ASB

Economic Weekly

12 March 2018

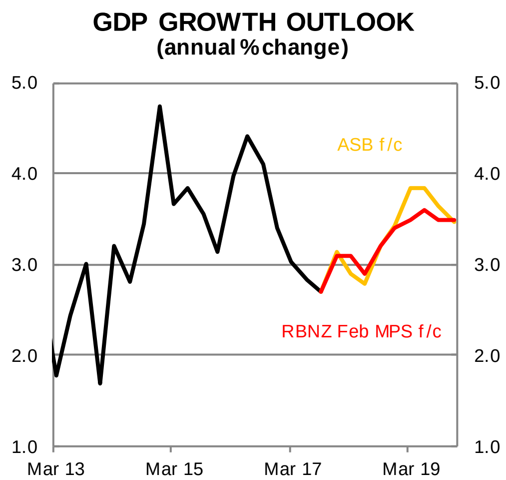
Trump fires trade salvo

Last week, **US President Trump potentially kicked off a trade war with China and Europe**, imposing a tariff on steel and aluminium imports (Canada, Mexico and Australia are exempt). **We take a look of the past evolution of global trade and highlight recent tariff tensions on page 2. NZ GDP is released this week** and is likely to be the main focus of local markets given it's a **relatively quiet week for international data and economic events**.

Key events and views

Chart of the Week: Still upbeat on medium-term growth

We expect Q4 2017 GDP growth to print at 0.8% qoq (released Thursday this week). This forecast is in line with the market median expectation and **close to the RBNZ's 0.7% February MPS forecast**. Assuming an outcome in this vicinity, we do not expect the RBNZ to change its policy assessment at its March 22nd OCR review.



Our medium-term GDP growth forecasts are also broadly consistent with the RBNZ's view. We expect that business confidence will soon recover as the disruption from a change in Government fades. By the second half of 2018 we expect underlying fundamentals to reassert themselves and support robust economic growth. In particular, record high Terms of Trade, increased rural confidence and spending, and low interest rates will remain supportive of per capita GDP growth.

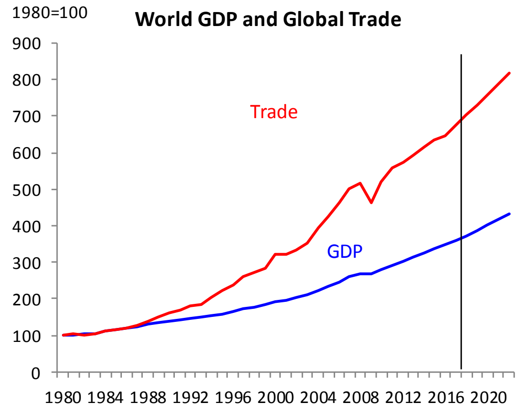
Naturally, there are risks to this outlook. However, **StatsNZ revisions to historical growth (released last quarter) showed the economy did indeed sustain strong growth over 2015 and 2016**, which fits better with upbeat business confidence and robust economic indicators during this period. This boosts our confidence that growth should be able to recover some momemtum going forward.

Key Insights this week: Trade tensions heat up

The global economy is becoming more connected by trade and investment flows. Global trade still accounts for a much larger share of national income than it did a generation or so ago. New Zealand has largely been a beneficiary of the strong growth in global trade, but persistent trade deficits in the US have seen tensions surface. It is early days, but recent measures by the Trump administration to impose tariffs on imported steel and aluminium run the risk of triggering a trade war that would significantly dampen the global outlook. For a small trade-dependent economy such as NZ, a trade war would pose considerable headwinds. In series of follow up notes, we will examine what this could mean for the New Zealand economy.

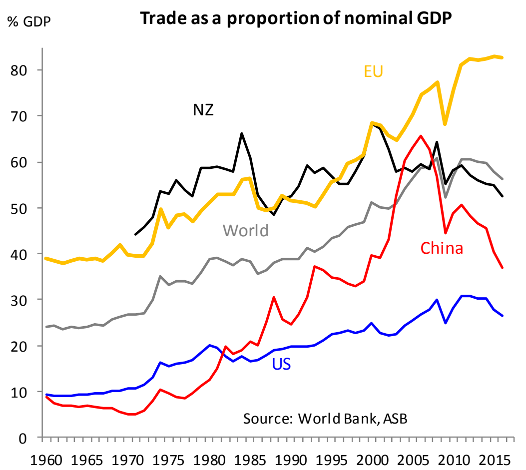
Global growth and trade are humming

A synchronised global upswing is currently underway. According to the World Bank**,** 2018 is on track to be the first year since the financial crisis that the global economy will be operating at or near full capacity. According to the World Trade Organisation, trade growth is set to sustain strong momentum into 2018, with the IMF also expecting world trade growth to continue to outstrip that of global GDP over the next few years.

