commodity Prices Better than Global Indices



Source: BNZ, Bloomberg

NZD and Asian Currencies Converge



Source: BNZ, Bloomberg

The market has actually taken a more optimistic view on US trade policy as Trump finds it increasingly difficult to achieve any of his policy objectives, and this would explain the rebound in Asian currencies, which are sensitive to global trade policy.

When we look at the NZD against an Asian currency basket, the NZD held up much better as Asian currencies were under pressure late last year. Over 2017, the Asian currencies have recovered as Trump's trade agenda looks to have softened. The NZD has weakened during this Asian currency recovery.

We think that the RBNZ's neutral policy tone has been successful in containing rates and the NZD. We get an update from the RBNZ next week but its prevailing view is that there is an equal chance of an OCR cut or hike and any policy adjustment is expected to be far into the future, around late 2019.

That guidance looks likely to change, as inflation has significantly surprised the RBNZ on the upside and the weaker-than-expected NZD adds further upside to the RBNZ's inflation projections. The Bank is unlikely to embrace the market's view that a rate hike could come as soon as May next year, but incrementally through the year we see the Bank changing its tune towards a more hawkish tone.

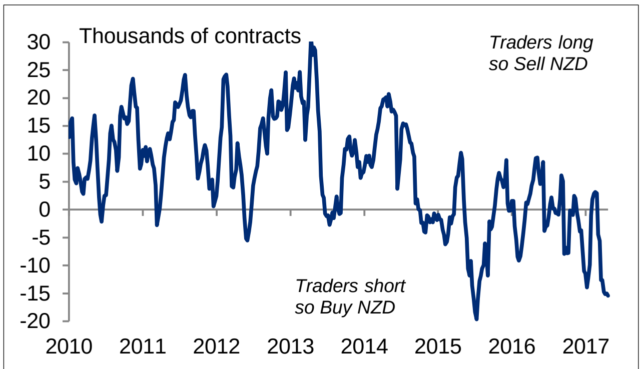
Speculative market is short NZD

As of last week, net speculative short positioning was the highest in nearly two years. Net short positions have been building up since early March over the period in which the NZD has been falling. We normally use this as a contrary indicator. If the hot money is short kiwi, then that sets up a low hurdle rate for a bounce on any positive news, as short positions get closed.

Outlook

Our year-end 2017 target for NZD has been USD 0.67 since August last year, a projection we have left unchanged. However, that was meant to be in the context of a weaker

Net Speculative Positioning is Short Kiwi



Source: BNZ, Bloomberg

global economic environment, softer NZ commodity prices and weaker risk sentiment, with our risk appetite index expected to fall towards a more neutral reading of 50%. Those fundamental factors have yet to play out.

We conclude that recent selling of the NZD has not really been justified and on that basis, we could well see a recovery of sorts into the low 0.70s over coming weeks and months. The stage then becomes set for the NZD to resume a weaker trend, towards our year-end target 0.67 on the back of the deterioration in the fundamental forces we expect. With the Fed in the midst of a tightening cycle, a more hawkish RBNZ in the second half of the year isn't expected to prevent slippage in NZD/USD.

It's a bit of a mixed view on the crosses. Our recently upgraded view of EUR sees NZD/EUR end the year around EUR 0.59. A positive view on EUR reflects diminished political risk following the market-friendly first round French Presidential election result and likely focus on ECB normalisation of monetary policy as the year progresses. With the ECB's highly accommodative monetary policy currently keeping a lid on EUR, expectations of a reversal of that stance could be significant, and overwhelm any murmurs of tighter NZ monetary policy.

We have no strong view on NZD/JPY and NZD/GBP crosses, with year-end targets within 2% of current spot.

NZD/AUD is expected to end the year on a stronger footing, with a return to the mid-0.90s. NZ's stronger labour market relative to Australia's was evident in this week's NZ employment figures. Relative unemployment differentials go a long way in explaining cyclical movements in the NZD/AUD cross rate. Ultimately that differential explains our view that the RBNZ tightens policy ahead of the RBA next year, supporting NZD/AUD.

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FX Momentum Model

Mixed NZD positions

- There's been some turnover in NZD positions since our last report. The model went short NZD/USD and NZD/EUR last week to add to its longstanding short NZD/GBP position. The model has just gone long NZD/JPY.

Mixed USD positions

- The model is long USD versus the AUD, JPY and CAD. The model is short USD against GBP and EUR.

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BNZ Foreign Exchange Momentum Model

Our momentum model is used primarily as an indicator of speculative account activity, as opposed to a trading tool. The model provides some indication of the levels at which speculative accounts may be entering into long or short positions in the major currencies. It can also provide a steer on how basic trend following/momentum accounts are positioned.

The basic trading algorithm our model uses is as follows:

1. Buy if the price breaks above recent ranges, or sell if it breaks below recent ranges.
2. In exiting a position, the model uses a trailing stop. The stop is set at the previous10-day high or low, but with an additional adjustment factor that sets a wider stop when markets are more volatile.

Together, these two conditions constitute the core of any momentum model, whose central premise is that a break outside of a range indicates that the price will continue in the direction of the break. A couple of extra conditioning filters have been added to our momentum model to try to stop the model reacting to false breaks.

