

Weekly Commentary

5 December 2016



Safe and sound?

Last week the Reserve Bank released its semi-annual *Financial Stability Report*, and concluded that while New Zealand's financial sector is sound, it continues to face risks. Ongoing vulnerabilities in the dairy sector and housing market remain front of mind for the Reserve Bank, even with the recovery in global dairy prices and the slower pace of house price growth. But while there has been much discussion about debt-to-income lending restrictions, in our view the case for new lending restrictions has diminished.

Rapidly rising house prices, and the associated rise in household debt and risks for financial stability, have long been a concern for the Reserve Bank. In response, the Reserve Bank has tightened lending restrictions over the past few years, most recently in July when lending to property investors was effectively capped at 60% of the value of the house. While the Reserve Bank acknowledges that these restrictions have reduced the share of risky, high-LVR loans on banks' balance sheets (thereby improving banks' resilience to house price falls), vulnerabilities in the housing market have continued to increase. Households' debt burden has continued to rise, with debt-to-disposable income reaching a record high of 165%. While the Auckland market remains the most stretched, pressures have been spreading to other parts of the country.

The Reserve Bank's latest concern centres on the rising share of lending at high multiples of borrowers' income – a consequence of house prices gains far outstripping income growth. This is because high debt-to-income loans are at higher risk of default in the event of a downturn or a rapid rise in interest rates, which in turn could exacerbate the downturn through forced house sales. While the Reserve Bank's interest in Debt to Income (DTI) restrictions is not new, it still needs approval from the Minister of Finance to add DTI restrictions to the macro-prudential toolkit. But there are still questions about how the limit would be calibrated, and who it would apply to. Other countries who

have used these restrictions, including Ireland and the UK, have applied these restrictions on owner-occupiers, although any such measure here is more likely to be targeted at investors, who borrow at much higher DTIs on average.

Even if the Reserve Bank gets its wish to have DTI restrictions in its toolkit, it needs to make a case that further intervention is needed. In our view, the urgency around implementing further macro-prudential tightening has lessened in the past few months. The latest round of loan-to-value restrictions has taken the heat out of the market, with fewer houses selling, and turning over more slowly. And while prices are still rising, it's at a much slower pace than earlier this year. At this stage, it's hard to say whether these loan restrictions will have a sustained impact on the housing market, or if the effects prove temporary as has been the case with earlier restrictions.

But even if the impact of loan-to-value restrictions proves to be temporary, mortgage rates have been edging up from recent lows. We've long pointed out the dominant role that interest rates play in determining house prices. And just as falls in interest rates added fuel to the housing market in recent years, this change in the trajectory of rates will weigh on house price growth. Indeed, in our latest *Economic Overview*, we revised down our forecast of house price growth to just 5% for next year (after an estimated 14% this year).

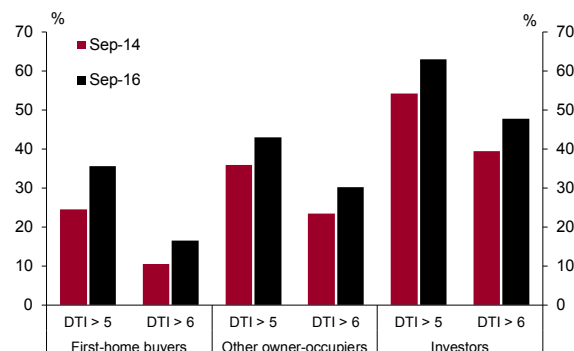
Safe and sound? continued

A number of factors have contributed to the rise in term mortgage rates. One reason is that overseas interest rates have risen, especially in the US, on expectations that President-elect Trump will ramp up spending on infrastructure. Another is that the market is now speculating on the timing of rate hikes by the RBNZ, though we'd argue that is premature. Finally, banks are facing tougher funding requirements than they have for many years, which means they may need to bid up to attract deposits, and pass that cost on to borrowers.

The Reserve Bank continued to highlight its concerns about the vulnerabilities of the dairy sector, due to the high debt burden of the sector. The argument goes that high debt levels make the sector less resilient to a future downturn in prices, which in turn could have implications for financial stability. And indeed, dairy debt rose over the past two years, due to negative cash flows being the norm among farmers. But so far, non-performing dairy loans have been lower than expected by the Reserve Bank. And the recent recovery in global dairy prices will see cashflows for most farmers heading firmly back into the black, which will reduce the probability of default. Our base case for the milk price payout (\$5.80/kgMS in 2016/17 and \$6.10/kgMS in 2017/18) will see most farmers continue to chip away at debt over the next couple of years.