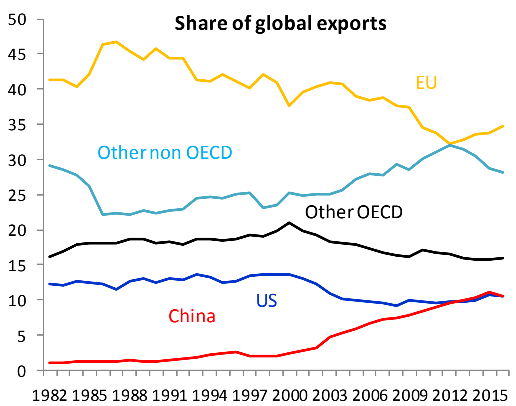


Source: IMF, ASB

Stronger growth in global trade is not a new phenomenon, with global trade generally having outstripped GDP growth since at least the 1960s. According to World Bank figures, global trade (sum of exports and imports) now accounts for more than half of nominal global GDP. This compares to less than a quarter in the early 1960s. **There have been periods when global trade has taken a hit (such as around the time of the Global Financial Crisis (GFC)) and subsequent trade growth has lagged that of overall GDP.** World trade is currently about 31% above 2008 levels as opposed to the 35% increase in global GDP.



Trade shares of GDP for most economies are generally lower than what they were prior to the GFC, but trade still accounts for a much larger share of national income than it did a generation or so ago. The impact of closer integration looks to have bolstered trade within the European Union (EU). The US economy by virtue of its large economic size tends to have a lower trade share relative to other economies. Also, NZ looks an outlier relative to global norms. **Increasing specialisation in production processes, increasing scale, the outsourcing of production to lower cost centres and technological change have likely driven these changes.** Many emerging economies have also increased their trade intensity, particularly those that have become more integrated with the global economy. Faster growth in trade in these economies has seen developing economies constitute a greater share of overall global trade. Non-OECD economies now account for 39% of global export activity as opposed to just 24% in 1990.



Source: World Bank, ASB

There has also been strong political will to promote increased trade. China, for example, became a member of the World Trade Organisation (WTO) in 2001, which preceded its increase in trade intensity and surge in exports. Chinese exports are roughly on par with those from the US as opposed to being roughly one-tenth 20 years ago.

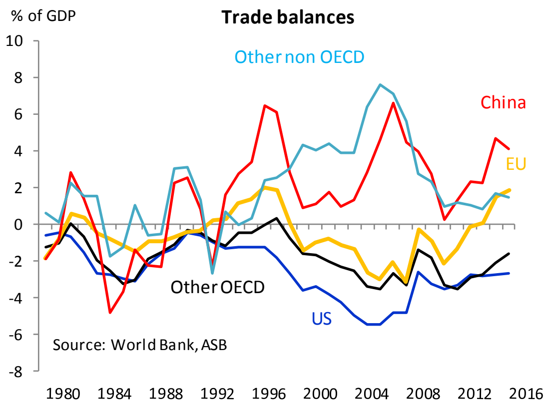
Thinking globally but acting regionally

Despite the best efforts of the Free Trade Lobby, a global free trade agreement still looks to be a distant prospect. What we have seen, however, have been a plethora of preferential bilateral and regional trade agreements (TAs). For example,

- The United States has 14 Trade Agreements (TAs) in force with 20 countries, and is currently in the process of negotiating regional FTAs with several others.
- The EU is actively pursuing TAs with most of the globe, with agreements/negotiations in various stages of advancement.
- China maintains 14 FTAs with its trade and investment partners, and is negotiating or implementing an additional eight TAs.
- NZ has close to 20 bilateral or multilateral agreements already signed or being pursued, accounting for more than three quarters of global GDP and about half of world population. The latest includes the Comprehensive and Progressive Trans Pacific Partnership (CPTPP).