FX Momentum Model Positions

3-May-17 << NY Close

Currency pair	Position	Entry date	Entry level	Mkt	Return	Stop	Long trigger	Short trigger
NZD/USD	Short	26-Apr-17	0.6910	0.6878	0.5%	0.7020		
NZD/AUD	Neutral	26-Apr-17	0.9208	0.9266			0.9396	0.9145
NZD/EUR	Short	24-Apr-17	0.6458	0.6317	2.2%	0.6575		
NZD/GBP	Short	03-Mar-17	0.5722	0.5345	6.6%	0.5512		
NZD/JPY	Long	03-May-17	77.96	77.55	-0.5%	76.08		
AUD/USD	Short	26-Apr-17	0.7473	0.7423	0.7%	0.7585		
AUD/JPY	Long	03-May-17	84.55	83.69	-1.0%	81.49		
DXY	Short	24-Apr-17	98.86	99.21	-0.4%	99.84		
EUR/USD	Long	24-Apr-17	1.0906	1.0886	-0.2%	1.0765		
GBP/USD	Long	18-Apr-17	1.2615	1.2867	2.0%	1.2757		
USD/JPY	Long	02-May-17	111.93	112.75	0.7%	110.32		
USD/CHF	Neutral	31-Mar-17	1.0015	0.9948			1.0107	0.9856
USD/CAD	Long	19-Apr-17	1.3456	1.3730	2.0%	1.3375		

Notes: This portfolio represent hypothetical, not actual, investments. Reported returns do not include the cost-of-carry. All trades are entered and exited at triggered levels

The BNZ OIS-ter: An increase in Fed and ECB Rate Curves

- There has been little change in NZ rate expectations over the past fortnight and ahead of next week's RBNZ MPS. The first full 25bps rate hike is not priced until May 2018. Three full rate hikes are priced by February 2019. Australia's rate curve is flat for the next 12 months, with a slight tightening bias thereafter.
- Over the past fortnight, the market has upped the extent of rate hikes ahead. The May FOMC Statement suggested that the Fed would look through the soft GDP data for Q1, seeing it as transitory. The odds favour another rate hike in June and about 35bps of hikes in aggregate is priced into the curve through to year-end.
- Rate hikes in the euro area and UK aren't expected this year. The ECB was reluctant to change its policy guidance at its meeting last week, but over coming meetings, the central bank is expected to gradually guide markets towards removal of monetary accommodation. The prospect of a rate hike is entertained from early 2018.

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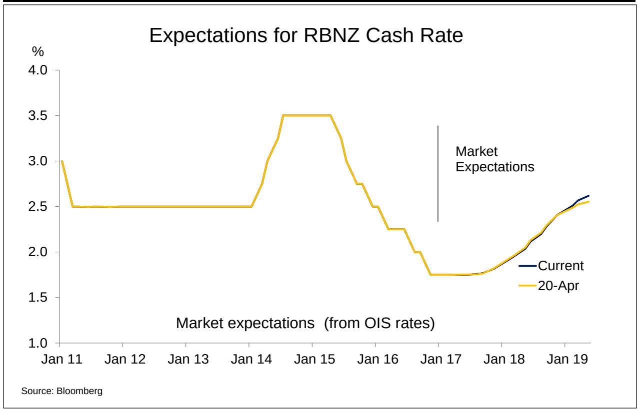
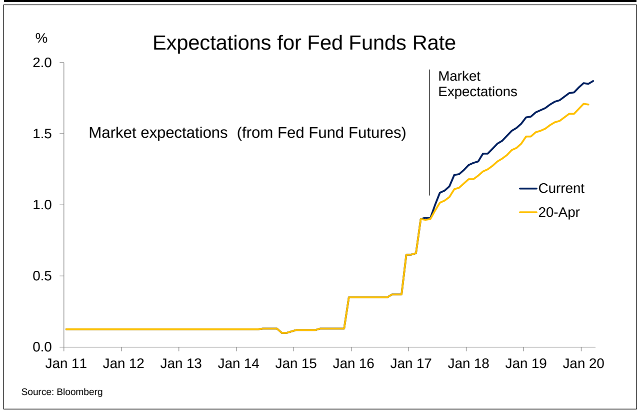
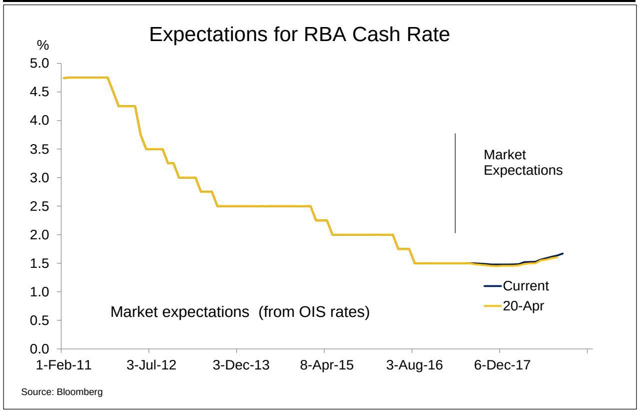
New Zealand



