

Australian Markets Weekly

A weekly outlook for Australia, key global economies and markets

National Australia Bank

In this issue

RBA rate cut 'on' for Tuesday	1
International Economic Roundup	4
FX Strategy	5
Interest Rate Strategy	6
What to Watch Australia	7
Weekly Calendar of Global Economic Releases	8
Forecasts	9

Talking points

- RBA Rate Cut 'on' for Tuesday:** Positive market sentiment continues. NAB survey shows parts of local economy weak; and official jobs growth non-existent. Low inflation gives RBA room to cut on Tuesday. RBA quarterly Statement on Friday the other main event over the coming week.
- International Economic Roundup:** US unemployment rate falls further in January. Bernanke says recovery "frustratingly slow". European leaders agree on strong fiscal pact. Global manufacturing stabilises in January. Main focus this week: ECB, BoE meetings (watch for more QE from the BoE), Chinese inflation and trade data, likely distorted by the earlier Lunar New Year)
- FX Strategy:** The AUD model estimated an 8c rise in January, driven mostly by a rise in metal prices. The AUD remains above one standard deviation estimated by the model. This week the RBA is expected to cut rates. This is almost fully priced. The China data should also be influential. Initial range estimate is 1.0750 – 1.0530.
- Interest Rate Strategy:** Australia – since we only expect one or two more rate cuts, we are getting closer to the end of the current RBA rate cut cycle. For now, paying short dated swaps are likely to remain attractive. US – On balance, better than expected economic data in the US has dampened the prospect of further accommodative policies over the near term – at least for now

RBA rate cut 'on' for Tuesday

- Positive market sentiment continues
- NAB survey shows parts of local economy weak; and official jobs growth non-existent
- Low inflation gives RBA room to cut on Tuesday
- RBA quarterly Statement on Friday the other main event over the coming week

Markets rally on strong US jobs report

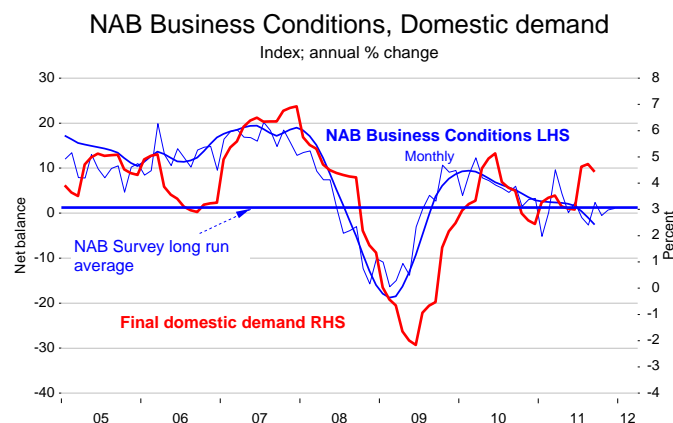
Strong US jobs growth for December boosted stock markets around the world on Friday, the S&P 500 adding 1.5%, to be up by 3.3% for the week and 6.9% since the start of 2012. That was the fifth straight monthly rise in the US index. SPI futures are pointing to a rise in the Aussie market of 1.3% today and if that happens, it will leave the ASX 200 up by about 5% over 2012 to date.

US Non-farm Payrolls for January showed jobs growth of 243K, versus forecasts of 140K, and the unemployment rate at 8.3%, well down on the median forecast of 8.5% which was last month's outcome. It seems that jobs growth and the economy more generally is gaining momentum.

Earlier in the week, European stock markets were higher, on mounting expectations of a positive outcome from the Greek debt negotiations (Private Sector Involvement or PSI – means 'haircut for holders of Greek sovereign debt). Ongoing generally positive data from the US helped US stocks and Aussie equities held January gains. The AUD has been supported by improving investor sentiment AUD, although the local unit looks to be overvalued at recent levels. In early Monday trade; the AUD was travelling around 1.0750 against a stronger US dollar.

On the data front, our December NAB Business Survey provided a timely update of the state of the economy at the turn of the year, indicating the economy is subdued but not falling off a cliff.

NAB Survey: Economy holding its own

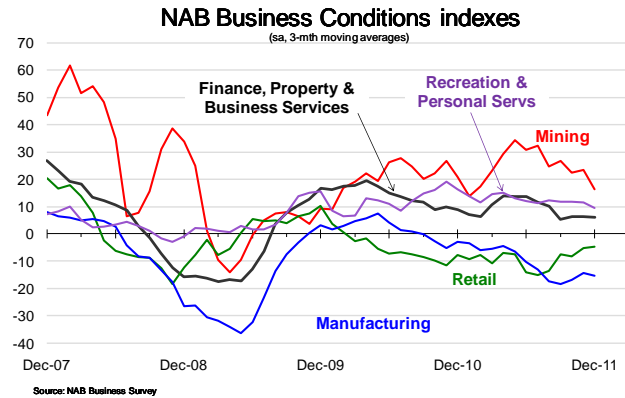


NAB survey: Growth moderate

The chart on page 1 shows that Business Conditions in December were consistent with Domestic Demand growth of about 3%. This has changed little since September. It implies domestic demand growth is running a bit below trend, 3.4%.