But dark clouds are on the horizon

The increase in trade has meant that some countries have typically run persistent trade surpluses, whilst others have run persistent deficits. This has ignited tensions in the US, where some groups take the presence of US trade deficits as a signal that they are being taken advantage of. **Recent measures by the Trump administration cast doubt on whether the move to greater trade liberalisation will continue.** President Trump has pursued an economic strategy of "putting America first", stating that he would negotiate "fair, bilateral trade deals that bring jobs and industry back onto American shores". Just days after becoming President, Trump withdrew the United States from the Trans-Pacific Partnership in January 2017 believing that the agreement would "undermine" the US economy and its independence.



2018 has been busy so far. In January the Trump administration has moved to impose tariffs on solar panels (15% to 30%) and, washing machines and parts (16% to 50%), whilst on March 9 Trump President Trump signed a presidential proclamation imposing tariffs of 25% on imported steel and 10% on imported aluminium. The tariffs are likely to come into effect before the end of the month.

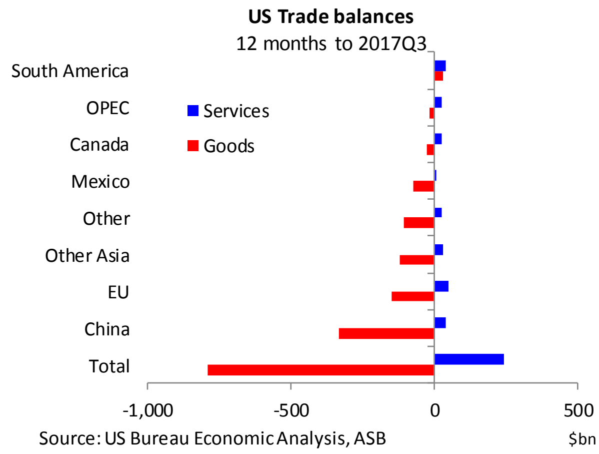
This is not the first time in recent decades that US administrations have looked to support local producers. The 2000/08 Bush and 2008/16 Obama administrations both applied steel tariffs. These, were generally withdrawn as they did not comply with World Trade Organization (WTO) rules.

What is different this time around is that US tariffs can be justified in terms of national security, rather than a purely economic, rationale. In a landmark case, last April the US Commerce Department began an investigation into whether steel and aluminum imports "impaired national security." It concluded in early 2018 that they did. This opened the door for Trump to apply tariffs as he sees fit. **As such, there is the risk that Trump's appeal to national security could undermine the framework of trade rules painstakingly constructed after World War II**. Other countries could challenge Trump's tariffs at the WTO, but that body's rules include exemptions for national security measures. The Trump administration is unlikely to lose such a case.

What does the trade data show?

US politicians with a protectionist bias have tended to highlight large and persistent US trade deficits as signs that trade has not been on a level playing field. Viewing global trade balances shows that the OECD economies have tended to run deficits, on average, whilst emerging economies have tended to run surpluses.

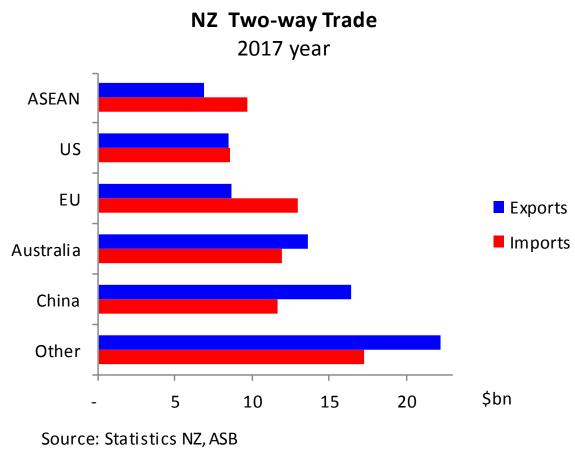
According to the latest figures the US runs an annual goods trade deficit of around USD 800bn per annum, roughly 4% of GDP. This is partly offset by a positive services surplus, with the US goods and services deficit at around 2.8% of GDP. Taking a closer look at bilateral trade flows with the US shows large goods deficits with China and to a lesser extent the European Union and other Economies in the Asian region.