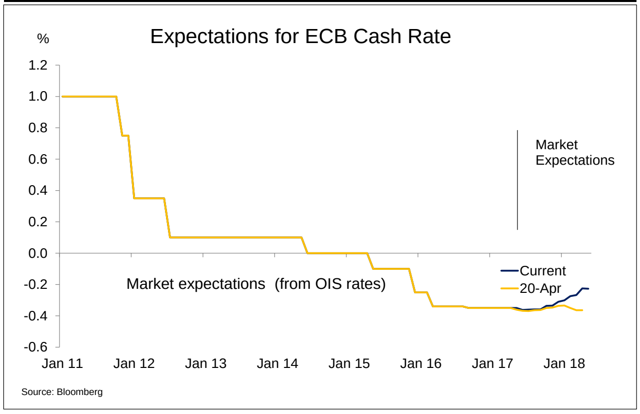
United States



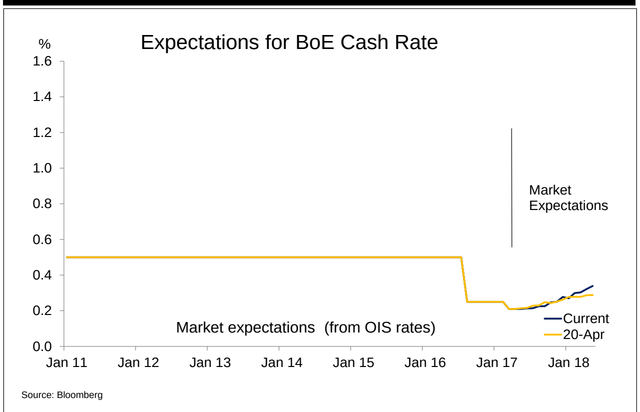
Australia



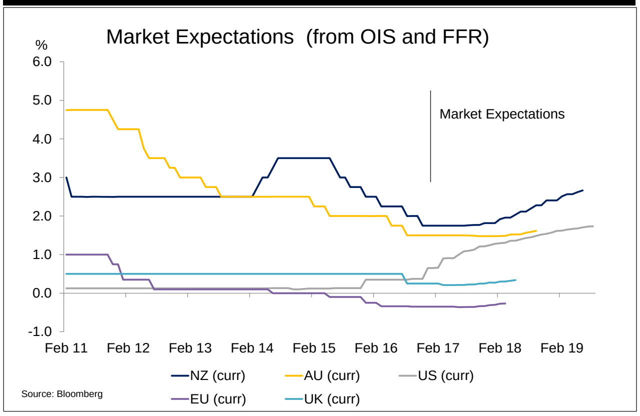
Eurozone



United Kingdom



Cross Country



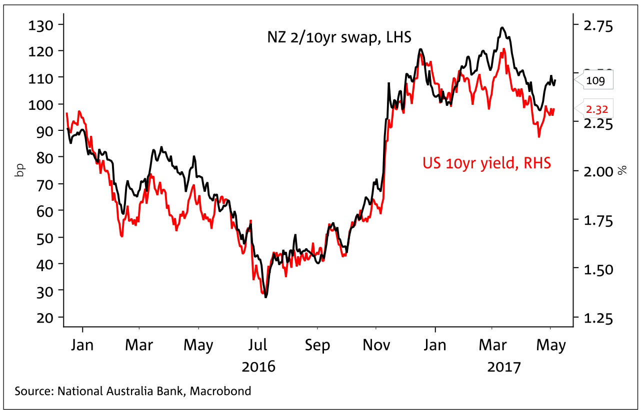
Interest Rate Strategy: Curve to Steepen Further

- Look to add NZ 2/10y swap curve steepeners on a move back to 100bp.
- NZ-US spreads to tighten, but more in swaps than bonds.
- NZGB RV: long bonds rich vs swaps, Apr-23s cheap on curve.

NZ Curve Steepening

The 2y swap rate has been steady in the low 2.30% area over the last few weeks, as local developments have been a muted driver of the market. The main theme is a steeper curve – the 2/10y swap curve has moved from 97bp to 109bp. Looking ahead, we continue to think higher US yields will translate into further steepening pressure in the coming months and would consider adding 2/10y swap curve steepening trade on a move back to 100bp.

Chart 1: NZ 2/10y Swap vs US 10y Yield



NZ-US rate spreads

NZ-US rate spreads are mixed. Front end swap differentials initially widened post-CPI, but have since retraced. The USD front end is priced for around 50bp of tightening by June 2018, while the NZ front end is priced for around 30bp of tightening. We think the RBNZ lift-off will come next May, but see the Fed tightening 50bp by the end of this year. That should ultimately see NZ-US 2y spreads trade tighter and we would see further widening as an opportunity to receive NZ against US front end rates. We would consider such a trade if the 2y spread reached back over 90bp or 1y1y moved back towards 100bp. The NZ front end has the highest carry and roll among G10 rates markets and this will remain a key support for NZ rates. Receiving the NZ-US 1y1y spread rolls down at 8bp over 3m.

Long end NZ-US spreads show more divergence between swaps and bonds, reflecting the outperformance of NZGBs. At current levels, we see more value in positioning for NZ-US swap compression than bonds.

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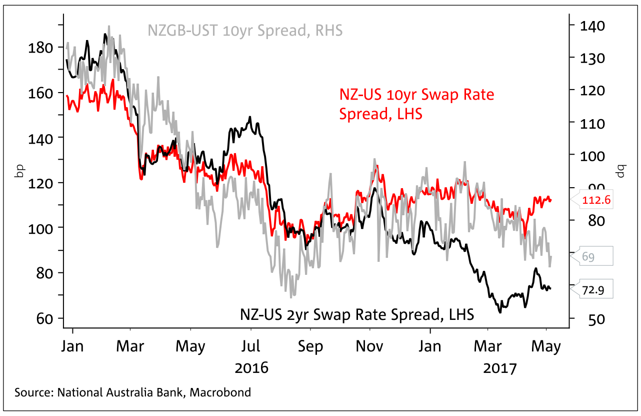
Chart 2: NZ-US Rate Spreads



NZGB RV: long end bonds rich vs swap, Apr-23s cheap on curve

The key theme in NZGBs is outperformance of longer maturities. Increased demand for 2027-2037s has seen this part of the curve flatten, even as short tenors are steady to steeper. Against swap, the performance of longer dated bonds stands out (as chart 3 shows). At current levels, we see the 2027-37 maturities as relatively rich. In contrast, the Apr-23 is cheap and while off its extremes, a May-21/Apr-23/Apr-27 fly still offers an attractive pickup.