Looking to coming week, the highlight will be the release of the Government's *Half-Year Fiscal and Economic Update*.

Share of lending at high-DTI ratios



Source: RBNZ; private data from five largest banks.

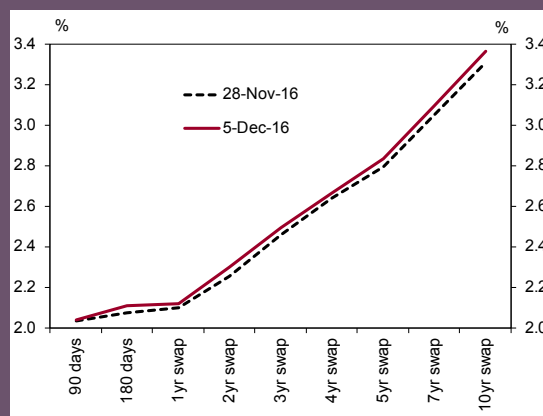
We'll be looking to see how the recent earthquakes have affected borrowing needs, and for any updates on changes to taxation and family support policies ahead of next year's election. We'll also get an update on global dairy prices (Wednesday), and after a 15% gain in the past two auctions, some pull back wouldn't be a surprise. Rounding out the week will be the release of November's card spending statistics, which will provide an update on how nationwide spending has evolved in the face of the recent earthquakes.

Fixed vs Floating for mortgages

For borrowers with a deposit of 20% or more, the best value lies in the two-year rate or shorter terms. Three- to five-year rates seem high relative to where we think short-term rates are going to go over that time. That said, these rates are most likely to be pressured higher by global market trends, so borrowers who prefer the security of a longer term should lock it in now.

Floating mortgage rates usually work out to be more expensive for borrowers than short-term fixed rates such as the six-month rate. However, floating may still be the preferred option for those who require flexibility in their repayments.

NZ interest rates



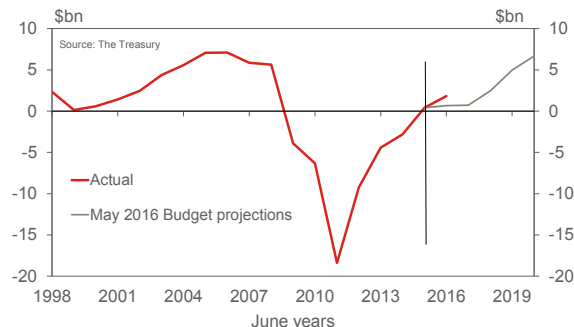
The week ahead

NZ Half-Year Fiscal and Economic Update

Dec 8, 2016/17 forecast last: \$719m

- The May 2016 Budget forecast small operating surpluses over the next couple of years, growing strongly in later years.
- Recent reports show that the tax take is running well ahead of forecasts, suggesting there is now substantial leeway for the Government's long-held desire for personal tax cuts, and/or additional family assistance. Any such policy changes are likely to be flagged in next year's Budget ahead of the general election.
- The Half-Year Update will include the expected costs associated with the Kaikoura earthquake that struck on 14 November. The direct fiscal costs of the quake have been estimated at \$2-3bn, most of which is likely to be booked in the current fiscal year on an accrual basis.

Operating balance (excluding gains and losses)



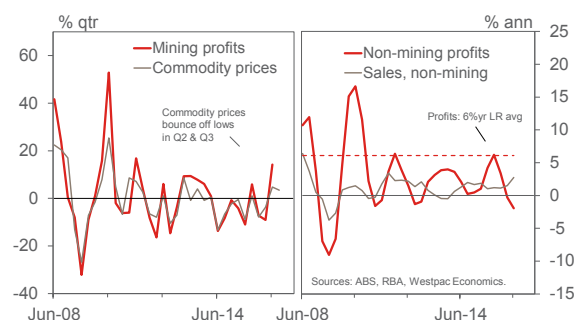
Aus Q3 company profits

Dec 5, Last: 6.9%, WBC f/c: 1.8%

Mkt f/c: 3.0% Range: 1.0% to 8.0%

- The Business Indicators (BI) survey reported company profits rebounded 6.9% in Q2, with mining 14.2% and non-mining 4.6%.
- Although, the national accounts reported profits (ex-finance) increased in Q2 by a more modest 2.9%. The BI measure is impacted by the accounting treatment of changes in the value of inventories.
- For Q3, we anticipate a further recovery in profits, up 1.8% (both on the BI measure and that in the national accounts).
- Mining profits (which account for 25% of total profits in this survey), will rise on higher commodity prices, up a forecast 7%. For non-mining, we anticipate a broadly flat outcome, with the overall result constrained by uneven conditions.