The decision to impose steel tariffs looks to be based on other considerations besides bilateral trade flows. The largest exporter of steel to the US is Canada, not the EU or China. China is number 11. The Trump administration is in the process of renegotiating the North American Free Trade Agreement (NAFTA) with Canada and Mexico. It could well be that the idea to impose tariffs is a tactic to strengthen the US position in current NAFTA negotiations. Canada is the largest single market for US exports and the third largest source of US imports (behind China and Mexico), but tends to run a broadly balanced trade position with the US. Canada and Mexico may not be the only two countries getting a break from the US tariffs on imported steel and aluminum. NZ and a host of other countries are already seeking tariff exemptions.

The Upshot

The risk is that tit for tat measures may prompt the fear of an all-out trade war breaking out. Already the European Union, Canada, Mexico, China, Japan and Brazil are considering retaliatory steps. Last week, EU Trade Commissioner Malmstrom warned that the EU is circulating amongst member states a list of US goods to target with tariffs so it can respond. Foreign Minister Yi said that China will respond as necessary in the event of a trade war with the US, while warning that such a war would only harm all sides. Even if there is a relatively favourable outcome on the detail of steel tariffs, the wider issue of the potential for broader tariffs aimed at China could be a background concern for markets and a source of potential volatility over coming months.



An escalation in protectionism would be considerably more damaging to a small and trade-reliant economy such as New Zealand. A trade war involving three of the major economic blocks - North America, East Asia and Europe – could significantly dampen global economic activity. In combination these economies account for roughly three quarters of global GDP and NZ goods and services trade, and more than 40% of global population. **Two of the three largest trading partner blocks with the US – the European Union and China – are also the top three trading partners for New Zealand.** Our second largest export markets – Australia – is also heavily reliant on trade with the Big 3.

So far, we assume that calm heads prevail. Still, there is always the risk that the situation deteriorates further, which would generate considerable fallout to the NZ economy. A trade war could raise costs, add to geopolitical frictions and we could well see equity markets head south as markets attempt to gauge the potential impact on corporate earnings. We may even see the RBNZ venture towards cutting the OCR, but this would be highly conditional on a number of factors, including its impact on the NZD and the supply potential for the NZ economy. **In series of follow up notes, we will examine what those impacts might be for sectors of the NZ economy and what it might mean for NZ in general.**

Foreign Exchange Market

FX Rates	Current*	Week ago	Month ago	Year ago	ST Bias	Support^	Resistance^	MT Bias
NZD/USD	0.7296	0.7221	0.7212	0.6910	UP	0.7200	0.7400	UP
NZD/AUD	0.9293	0.9315	0.9264	0.9190	FLAT/DOWN	0.9200	0.9450	DOWN
NZD/JPY	77.82	76.21	78.61	79.58	UP	77.00	79.00	UP
NZD/EUR	0.5925	0.5857	0.5884	0.6521	FLAT	0.5800	0.6000	UP
NZD/GBP	0.5267	0.5235	0.5174	0.5682	FLAT	0.5200	0.5350	UP
TWI	75.1	74.3	74.4	76.0	FLAT/UP	74.00	76.00	UP

*^ Weekly support and resistance levels * Current as at 9.30am Monday; week ago as at Monday 5pm*

NZD Recap

The NZD ended the week higher against most major currencies we monitor, helped by a recovery in global sentiment on Friday night. The NZD/USD lifted back towards 0.73 and the TWI moved back to 75, but the NZD/AUD softened as the AUD also benefitted from risk-on sentiment. Conciliatory talk from North Korea, combined with the announcement that the US and North Korea would meet, boosted market sentiment towards the end of the week. Further, soft US wage data in Friday night's Non-farm Payrolls report further supported the NZD/USD at the end of the week. However, the Trump Administration's plan to impose tariffs on steel and aluminium supported the USD earlier in the week with the NZD/USD hitting a low of around 0.72 mid-week.