Chart 3: NZGB ASW Spreads

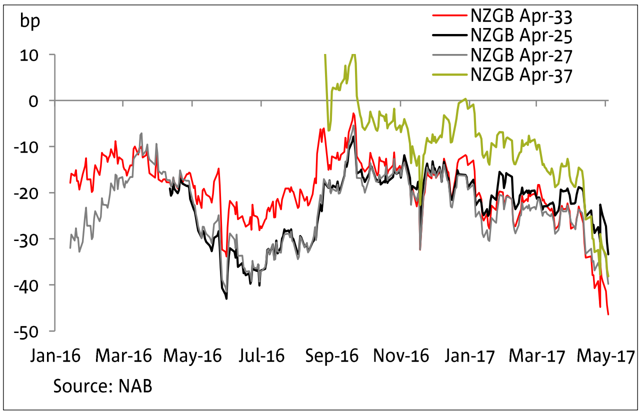
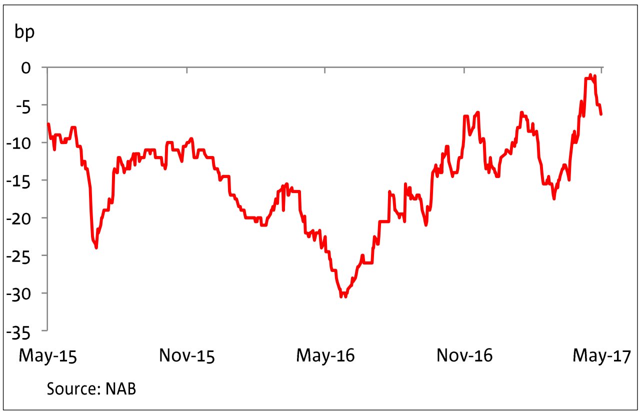


Chart 4: NZGB May-21/Apr-23/Apr-27 Butterfly



NZ Economic Review

ANZ-RM Consumer Confidence (Apr) – 21 April
Confidence dipped a bit in April, to 121.7 from 125.2 in March. Maybe it was the cyclonic storms (something to watch for more broadly in April's data). Or perhaps it was driven by a slowing housing market or maybe a pickup in inflation. The latter is something consumers seem well aware of with their two-year-ahead inflation expectations lifting to 4.0% from 3.4%. All still good enough for reasonable growth.

Int'l Travel and Migration (Mar) – 26 April
The net flow of migrants into New Zealand continued at a near-record pace in March. It increased to a seasonally adjusted +6,100, from +5,980 in February and January's all-time record high of +6,380. While most people continue to forecast a fall in the net inward migration numbers, there remains little indication of this occurring anytime soon. Meanwhile, short-term visitor arrivals did slow quite a bit in March to about flat on a year ago. This is likely just a timing issue. We expect a huge lift in April (aided by the influx of folk for the late-April World Masters Games).

Finance Minister Joyce Speaks – 27 April
This speech, to the Wellington Chamber of Commerce, gave some hints to what will likely be in the Budget but nothing surprising. Adjustments to tax thresholds, more infrastructure spending, and a debt target (10%-15% of GDP by 2025) that essentially maintains a commitment to keep paying debt down over the longer term.

Merchandise Trade (Mar) – 28 April
The $332m monthly trade surplus in March was not far from expectations. Exports increased 10.6% y/y and imports were up 7.6%. Export volumes for the first quarter looked a touch soft in places, raising a downside risk to Q1 GDP to monitor, while export price indicators look strong suggesting positive results ahead in the terms of trade statistics in due course. Overall, the latest merchandise trade figures were neutral for external balance calculations.

Building Consents (Mar) – 28 April
March's building consents were fundamentally encouraging. Sure, new dwelling consents fell a seasonally adjusted 1.8%% in the month, but this was after a jump in February that was revised up to 17.2% (from 14.0% initially). Of course, the latter was a rebound from an earlier dip such that we remain wary of a potentially soft result for Q1 construction. But the undercurrents have improved. The rebound message in non-residential consents was that much stronger still in March, albeit boosted by some large entries. But even smoothing over the March quarter, the annual rise was 39%.

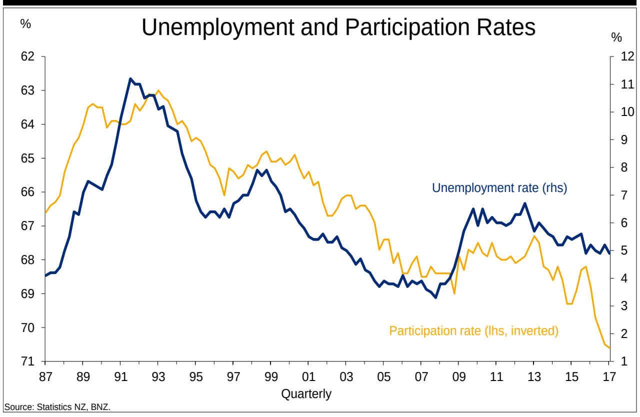
ANZ Business Survey (Apr) – 28 April
This business survey largely replicated results of the prior month. Confidence stabilised at 11.0, about its norm, while own-activity expectations at 37.7 kept their head a bit above average. Inflation expectations remained at 1.83%, while firms' own pricing intentions strengthened to +29.2, from +22.8 in March, indicative of the current upward pressure on inflation.

GDT Dairy Auction – 3 May
The GDT Price Index rose 3.6% at this event – it's fourth consecutive increase taking prices to 61% above year earlier levels. Latest price gains seem amplified by recent poor weather in NZ that may not stick once the new NZ season ramps up later in the year. In the meantime, it adds support to our thinking that Fonterra's $6 milk price forecast for 2016/17 might yet be tweaked up.

QVNZ Housing Report (Apr) – 3 May
The regional divergence is the most interesting feature of generally plateauing national house prices over recent months. The trend in Auckland house sale prices over the past six months or so has been flat (although base effects have annual inflation at 10.7%). The latest LVR restrictions are biting the investor market in particular. In contrast to Auckland, Wellington home prices continue to reach higher, with annual inflation hot at 21.2% in April. Christchurch's annual inflation is cool at 1.4%, Hamilton's has slowed to 14.4%, while Dunedin's quickened to 17.0%.

Labour Market Reports (Q1) – 3 May
The labour market remained fundamentally strong in Q1 with hefty employment growth (+1.2% q/q) helping push the unemployment rate down to 4.9%. This despite strong net migration and the participation rate lifting to a record 70.6%. Relatively weaker indicators for hours paid and worked look an aberration given the strength elsewhere. Wage inflation matched expectations but still looks like the laggard in a generally robust market, although with unadjusted labour costs posting a 2.9% annual gain it's debatable how 'weak' wage growth is.