Company profits: boost from commodities

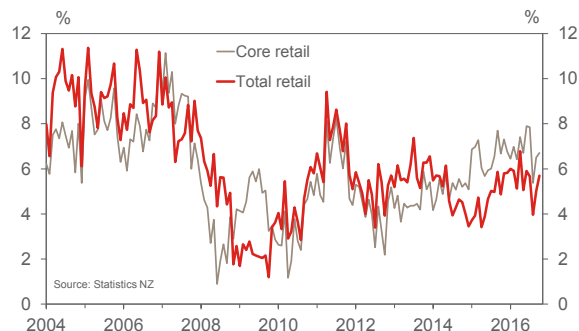


NZ Nov retail card spending

Dec 9, Last: +0.6%, WBC: f/c -0.2%, Mkt f/c: 0.4%

- Spending on electronic cards rose 0.6% in October, to be up a solid 4.2% over the year. Spending growth was widespread in October, with particularly strong gains in the hospitality sector (a reflection of the strong tourist season).
- Conditions in the New Zealand economy are supportive of continued strength in retail spending. Interest rates and inflation are low, employment is rising, and population growth is strong. However, the recent earthquakes centred near Kaikoura will weigh on spending through November. These resulted in significant disruptions in many parts of the upper South Island and throughout Wellington's CBD.
- Following the Canterbury earthquakes, disruptions to retail spending were pronounced, but short lived. Spending rebounded quickly, particularly as households replaced damaged items.

Card transactions, annual % change



Aus Q3 inventories

Dec 5, Last: 0.3%, WBC f/c: 0.3%

Mkt f/c: 0.3%, Range: -0.5% to 1.5%

- Private business inventories increased by 0.3% in Q2 (as reported in the national accounts), but were little changed over the past year.
- Core inventories (i.e. ex mining and manufacturing) have increased, +1.2%qtr, +3.2%yr in Q2, to meet rising demand. However, this upward trend has been masked by a structural decline in manufacturing and recent softness in mining.
- For Q3, we anticipate inventory levels will rise by 0.3, but with downside risk given patchy conditions. This implies inventories are neutral for Q3 GDP, following a small positive contribution of 0.1ppt in Q2.
- Volatility in mining and manufacturing inventories, around a weak trend, adds to the uncertainty around our forecast.

Sales & inventories (ex mining & manufacturing)



The week ahead

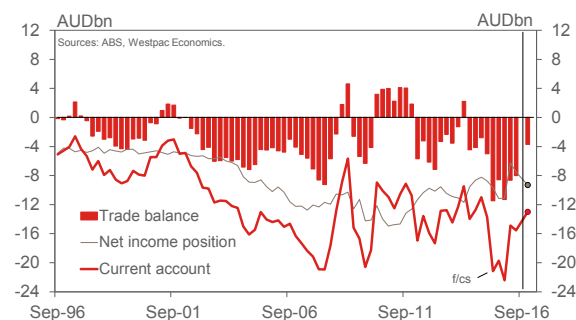
Aus Q3 current account, AUDbn

Dec 6, Last: -15.5, WBC f/c: -13.0

Mkt f/c: -13.5, Range: -15.5 to -11.6

- Australia's current account deficit (CAD) was \$15.5bn in the June quarter, 3.7% of GDP, narrowing from 5% of GDP over the second half of 2015 due to a smaller net income deficit. For the September quarter, we anticipate a CAD of \$13bn.
- The trade deficit was around \$3.7bn in Q3, we estimate, a sharp improvement on an \$8bn deficit for Q2. Export earnings were boosted by higher commodity prices and the terms of trade increased by an estimated 3.5%
- The net income deficit is expected to deteriorate a little as higher commodity prices boost the returns of foreign investors in the mining sector. The deficit widens to \$9.3bn, following a \$7.5bn outcome for Q2, but still representing an improvement on \$11bn results during 2015H2.