Near-term Impact

Trade tensions and any North Korea/US developments will be front of mind this week, especially given the dearth of major offshore data. Retaliatory measures to US tariffs could escalate into a trade war between the US and EU and/or China. On the other hand, developments with North Korea could ease tensions between the US and North Kore. At this stage, it is too early to tell which effect is likely to be the stronger of the two. However, the risk is that escalating trade tensions could put the NZD on the back foot during the week, and would likely offset any short-term impact from Thursday's Q4 GDP release. Our GDP forecast of 0.8% qoq is in line with market consensus and close to the RBNZ's forecast (0.7% qoq). Therefore, any result outside of this range has the potential to cause some volatility on the day. Market moving offshore data is largely limited to the US CPI on Tuesday night.

Medium-term outlook

Despite recent strengthening, our medium-term bias remains for a weaker USD, reflecting the stronger environment for global growth and narrowing USD interest rate differentials as other central banks contemplate policy tightening ahead of the Fed. **The NZD TWI is expected to remain broadly supported** by its solid economic outlook, strong NZ commodity export prices, a historically high Terms of Trade and strong demand as global central banks/other real money managers continue to increase NZD exposures.

ASB foreign exchange forecasts	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
(end of quarter)			<< actual	forecast >>					
NZD/USD	0.73	0.72	0.71	0.72	0.73	0.74	0.75	0.76	0.79
NZD/AUD	0.95	0.92	0.91	0.90	0.90	0.90	0.90	0.90	0.90
NZD/JPY	82	81	80	79	78	78	79	79	79
NZD/EUR	0.64	0.61	0.59	0.60	0.59	0.59	0.59	0.60	0.60
NZD/GBP	0.56	0.54	0.53	0.53	0.53	0.53	0.53	0.53	0.54
NZD TWI	78.4	76.4	74.3	74.6	74.7	75.0	75.1	75.7	76.6

Interest Rate Market

Wholesale interest rates	Current	Week ago	Month ago	Year ago	ST Bias	MT Bias
Cash rate	1.75	1.75	1.75	1.75	FLAT	UP
90-day bank bill	1.90	1.90	1.91	1.96	FLAT	UP
2-year swap	2.22	2.20	2.15	2.36	FLAT	UP
5-year swap	2.73	2.70	2.73	3.09	FLAT/DOWN	UP
10-year swap	3.23	3.20	3.28	3.65	FLAT/ DOWN	UP
10-year govt bond yield	2.94	2.96	2.95	3.40	FLAT/ DOWN	UP
Curve Slope (2s10s swaps)	1.01	1.01	1.13	1.28	DOWN	FLAT

** Current as at 9.30am Monday; week ago as at Monday 5pm*

Market Recap

There has been very little movement in local rates compared to this time last week, with modest moves in global yields. Indeed, US 10-year Treasury yields have traded in a tight 2.80-2.95% range over the last 6 weeks. There was little immediate market reaction to last week's central bank announcements. **US yields edged higher following the "Goldilocks" labour market print over the weekend.** February US employment (313k + upward revisions) was considerably stronger than expected, but the market impact was dampened as US labour earnings (2.6% yoy) came in lower than expected. The weaker than expected +0.4% qoq Australian GDP print had a fleeting impact on Australasian yields. **There was little immediate reaction in the US rates market to President Trump imposing tariffs** on steel (25%) and aluminium (10%) imports, although markets remain alert to an escalation of trade tensions .

Near-term NZD interest rate outlook

With central banks on inflation watch, tomorrow night's core CPI print for the US (1.8% yoy exp) looks to be the key data for global rates this week. Local Q4 GDP is unlikely to generate significant market reaction if it comes close to the 0.7% qoq market consensus**. Markets look to be biding their time ahead of the next Fed meeting** (20-21 March). The Fed is generally expected to hike rates by 25bps to 1.50-1.75%, but the focus will be whether three of four hikes for 2018 are signalled in the Dot Plots. **The RBNZ is expected to reaffirm their intent to leave the OCR on hold and depict a neutral bias, which should contain moves shorter-term rates.** While this is not a fait accompli, there is the risk that a deteriorating environment for global trade could trigger a trade war, which could flatten the yield curve. In such a scenario, safe haven assets are expected to outperform, which could see NZ yields underperform US counterparts.