Tightening

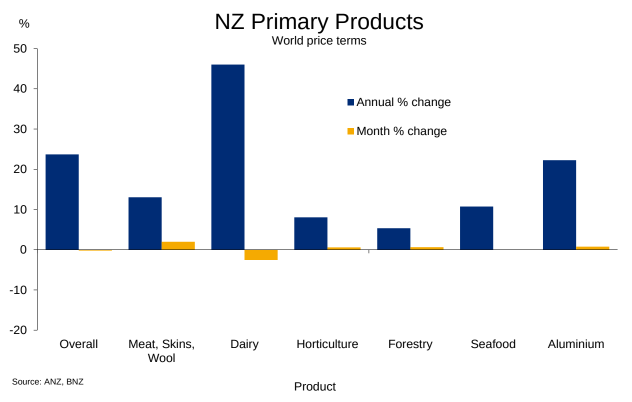


Source: Statistics NZ, BNZ.

ANZ Job Ads (Apr) – 4 May
Job ads rose 2.8% in April, extending the strong trend run higher over the past 18 months or so. More evidence that labour demand is strong.

ANZ Commodity Export Prices (Apr) – 4 May
World prices eased 0.2% in April, while NZ dollar denominated prices rose 0.5% thanks to a weaker NZD. It all effectively holds the strong gains over the past 12 months that sees world prices up 23.7% and 20.4% higher in local currency terms. Annual gains have been widespread across products. It is setting up the nation's merchandise terms of trade to have a lunge at record levels in 2017.

Up



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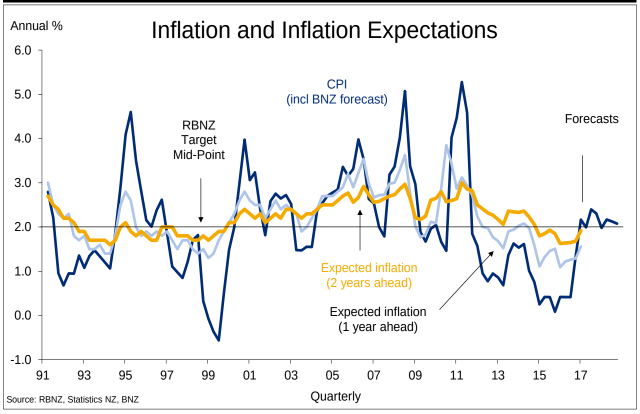
NZ Upcoming Data/Events

Survey of Expectations (Q2) – 5 May
Most closely followed in this RBNZ survey are respondents' CPI inflation expectations. Having already been creeping upwards, these stepped more meaningfully higher last quarter up to 1.56% and 1.92% for the 1-year and 2-year-ahead measures respectively. Higher actual inflation will maintain upward pressure.

On The Rise



Electronic Card Transactions (Apr) – 10 May
We have a moderate bounce of 0.6% pencilled in for April's transactions following the 0.5% bounce-back in March. But risk abounds. The timing of holidays could see it higher, while we are wary of some potential drag from storm activity during the month.

Crown Financial Statements (Mar) – 10 May
With or without the costs of the Kaikoura earthquakes included, these crown accounts for the nine months to the end of March are likely to continue the fundamentally buoyant description from the past so many months. It will provide a positive backdrop for the 25 May Budget.

RBNZ Monetary Policy Statement – 11 May
There is next to zero chance of the RBNZ moving the OCR at this meeting. All the interest will be in how the Bank accommodates the unexpected economic information such as much higher CPI inflation and a meaningfully lower NZD. The latter, importantly, occurring in spite of general improvement in NZ's major export commodity prices and thus adding to the inflation outlook. We think those developments outweigh the likes of slower economic growth and higher retail interest rates on the inflation outlook. It all should be enough to lessen the chance of a cut in the Bank's mind and bring forward the projected tightening from the very late 2019 zone that the RBNZ previously projected. Look for the former in the Bank's language and the latter in the new set of forecasts. However, the Bank is unlikely to move as far as what the market currently has priced. The Bank may well choose to look through a lot of the recent data if it still considers the world to be as uncertain as it did in March.

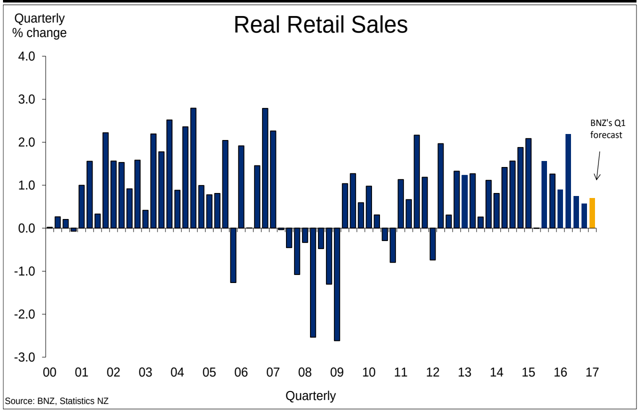
Food Price Index (Apr) – 11 May
Recent poor weather widens the (already wide) error bounds around this month's food prices. The 0.5% m/m gain we have pencilled in for April food prices incorporates some lift in vegetable prices as a result of bad weather during the month in addition to some general upward food price pressure coming from offshore pricing and currency movements. Whatever the result, it will set the scene for a big chunk of the Q2 CPI.

BNZ PMI (Apr) – 12 May
April's Performance of Manufacturing Index would seem to have its work cut out to match March's stellar 57.8 result, especially given the timing of Easter and potential downtime on account of bad weather. But you never know.

BNZ PSI (Apr) – 15 May
Could the stormy weather in April affect the Performance of Services Index as well? Maybe, although it has managed to navigate through all else over recent times posting a very healthy 59.0 in March.

Retail Trade (Q1) – 15 May
We have a 0.7% gain in the spreadsheets for Q1 retail volumes. The nominal spending indicators were stronger in the quarter, but so too was retail pricing judging by the relevant components of the CPI. This is part of the slower annual retail sales volume growth that we anticipate through 2017.