Current account: f/c -\$13bn in Q3

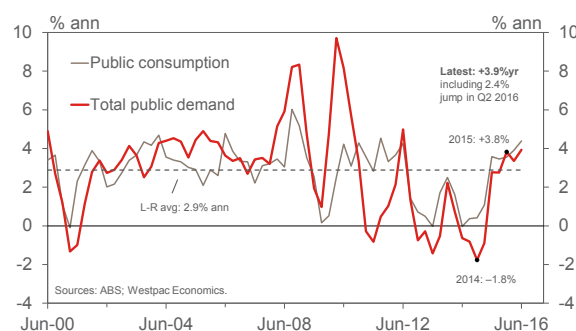


Aus Q3 public demand

Dec 6, Last: 2.4%, WBC f/c: 0.1%

- Public demand, representing around 20% of the economy, grew by a blistering 2.4% in the June quarter - the largest quarterly increase since the fiscal stimulus period of 2009/10.
- A correction in Q3 is to be expected. We anticipate a broadly flat result, a rise of only 0.1%.
- Public investment is trending higher, led by transport infrastructure projects. However, after a 5% rise in Q2 we expect a consolidation in Q3, down by a forecast 0.2%.
- Public consumption (around 80% of public demand) increased by 1.9%qtr, 4.4%yr in Q2, with strength in the quarter at the national (non-defence) level. A small gain of 0.2% in Q3 (with downside risks) would still have annual growth of an above trend 4%.

Public demand: above par growth in 2015/16



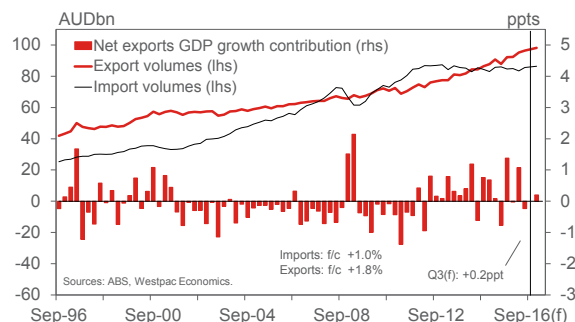
Aus Q3 net exports, ppt cont'n

Dec 6, Last: -0.2, WBC f/c: +0.2

Mkt f/c: 0.0, Range: -0.4 to 0.8

- Net exports are expected to swing from being a small negative in Q2, of -0.2ppts, to a small positive in Q3, of +0.2ppts. In trend terms, net exports have been a growth driver, centred on resource exports and services.
- Export volumes expanded by around 1.8% in Q3, we estimate, a slight improvement on a 1.3% increase in Q2. Gains in Q3 are in: resources (coal and gold); services; and rural goods.
- Import volumes grew by an estimated 1.0% in Q3, moderating from a surprisingly robust 2.7% increase in Q2. Prior to these back-to-back gains, imports had been tending to trend lower as capital goods declined, so too services. In Q3, it appears that capital goods bounced off their lows, gold strengthened, and services increased.

Net exports: f/c +0.2ppt in Q3



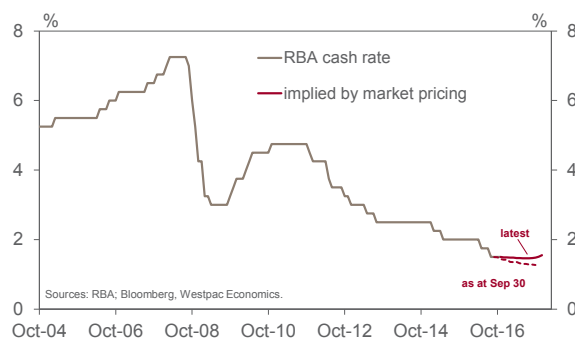
Aus RBA policy decision

Dec 6, Last: 1.50%, WBC f/c: 1.50%

Mkt f/c: 1.50%, Range: 1.50% to 1.50%

- The RBA's last policy decision for 2016 is almost a formality, the Bank showing no inclination towards further easing or any shifts to its neutral stance on future policy changes.
- The RBA has cut rates by 50bps this year prompted by a significantly weaker inflation profile. More recently, growth conditions have shown signs of softening although prospects for 2017 remain constructive - the RBA itself is forecasting growth in the 2½-3½% range. Also of significance, comments from the new Governor Lowe point to a reluctance to cut rates further given the likely limited boost it would give to demand and the potential risks around already high household debt levels.