Medium-term outlook

Our core macro view is that the RBNZ will start lifting the OCR in Q3 of 2019. We expect a moderate pace of tightening by historical standards, and a low OCR endpoint of around 3.5% this cycle. We now expect a total of five Fed hikes till the end of 2019 (three in 2018, two in 2019). This should see local wholesale interest rate yields continue to outperform US comparators. **Our expectation of a flatter NZD curve crucially depends on the assumption that local yields remain reasonably well-anchored to global counterparts and that the lift in global yields is modest.**

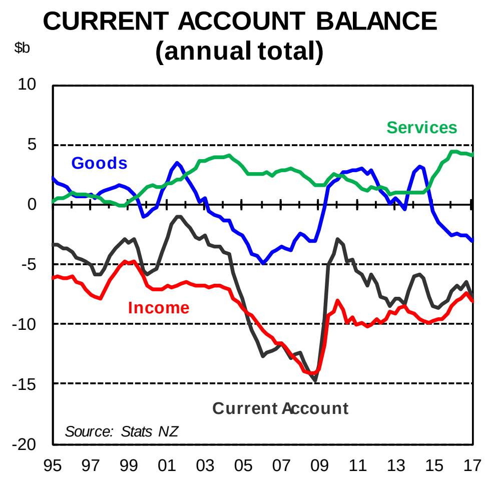
ASB interest rate forecasts	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
(end of quarter)			<< actual	forecast >>					
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.25
NZ 90-day bank bill	1.96	1.96	1.88	1.9	1.9	1.9	2.0	2.0	2.5
NZ 2-year swap rate	2.33	2.21	2.21	2.2	2.2	2.3	2.4	2.5	3.0
NZ 10-year Bond	2.97	2.96	2.75	3.0	3.2	3.3	3.3	3.4	3.5

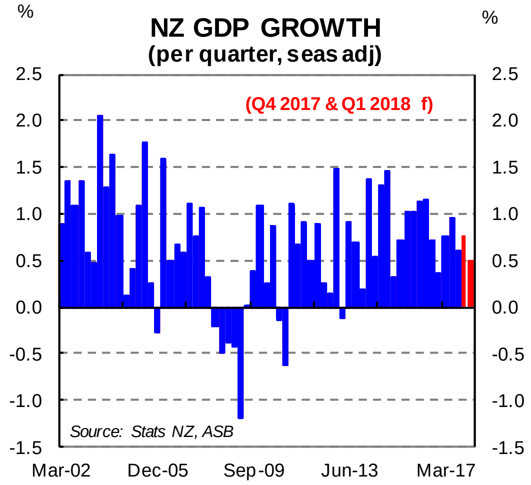
Major Domestic Events for the week ahead

Data	Date	Time (NZT)	Previous	Market	ASB
Current Account, Q4, % of GDP	14/3	10:45 am	-2.6	-2.6	-2.6
GDP, Q4, %qoq	15/3	10:45 am	0.6	0.8	0.8

We expect NZ's current account deficit to track sideways over Q4. The Q3 deficit came in at 2.6% of GDP, narrowing from 2.7% in Q3. We expect the income deficit to widen over Q4, although the goods and services balance will offset that move. All up, we expect the Q4 annual current account deficit to be unchanged at 2.6% of GDP. Looking at 2018, we expect the deficit to continue to track around current levels at the start of the year.

We expect GDP growth of 0.8% in the final quarter of 2017, which lifts the annual pace of growth to 3.1% from 2.7% (as Q4 2016 was a very soft quarter). Our forecasts are close to the RBNZ's February MPS expectations (0.7% qoq), and an outcome in this vicinity will unlikely change the RBNZ's policy assessment at the March 22nd OCR review. We expect GDP growth over Q4 will be led by strong business services, a rebound in housing market activity and strong retail trade volumes. However, we expect post-election uncertainty will temporarily impact growth over H1 2018, with business and employment intentions remaining weak in the most recent February survey.