Middling



Household Inflation Expectations (Q2) – 16 May
This survey is nowhere near as closely followed as the business/analyst survey released a week or so beforehand. But with inflation expectations critical to the policy outlook it will be worth perusing household's inflation expectations, including those for housing.

GDT Dairy Auction – 17 May
We will look at the indicators at the time of this auction, but, at the time of writing, dairy price momentum is positive. It is only a question if it can be maintained.

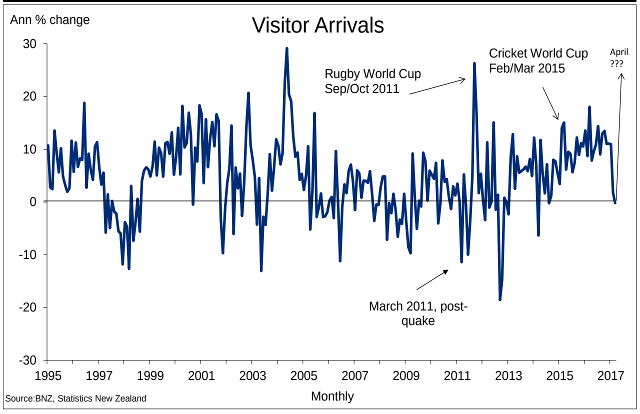
PPI (Q1) – 17 May
We anticipate further strengthening in producer price annual inflation in Q1 pushing up through 3% and even towards 4% on further commodity price and building cost pressures. It might be too early for a lower NZD to be offering support, but is something to watch ahead. We look for annual output price inflation of around 3.7% and input price inflation of 3.9%.

CGPI (Q1) – 17 May
Similar to the PPI story (see above), there is a good chance the Capital Goods Price Index at least maintains its relatively firm annual inflation in Q1, at around 3.4%. Building cost inflation will remain a feature.

ANZ-RM Consumer Confidence (May) – 18 May
Consumer confidence in April might have been affected by abnormal weather when it edged down to a still reasonable 121.7. May's read will help gauge if there was a bit more to the dip than just the weather.

Int'l Travel and Migration (Apr) – 19 May
We haven't seen anything to indicate a softening in the net inward migration numbers to New Zealand from March's near record seasonally adjusted gain of +6,100. As for short term visitor arrivals in April, watch for a massive lift (circa 25%? y/y) on account of the hosting of the World Masters Games and the timing of Easter.

How Big?



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Quarterly Forecasts

As at 4 May 2017

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
GDP (production s.a.)	1.0	0.7	0.8	0.8	0.4	0.7	0.7	0.7	0.6	0.6
Retail trade (real s.a.)	1.3	0.9	2.2	0.7	0.6	0.7	1.0	0.6	0.5	0.7
Current account (ytd, % GDP)	-3.4	-3.1	-2.9	-3.0	-2.7	-2.7	-2.6	-2.5	-2.4	-2.6
CPI (q/q)	-0.5	0.2	0.4	0.3	0.4	1.0	0.2	0.7	0.3	0.7
Employment	1.1	1.2	2.3	1.4	0.7	1.2	0.7	0.6	0.5	0.4
Unemployment rate %	4.9	5.2	5.0	4.9	5.2	4.9	4.9	5.0	5.0	5.2
Avg hourly earnings (ann %)	2.5	2.5	2.1	1.6	1.1	1.1	1.1	1.9	2.7	2.9
Trading partner GDP (ann %)	3.2	3.1	3.3	3.2	3.5	3.4	3.4	3.6	3.4	3.4
CPI (y/y)	0.1	0.4	0.4	0.4	1.3	2.2	2.0	2.4	2.3	2.0
GDP (production s.a., y/y))	2.2	2.8	3.5	3.3	2.7	2.7	2.7	2.6	2.7	2.6

Interest Rates

Historical data - qtr average Forecast data - end quarter		Cash	Government Stock 90 Day Bank Bills	5 Year	10 Year	Swaps 2 Year	5 Year	10 Year	US Rates Libor 3 month	US 10 yr	Spread NZ-US Ten year
2016	Mar	2.45	2.55	2.60	3.05	2.50	2.80	3.30	0.60	1.90	1.15
	Jun	2.25	2.35	2.20	2.60	2.25	2.45	2.90	0.65	1.75	0.85
	Sep	2.10	2.30	1.90	2.25	2.05	2.15	2.45	0.80	1.55	0.70
	Dec	1.85	2.10	2.40	2.95	2.25	2.65	3.10	0.90	2.10	0.80
2017	Mar	1.75	2.00	2.70	3.25	2.40	3.00	3.50	1.15	2.50	0.80
Forecasts											
	Jun	1.75	2.00	2.70	3.30	2.40	3.00	3.60	1.30	2.50	0.80
	Sep	1.75	2.00	2.75	3.30	2.50	3.05	3.60	1.40	2.50	0.80
	Dec	1.75	2.00	2.75	3.25	2.60	3.05	3.55	1.60	2.50	0.75
2018	Mar	1.75	2.10	2.80	3.25	2.80	3.10	3.55	1.60	2.50	0.75
	Jun	2.00	2.40	3.10	3.55	3.10	3.40	3.85	1.90	2.75	0.80
	Sep	2.25	2.65	3.20	3.60	3.20	3.50	3.90	2.10	2.75	0.85
	Dec	2.50	2.90	3.30	3.65	3.40	3.60	3.95	2.40	2.75	0.90
2019	Mar	2.75	3.15	3.35	3.65	3.50	3.65	3.95	2.55	2.75	0.90
	Jun	3.00	3.40	3.40	3.70	3.60	3.65	3.95	2.80	2.75	0.95

Exchange Rates (End Period)