RBA cash rate & market pricing



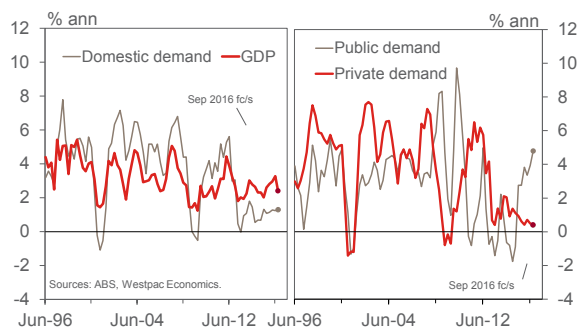
The week ahead

Aus Q3 GDP

Dec 7, Last: 0.5%qtr, 3.3%yr, WBC f/c: 0.2%qtr, 2.4%yr
Mkt f/c: 0.2%qtr, Range: -0.3%qtr to 0.7%qtr

- Real GDP grew by 3.3% over the past year, a little above trend, supported by lower rates (housing) and a lower dollar (service exports). Mining's impact is relatively neutral, with falling investment offset by the export expansion.
- For Q3, real GDP grew by a forecast 0.2% (with downside risks) after +0.5% in Q2. Annual growth slows to 2.4%.
- Domestic demand contracts by a f/c -0.3%, following a 0.6% gain as: public consolidates after adding 0.5ppts in Q2; business investment falls at a sharper pace; housing declines after a rise; and consumer spending remains modest.
- Net exports improve from -0.2ppts to +0.2ppts. The statistical discrepancy adds around 0.2ppts, hence the downside risks.

Australian economic conditions

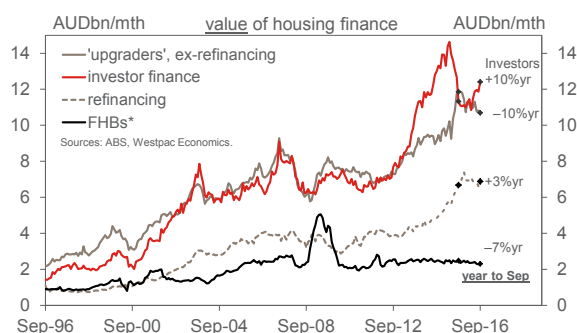


Aus Oct housing finance (no.)

Dec 9, Last: 1.6%, WBC f/c: -1.0%
Mkt f/c: -1.0%, Range: -2.0% to 1.0%

- Housing finance approvals have had a mixed run in 2016. Most recently the number of loans to owner occupiers – the headline figure for this release – has tended to pull back with a minor reversal in Sep. However the value of investor loans has picked up strongly again.
- Industry data points to another soft month for owner occupier loans in Oct – we expect a 1% dip. With a range of indicators suggesting activity has been picking up in recent months, particularly in the Sydney and Melbourne markets, that may see another strong gain in the value of investor loans. Note that these also capture finance raised to settle 'off the plan' purchases of apartments that have recently completed construction. Note also that all figures are for loans to domestic residents only.

Value of finance approvals by segment

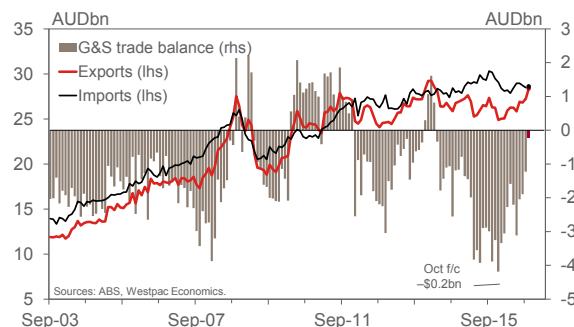


Aus Oct trade balance, AUDbn

Dec 8, Last: -1.2, WBC f/c: -0.2
Mkt f/c: -0.7, Range: -1.9 to +0.5

- Australia's trade account is likely to move into surplus before the end of 2016, a sharp turnaround from \$3bn plus deficits early in the year. For October, we expect a deficit of \$0.2bn, the smallest deficit since March 2014, when the trade position was last in surplus.
- Export earnings are forecast to rise by 4.2%, +\$1.15bn. Coal export earnings are the key driver, jumping a forecast \$0.7bn on sharply higher prices.
- Imports are expected to increase by 0.5%, +\$0.15bn, on higher energy costs.
- NOTE: Since January, there is additional uncertainty around the import and trade forecast. The ABS no longer publishes the customs goods imports ahead of the trade release.