Major International Events for the week ahead

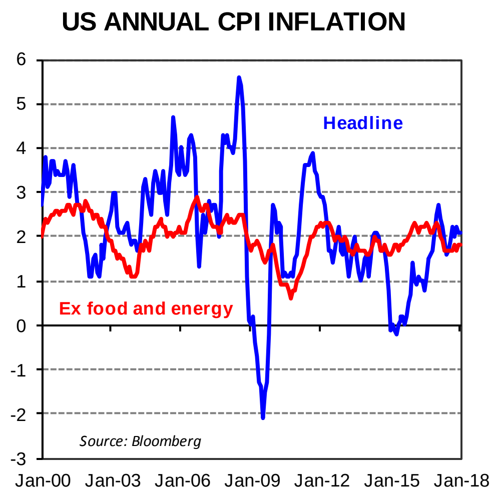
Data	Date	Time (NZT)	Market	ASB
Australia Loans to Owner-Occupiers Value, January, %mom	13/03	1:30 pm	-	-1.5
Australia Westpac Consumer Confidence, March, Index	14/03	12:30 pm	-	-
RBA Asst. Governor Kent to speak at summit	14/03	11:10 am	-	-
China Retail Sales, Jan-Feb, %mom	14/03	3:00 pm	10	10
China Industrial Production, Jan-Feb, %mom	14/03	3:00 pm	6.2	6.2
ECB President Draghi to speak in Frankfurt	14/03	9:00 pm	-	-
Eurozone Industrial Production, January, %yoy	14/03	11:00 pm	4.7	5.0
US CPI, ex-Food and Energy, February, %yoy	14/03	1:30 am	1.8	1.8
US Retail Sales Advance, February, %mom	15/03	1:30 am	0.3	0.4

The recent housing boom in **Australia** has now topped out and housing credit growth has slowed, particularly credit to property investors. We expect the **volume of loans to owner occupiers** to ease by a further 1.5% in January after December's 2.3% slide.

We will need to see a sizeable sustained bounce in **Australian consumer sentiment** before a pickup in consumer spending can be anticipated. But with wages growth at its lowest ebb in decades, such a bounce in confidence seems unrealistic.

Christopher Kent, Assistant Reserve Bank of Australia Governor (Financial Markets) is due to speak at the KangaNews DCM Summit, Sydney.

We expect **China's retail sales** to grow 10% YTD over the January-February period. Seasonal distortions might be still at play in China's economic activity data between January and February.



We anticipate **China's industrial production** to ease to 6.2% YTD over the first two months of 2018.

European Central Bank President Mario Draghi and Vice-President Vitor Constancio will speak in Frankfurt. We anticipate they will give some information regarding the subtle change in language in the ECB's statement at last week's ECB meeting.

We anticipate **January Eurozone industrial production** data will print around 5.0% yoy, indicating robust demand conditions in the Eurozone.

We predict **US February core CPI inflation** will stay firm at 0.2% (1.8%pa). The US labour market is very tight and is slowly leading to greater upward pressure on wages and prices.

We predict **US February retail sales** will rebound from January's unexpected weakness with an increase of 0.4%.

Global Data Calendars

Calendar - Australasia, Japan and China

Date	Time (NZT)	Eco	Event	Period	Unit	Previous	Forecast Market	Forecast ASB
Mon 12 Mar	13:30	AU	Credit card purchases	Jan	$bn	27.9	~	~
	19:00	JN	Machine tool orders	Feb P	y%ch	48.8	~	~
Tue 13 Mar	10:45	NZ	Food prices	Feb	m%ch	1.2	~	~
	11:30	AU	ANZ Roy Morgan Conf Index	Mar	Index	119.0	~	~
	12:40	AU	RBA's Bullock Gives speech in Sydney					
	12:50	JN	PPI	Feb	m%ch	0.3	~	~
	13:30	AU	Owner-occupier loan value	Jan	m%ch	-2.3	~	-1.5
	13:30	AU	NAB business conditions	Feb	~	19.0	~	~
Wed 14 Mar	09:00	NZ	REINZ house sales	Feb	y%ch	2.7	~	~
	10:45	NZ	BoP current account balance	Q4	%GDP	-2.6	-2.6	-2.6
	11:10	AU	RBA's Kent Gives speech in Sydney					
	12:30	AU	WBC consumer confidence	Mar	index	102.7	~	~
	12:50	JN	BOJ Minutes of Policy Meeting					
	12:50	JN	Core machine orders	Jan	m%ch	-11.9	~	~
	15:00	CH	Industrial production	Feb	y%ch	6.6	6.2	~
Thu 15 Mar	10:45	NZ	GDP	Q4	q%ch	0.6	0.8	0.8
Fri 16 Mar	10:30	NZ	BusinessNZ manufacturing PMI	Feb	Index	55.6	~	~
	11:45	AU	RBA's Debelle gives speech in Sydney					
	17:30	JN	Industrial production	Jan F	m%ch	-6.6	~	~