	USD Forecasts					NZD Forecasts					
	EUR/USD	USD/JPY	GBP/USD	NZD/USD	AUD/USD	NZD/EUR	NZD/JPY	NZD/GBP	NZD/USD	NZD/AUD	TWI-17
Current	1.09	112	1.29	0.69	0.75	0.64	77.8	0.54	0.69	0.92	75.6
Jun-17	1.10	114	1.31	0.71	0.75	0.65	80.9	0.54	0.71	0.95	78.1
Sep-17	1.11	116	1.29	0.70	0.73	0.63	81.2	0.54	0.70	0.96	77.9
Dec-17	1.13	118	1.27	0.67	0.70	0.59	79.1	0.53	0.67	0.96	75.3
Mar-18	1.15	120	1.26	0.68	0.70	0.59	81.0	0.54	0.68	0.96	75.8
Jun-18	1.15	120	1.25	0.68	0.70	0.59	81.6	0.54	0.68	0.97	76.3
Sep-18	1.17	122	1.24	0.69	0.70	0.59	83.6	0.55	0.69	0.98	76.7
Dec-18	1.19	122	1.22	0.69	0.70	0.58	84.2	0.57	0.69	0.99	77.0
Mar-19	1.20	120	1.25	0.71	0.70	0.59	84.6	0.56	0.71	1.01	78.3
Jun-19	1.20	118	1.25	0.71	0.71	0.59	83.8	0.57	0.71	1.00	78.5
Sep-19	1.21	116	1.27	0.72	0.72	0.60	83.5	0.57	0.72	1.00	78.8
						TWI Weights					
						0.1135	0.0635	0.0456	0.1398	0.2073	

Source for all tables: Statistics NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

As at 4 May 2017

	March Years					December Years				
	Actuals		Forecasts			Actuals		Forecasts		
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
GDP - annual average % change										
Private Consumption	3.1	2.8	4.7	2.7	2.1	2.9	4.3	3.2	2.2	1.7
Government Consumption	3.1	2.7	2.4	2.1	1.0	2.6	2.3	2.5	1.1	1.0
Total Investment	6.8	2.5	6.1	5.7	4.2	2.1	5.6	6.0	4.7	2.2
Stocks - ppts cont'n to growth	0.5	-0.3	0.1	0.0	0.0	-0.3	0.2	0.2	-0.1	0.0
GNE	3.9	2.4	4.9	2.9	2.4	2.1	4.8	3.3	2.5	1.7
Exports	4.3	5.5	1.1	1.9	3.9	6.8	1.6	0.7	4.0	4.1
Imports	7.4	2.1	6.0	4.0	3.7	3.6	4.2	4.9	3.7	3.2
Real Expenditure GDP	3.1	3.4	3.7	2.3	2.4	3.1	3.9	2.3	2.5	1.8
GDP (production)	**3.4**	**2.4**	**3.0**	**2.6**	**2.4**	**2.5**	**3.1**	**2.7**	**2.5**	**1.8**
GDP - annual % change (q/q)	*3.1*	*2.8*	*2.7*	*2.6*	*2.2*	*2.2*	*2.7*	*2.7*	*2.4*	*1.5*
Output Gap (ann avg, % dev)	0.8	0.8	1.1	1.2	1.1	0.8	1.1	1.2	1.2	0.8
Household Savings (gross, % disp. income)	1.8	1.2	0.2	0.4	-0.4					
Nominal Expenditure GDP - $bn	240.8	250.4	265.7	282.3	294.4	247.4	261.2	278.9	291.4	302.2
Prices and Employment - annual % change										
CPI	0.3	0.4	2.2	2.0	1.9	0.1	1.3	2.3	2.1	1.7
Employment	3.2	2.0	5.7	2.2	1.5	1.4	5.8	3.0	1.6	1.2
Unemployment Rate %	5.4	5.2	4.9	5.2	5.4	4.9	5.2	5.0	5.4	5.6
Wages - ahote	2.6	2.5	1.1	2.9	3.0	2.5	1.1	2.7	2.9	2.8
Productivity (ann av %)	-0.1	0.3	-2.6	-0.3	0.7	0.1	-1.7	-1.2	0.6	0.5
Unit Labour Costs (ann av %)	2.2	2.5	4.6	2.9	2.4	2.6	3.6	3.6	2.5	2.6
External Balance										
Current Account - $bn	-8.5	-7.8	-7.3	-7.3	-10.2	-8.3	-7.1	-6.7	-10.2	-10.2
Current Account - % of GDP	-3.5	-3.1	-2.7	-2.6	-3.5	-3.4	-2.7	-2.4	-3.5	-3.4
Government Accounts - June Yr, % of GDP										
OBEGAL (core operating balance)	0.2	0.7	0.4	1.2	1.8					
Net Core Crown Debt (excl NZS Fund Assets)	25.1	24.6	24.2	23.4	21.7					
Bond Programme - $bn	8.0	7.0	8.0	7.0	7.0					
Bond Programme - % of GDP	3.3	2.8	3.0	2.5	2.4					
Financial Variables (1)										
NZD/USD	0.75	0.67	0.70	0.68	0.71	0.67	0.70	0.67	0.69	0.73
USD/JPY	120	113	113	120	120	122	116	118	122	114
EUR/USD	1.08	1.11	1.07	1.15	1.20	1.09	1.05	1.13	1.19	1.23
NZD/AUD	0.97	0.90	0.92	0.96	1.01	0.93	0.96	0.96	0.99	1.00
NZD/GBP	0.50	0.47	0.57	0.54	0.56	0.45	0.56	0.53	0.57	0.57
NZD/EUR	0.69	0.61	0.66	0.59	0.59	0.62	0.67	0.59	0.58	0.59
NZD/YEN	89.9	76.0	79.2	81.0	84.6	82.1	81.7	79.1	84.2	83.2
TWI	78.3	72.2	76.5	75.8	78.3	73.2	78.1	75.3	77.0	79.2
Overnight Cash Rate (end qtr)	3.50	2.25	1.75	1.75	2.75	2.50	1.75	1.75	2.50	3.50
90-day Bank Bill Rate	3.63	2.42	1.98	2.08	3.13	2.74	2.03	2.00	2.88	3.88
5-year Govt Bond	3.20	2.45	2.70	2.80	3.35	2.90	2.75	2.75	3.30	3.50
10-year Govt Bond	3.35	2.95	3.25	3.25	3.65	3.45	3.35	3.25	3.65	3.80
2-year Swap	3.55	2.30	2.35	2.80	3.50	2.80	2.40	2.60	3.40	3.75
5-year Swap	3.65	2.60	3.00	3.10	3.65	3.15	3.00	3.05	3.60	3.80
US 10-year Bonds	2.05	1.90	2.50	2.50	2.75	2.25	2.50	2.50	2.75	2.75
NZ-US 10-year Spread	1.30	1.05	0.75	0.75	0.90	1.20	0.85	0.75	0.90	1.05