Australia's trade position: nearing a surplus

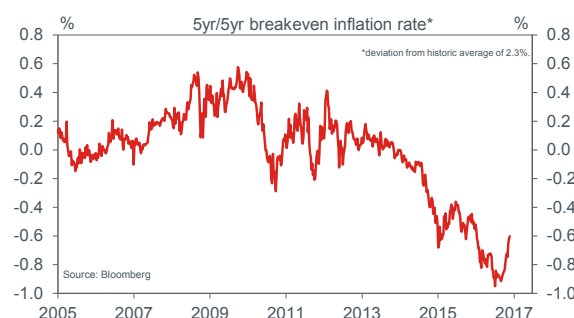


Eur Dec ECB policy meeting

Dec 8, deposit rate Last: -0.40%, WBC -0.40%

- In recent months, there has been much discussion amongst market participants over what the ECB would do with its asset purchase program following its current March 2017 end date.
- For the most part, Draghi and the ECB have highlighted a willingness to continue asset purchases for as long as necessary to meet their near-2%yr inflation objective; however, there is clearly a significant degree of anxiety that market participants will come to believe the program is open ended. Come December, it is likely we will see a further commitment to an extension past March 2017. However, concrete detail on its terms may be delayed until March – so as to further assess conditions and operational requirements. Whether announced in December or March, a six month extension at the current pace of €80bn per month or a nine month extension at €60bn per month seem the most probable options.