Calendar - North America & Europe

Date	Time (UKT)	Eco	Event	Period	Unit	Previous	Forecast Market	Forecast ASB
Mon 12 Mar	18:00	US	Monthly Budget Statement	Feb	$bn	-192.0	-202.9	~
Tues 13 Mar	12:30	US	CPI	Feb	m%ch	0.5	0.2	~
Wed 14 Mar	08:00	EC	ECB President Draghi speaks in					
	08:45	EC	ECB's Peter Praet to speak in					
	10:00	EC	Industrial production	Jan	m%ch	0.4	0.4	~
	10:00	EC	Employment	Q4	q%ch	0.4	~	~
	10:45	EC	ECB Vice President Constancio speaks in Frankfurt					
	12:30	US	Retail sales advance	Feb	m%ch	-0.3	0.3	0.4
	13:30	EC	Bank of France Governor Villeroy de Galhau speaks in Frankfurt					
Thu 15 Mar	12:30	US	Empire manufacturing	Mar	~	13.1	15.0	~
	12:30	US	Import price index	Feb	m%ch	1.0	0.2	~
	12:30	US	Initial jobless and continuing	Mar	~	~	~	~
	12:30	US	Philadelphia Fed Business	Mar	~	25.8	22.5	~
Fri 16 Mar	10:00	EC	CPI	Feb F	y%ch	1.3	~	~
	10:00	EC	Labour costs	Q4	y%ch	1.6	~	~
	12:30	US	Housing starts	Feb	000	1,326	1,280	~
	12:30	US	Building permits	Feb	000	1,377	1,320	~
	13:15	US	Industrial production	Feb	m%ch	-0.1	0.3	~
	14:00	US	Uni. of Michigan sentiment	Mar P	~	99.7	~	~

Key Forecasts

ASB NZ economic forecasts	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
	<< actual	forecast >>							
GDP real - Q%	1.0	0.6	0.8	0.5	0.9	1.0	1.0		
GDP real - A%	2.8	2.7	3.2	3.0	2.9	3.3	3.4	3.8	3.3
GDP real - AA%	3.3	3.0	2.9	2.9	2.9	3.0	3.1	3.3	3.6
CPI - Q%	0.0	0.5	0.1	0.3	0.4	0.5	-0.2		
CPI - A%	1.7	1.9	1.6	0.9	1.3	1.4	1.0	1.5	1.7
HLFS employment growth - Q%	0.0	2.2	0.5	1.1	0.6	0.7	0.6		
HLFS employment growth - A%	3.1	4.2	3.7	3.8	4.5	3.0	3.1	2.5	1.8
Unemployment rate - %sa	4.8	4.6	4.5	4.3	4.2	3.9	3.8	3.7	3.6
Annual current account balance as % of GDP	-2.7	-2.6	-2.6	-2.5	-2.8	-3.1	-3.4	-3.3	-3.1

Q% = percentage change on previous quarter

A% = percentage change since same quarter the previous year

AA% = percentage change for year ending quarter since the previous year

ASB interest rate forecasts	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
(end of quarter)			<< actual	forecast >>					
NZ OCR	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	2.25
NZ 90-day bank bill	1.96	1.96	1.88	1.9	1.9	1.9	2.0	2.0	2.5
NZ 2-year swap rate	2.33	2.21	2.21	2.2	2.2	2.3	2.4	2.5	3.0
NZ 10-year Bond	2.97	2.96	2.75	3.0	3.2	3.3	3.3	3.4	3.5

ASB foreign exchange forecasts	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Mar-20
(end of quarter)			<< actual	forecast >>					
NZD/USD	0.73	0.72	0.71	0.72	0.73	0.74	0.75	0.76	0.79
NZD/AUD	0.95	0.92	0.91	0.90	0.90	0.90	0.90	0.90	0.90
NZD/JPY	82	81	80	79	78	78	79	79	79
NZD/EUR	0.64	0.61	0.59	0.60	0.59	0.59	0.59	0.60	0.60
NZD/GBP	0.56	0.54	0.53	0.53	0.53	0.53	0.53	0.53	0.54
NZD TWI	78.4	76.4	74.3	74.6	74.7	75.0	75.1	75.7	76.6

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