(1) *Average for the last month in the quarter*

Calendar

	Forecast	Median	Last
Friday 5 May			
NZ, RBNZ 2yr Inflation Expectations, Q2			+1.92%
Aus, Qtly Monetary Statement			
US, Non-Farm Payrolls, April		+190k	+98k
US, Yellen/Fischer Speak			
Monday 8 May			
Aus, Building Approvals, March			+8.3%
Aus, NAB Business Survey, April			+6
China, Trade Balance, April		+¥161b	+¥164b
Germ, Factory Orders, March			+3.4%
US, Fed's Mester Speaks, Global Affairs			
Tuesday 9 May			
NZ, Credit Aggregates (new format/series), March			
Aus, Federal Budget			
Aus, Retail Trade, March			-0.1%
Germ, Industrial Production, March			+2.2%
US, NFIB Small Business Optimism, April			104.7
Wednesday 10 May			
NZ, Electronic Card Transactions, April	+0.6%		+0.5%
Aus, Consumer Sentiment - Wpac, May			99.0
China, (circa) Aggregate Financing (RMB), April		¥1,102b	¥2,120b
China, CPI, April y/y		+1.1%	+0.9%
Jpn, BOJ Summary of Latest Meeting, 26/27 Apr Meeting			
Thursday 11 May			
NZ, RBNZ MPS	1.75%	1.75%	1.75%
NZ, Food Price Index, April	+0.5%		-0.3%
NZ, Crown Financial Statements, 9m-to-March 2017			
Jpn, Eco Watchers Survey (outlook), April			48.1
Euro, ECB Economic Bulletin			
UK, BOE Inflation Report			
UK, Industrial Production, March			-0.7%
UK, BOE Policy Announcement	0.25%	0.25%	0.25%
US, Fed's Dudley Speaks, Globalisation			
Friday 12 May			
NZ, BNZ PMI (Manufacturing), April			57.8
Euro, Industrial Production, March			-0.3%
Germ, GDP, Q1 1st est			+0.4%
US, Fed's Evans Speaks, Monetary Policy			
US, CPI ex food/energy, April y/y			+2.0%
US, Retail Sales, April		+0.6%	-0.2%
US, Business Inventories, March		+0.2%	+0.3%
US, Mich Cons Confidence, May 1st est		97.0	97.0
Monday 15 May			
NZ, Retail Trade, Q1 vol s.a.	+0.7%		+0.6%
NZ, BNZ PSI (Services), March			59.0
Aus, Housing Finance, March			-0.5%
China, Fixed Assets (ex rural), Mapr ytd		+9.0%	+9.2%
China, Retail Sales, Apr y/y		+10.8%	+10.9%
China, Industrial Production, Apr y/y		+7.0%	+7.6%
US, NAHB Housing Index, May			68
Monday 15 May cont'd…			
US, Empire Manufacturing, May			+5.2
Tuesday 16 May			
Aus, RBA Minutes, 2 May Meeting			
Germ, ZEW Sentiment, May			+19.5
UK, CPI, April y/y			+2.3%
US, Industrial Production, April			+0.5%
US, Housing Starts, April			1,215k
Wednesday 17 May			
NZ, Business Price Indexes, PPIO Q1 y/y			+2.5%
NZ, Dairy Auction, GDT Price Index			+3.6%
Aus, Labour Price Index, Q1			+0.5%
Jpn, Machinery Orders, March			+1.5%
Euro, CPI, Apr y/y 2nd est			+1.9%P
UK, Unemployment Rate (ILO), March			4.7%
Thursday 18 May			
NZ, ANZ-RM Consumer Confidence, May			121.7
Aus, Employment, April			+61k
China, Property Prices, April			
Jpn, GDP, Q1 1st est		+0.4%	+0.3%
UK, Retail Sales vol., April			-1.8%
US, Leading Indicator, April			+0.4%
US, Philly Fed Index, May			+22.0
Friday 19 May			
NZ, External Migration, April s.a.			+6,100
Euro, Consumer Confidence, May 1st est			-3.6
Monday 22 May			
China, Leading Index (Conference Bd), April			+0.9%
Jpn, Merchandise Trade Balance, April			+Y615b
US, Chicago Fed Nat Activity Index, April			+0.08
Tuesday 23 May			
Germ, IFO Index, May			112.9
US, New Home Sales, April			621k
Wednesday 24 May			
NZ, Merchandise Trade, April			+$332m
NZ, Residential Lending, April y/y			-8.9%
Aus, Construction Work Done, Q1			-0.5%
Euro, PMI Manufacturing, May 1st est			56.7
US, Markit PMI, May 1st est			52.8
US, Existing Home Sales, April			5.71m
US, FOMC Minutes, 2/3 May meeting			
US, Markit PSI, May 1st est			53.1
Can, BOC Policy Announcement		0.50%	0.50%
Thursday 25 May			
NZ, Budget			
UK, GDP, Q1 2nd est			+0.3%
US, International Goods Trade, April advance			-$64.8b
Friday 26 May			
Jpn, CPI, April y/y			+0.2%
US, GDP, Q1 2nd est			+0.7%P

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