Euro market inflation expectations still weak



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 5					
NZ	Nov ANZ commodity prices	0.7%	–	–	Dairy continues to be the key driver.
Aus	Q3 company profits	6.9%	3.0%	1.8%	Mining profits up on higher commodity prices, non-mining flat.
	Q3 business inventories	0.3%	0.3%	0.3%	Modest inventory accumulation continues, neutral impact in Q3.
	Nov AiG PSI	50.5	–	–	Service index rebounded in October, after 2 months of contraction.
	Nov MI inflation gauge	3.7%/yr	–	–	The trend is holding around 3.5%/yr to 3.6%/yr for last 5 months.
	Nov ANZ job ads	1.0%	–	–	Job ads have picked up a little but does it translate to employment?
Chn	Nov Caixin China PMI services	52.4	–	–	NBS measure showed further improvement in Nov.
Eur	Nov Markit services PMI (final)	54.1	–	–	November looks to have been a better month for Europe; EUR key.
	Dec Sentix investor confidence	13.1	–	–	Trump continues to support market confidence globally.
Ger	Nov Markit services PMI	55.0	–	–	Labour market and EUR's decline both supporting activity.
UK	Nov Markit services PMI	54.5	54.3	–	Service sector conditions resilient, lower sterling supporting tourism.
US	Nov Markit service PMI (final)	54.7	54.8	–	Points to continued moderate growth.
	Nov labor market conditions index	0.7	–	–	Full employment reached; momentum persists.
	Nov ISM non-manufacturing index	54.8	55.1	–	Points to continued moderate growth.
	Fedspeak	–	–	–	Dudley speaks on the economy and policy in New York.
	Fedspeak	–	–	–	Evan speaks on the economy and policy in Chicago.
	Fedspeak	–	–	–	Bullard speaks on the economic outlook in Arizona.
Tue 6					
Aus	Q3 current account balance, AUDbn	–15.5	–13.5	–13.0	CAD narrows as higher commodity prices boost export earnings
	Q3 net exports, ppts cont'n	–0.2	0.0	0.2	A small +ve in Q3, as exports advance & import growth moderates.
	Q3 public demand	2.4%	–	0.1%	Consolidation after strongest qtrly gain since 2010.
	RBA policy decision	1.50%	1.50%	1.50%	On hold, watching & waiting – inflation, jobs and housing key focus.
Eur	Q3 GDP	0.3%	–	0.3%	Revisions unlikely.
US	Oct trade balance US\$bn	–36.4	–41.5	–	Modest deterioration in deficit likely.
	Oct factory orders	0.3%	2.6%	–	Core durable orders continued to disappoint in Oct.
Can	Nov Ivey PMI	59.7	–	–	Has risen to firm levels.
Wed 7					
NZ	Global dairy trade auction	11.4%	–	–	Futures steady after strong gains in November.
Aus	Q3 GDP	0.5%	0.2%	0.2%	Economy hits a soft spot. Demand contracts a f/c 0.3%.
	Q3 GDP, %yr	3.3%	2.5%	2.4%	Annual growth slips below trend, with trend being 2.75%.
Chn	Nov foreign reserves \$bn	3120.7	–	–	New rules for M&A signal authorities' anxiety.
Ger	Oct industrial production	–1.8%	–	–	PMI's suggest conditions becoming more favourable.
UK	Nov Halifax house prices	1.4%	–	–	The housing market has lost some momentum in recent months.
	Oct industrial production	–0.4%	0.2%	–	Manufacturing activity has been resilient, lower sterling a boon.
US	Oct JOLTS job openings	5486	–	–	Hires; fires; quits; and job openings.
Can	Bank of Canada policy decision	0.5%	0.5%	0.5%	BOC Gov Poloz has signalled that the hurdle for a rate change is high.
Thu 8					
NZ	Half-year economic and fiscal update	–	–	–	Stronger tax take gives room to absorb quake costs.
Aus	Oct trade balance, AUDbn	–1.2	–0.7	–0.2	Nearing a surplus, exports +4.2%, higher coal prices.
Chn	Nov trade balance USDbn	49.06	–	–	Exports and imports both disappointed in Oct.
	Nov foreign direct investment %yr	xx	–	–	Cross border investment relatively subdued.
Eur	ECB policy decision, deposit rate	–0.40%	–0.40%	–0.40%	Commitment to asset purchases past March likely; details can wait.
UK	Nov RICS house price balance	23%	28%	–	Reduced supply helping to balancing softer demand.
US	Initial jobless claims	268k	–	–	Historically low levels persist.
Can	Oct new housing price index	0.2%	–	–	Gains centred on Vancouver and Toronto, but softness elsewhere.
Fri 9					
NZ	Nov retail card spending	0.6%	0.4%	–0.2%	Earthquake disruptions will weigh on spending through November.
Aus	Oct housing finance (no.)	1.6%	–1.0%	–1.0%	Owner-occupier to fall, industry data. Could see strength in investors.
Chn	Nov CPI %yr	2.1	–	–	Remains well below target, signalling slack in economy.
	Nov PPI %yr	1.2	–	–	Commodity prices support emergent uptrend.
Ger	Oct trade balance €bn	24.2	–	–	Weaker EUR will help in coming months.
UK	Oct trade balance £bn	–5.2	–4.4	–	Deficit widened unexpectedly in Sep, on export weakness.
	Oct construction output	0.3%	–	–	Infrastructure spending is supporting activity.
US	Oct wholesale inventories	–0.4%	–0.4%	–	A risk to Q4 growth.
	Dec Uni. of Michigan sentiment	93.8	94.1	–	How long will Trump boost persist?
Sat 10					
Chn	Nov aggregate financing, CNYbn	896.3	–	–	Tentative date, 10–15 December.
	Nov new loans, CNYbn	651.3	–	–	Tentative date, 10–15 December.
	Nov M2 money supply %yr	11.6	–	–	Tentative date, 10–15 December.

New Zealand forecasts

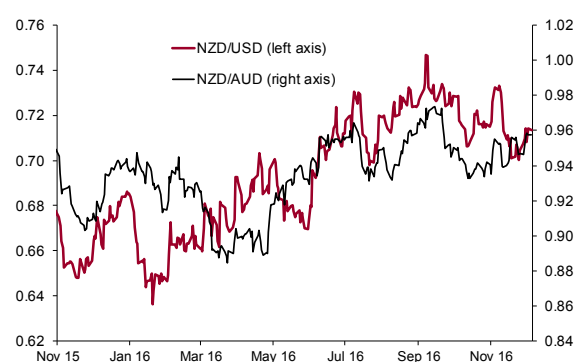
Economic Forecasts	March years				Calendar years			
% change	2015	2016	2017f	2018f	2014	2015	2016f	2017f
GDP (Production) ann avg	3.6	2.5	3.5	3.2	3.8	2.5	3.4	3.2
Employment	3.2	2.0	4.8	2.2	3.6	1.4	5.8	2.0
Unemployment Rate % s.a.	5.4	5.2	5.0	4.3	5.5	5.0	4.8	4.5
CPI	0.3	0.4	1.3	1.2	0.8	0.1	1.2	1.1
Current Account Balance % of GDP	-3.5	-3.1	-2.9	-2.8	-3.2	-3.4	-2.9	-2.8

Financial Forecasts	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Cash	1.75	1.75	1.75	1.75	1.75	1.75
90 Day bill	2.10	2.10	2.10	2.10	2.10	2.10
2 Year Swap	2.30	2.40	2.50	2.50	2.50	2.50
5 Year Swap	2.70	2.80	2.90	3.00	3.00	3.00
10 Year Bond	3.00	3.10	3.20	3.25	3.30	3.25
NZD/USD	0.72	0.72	0.71	0.70	0.68	0.66
NZD/AUD	0.94	0.95	0.96	0.96	0.94	0.94
NZD/JPY	76.3	77.8	78.1	77.0	76.2	75.2
NZD/EUR	0.66	0.67	0.68	0.67	0.67	0.65
NZD/GBP	0.58	0.59	0.58	0.57	0.56	0.55
TWI	77.9	78.6	78.6	78.0	76.7	75.3

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 5 December 2016

Interest Rates	Current	Two weeks ago	One month ago
Cash	1.75%	1.75%	2.00%
30 Days	1.91%	1.94%	2.08%
60 Days	1.98%	2.00%	2.11%
90 Days	2.04%	2.06%	2.13%
2 Year Swap	2.30%	2.27%	2.21%
5 Year Swap	2.83%	2.78%	2.51%

NZ foreign currency mid-rates as at Monday 5 December 2016

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.7137	0.7004	0.7323
NZD/EUR	0.6699	0.6605	0.6589
NZD/GBP	0.5612	0.5675	0.5850
NZD/JPY	80.93	77.70	75.74
NZD/AUD	0.9577	0.9560	0.9543
TWI	78.56	77.45	78.58

International forecasts

Economic Forecasts (Calendar Years)	2013	2014	2015	2016f	2017f	2018f
Australia						
Real GDP % yr	2.0	2.7	2.4	2.9	3.0	2.8
CPI inflation % annual	2.7	1.7	1.7	1.6	1.8	2.5
Unemployment %	5.8	6.2	5.8	5.5	5.5	5.4
Current Account % GDP	-3.4	-3.0	-4.7	-2.9	-2.6	-2.5
United States						
Real GDP %yr	1.5	2.4	2.6	1.5	2.1	2.1
Consumer Prices %yr	1.5	1.6	0.1	1.2	1.7	1.7
Unemployment Rate %	7.4	6.2	5.3	4.9	4.6	4.5
Current Account %GDP	-2.3	-2.3	-2.6	-2.7	-3.0	-3.1
Japan						
Real GDP %yr	1.4	0.0	0.5	0.6	0.6	0.7
Euroland						
Real GDP %yr	-0.3	0.9	1.6	1.6	1.2	1.3
United Kingdom						
Real GDP %yr	2.2	2.9	2.2	2.1	1.6	1.4
China						
Real GDP %yr	7.7	7.3	6.9	6.7	6.5	6.0
East Asia ex China						
Real GDP %yr	4.2	4.1	3.7	3.7	3.9	3.8
World						
Real GDP %yr	3.3	3.4	3.1	3.3	3.5	3.4
Forecasts finalised 11 November 2016						

Interest Rate Forecasts	Latest	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Australia								
Cash	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
90 Day Bill	1.76	1.80	1.80	1.80	1.80	1.80	1.80	1.80
10 Year Bond	2.86	2.65	2.70	2.75	2.80	2.90	2.95	3.00
International								
Fed Funds	0.375	0.625	0.625	0.875	0.875	1.125	1.125	1.375
US 10 Year Bond	2.44	2.25	2.30	2.35	2.40	2.50	2.55	2.60
ECB Deposit Rate	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40

Exchange Rate Forecasts	Latest	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
AUD/USD	0.7420	0.77	0.76	0.74	0.73	0.72	0.72	0.70
USD/JPY	113.90	106	108	110	110	112	114	116
EUR/USD	1.0670	1.09	1.07	1.05	1.04	1.02	1.01	1.00
AUD/NZD	1.0450	1.07	1.06	1.07	1.09	1.11	1.09	1.09

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