Another aspect of our survey is the on-going multi-speed nature of the economy. While Mining and Recreational & Personal Services are growing fairly rapidly, Finance, Property and Business Services is slowing, while Manufacturing is very weak and Retailing is tough.

The Multi-speed economy: some sectors worryingly weak

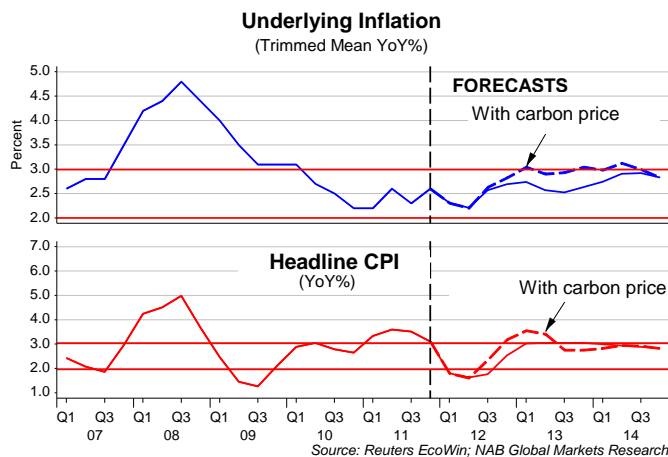


The housing construction industry is also very weak. Council approvals for new apartments fell by about 2% in December and are down by 38.5% over the 2011 year.

NAB changes key forecasts

With another somewhat subdued reading on Business Conditions and forward looking indicators since Christmas generally pointing to softness in the economy ahead, we have cut our growth outlook over the past week. Our GDP forecast for 2012 has been pulled back to a still strong 3.4% from a very strong 4.5% previously. The less boisterous outlook for growth resulted in a downgrading of our inflation outlook too.

Underlying inflation likely to be 'on target' ahead – NAB's forecasts



We now expect the Headline CPI to fall back below the RBA's 2-3% target band by mid-year and the Underlying rate to come back towards the bottom of the target band.

Abstracting from the expected 'one-off' impact of pricing carbon pollution, the outlook is now for underlying inflation to remain

within the target band for the remainder of the forecast period, out into 2014.

For the RBA, the conclusion must be that there is some room to stimulate the domestic economy without too much concern about triggering a bout of excessive inflation ahead, assuming their forecasts are not too far away from ours.

RBA to cut rates this week

The market on Friday was attaching about an 80% chance of a 25 basis points cut by the RBA this week. This is rather exuberant. We would put the probability closer to 50%, say 65%. A cut tomorrow is not a foregone conclusion.

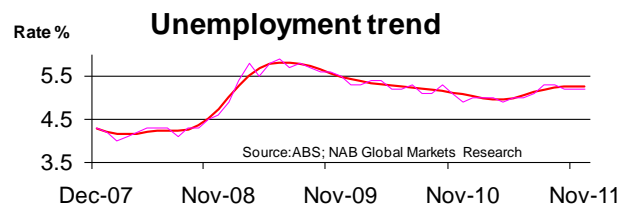
What has changed since the last cut in December?

The run of local data has been mixed. Our NAB survey, as noted above, is little changed, so we can say the economy is not falling off a cliff. Rather, overall it seems to have stabilised. Credit growth remains subdued but at least has stopped slowing. Business credit is now trending in positive territory. Retail sales have been flat. Housing lending has been rising for eight months and house prices appear to be bottoming after 10 months of falls in a row.

Underlying inflation is benign.

The labour market has not tightened further, because the unemployment is at 5.2%. It has been at around 5.2% for six months now. However, employment growth has been virtually flat since the start of 2011 and a variety of forward indicators of labour demand are poor.

Jobs growth flat since mid-2011



In its December statement announcing its last rate cut, the RBA spent considerable space explaining how the deteriorating situation in Europe was not affecting trade in Asia and commodity prices had been falling, reducing inflationary pressures in Aus.

Since the beginning of January, equity markets are higher and commodity prices, especially for industrial metals, have rebounded, although coal and iron ore prices were still falling in December, according to the trade accounts.

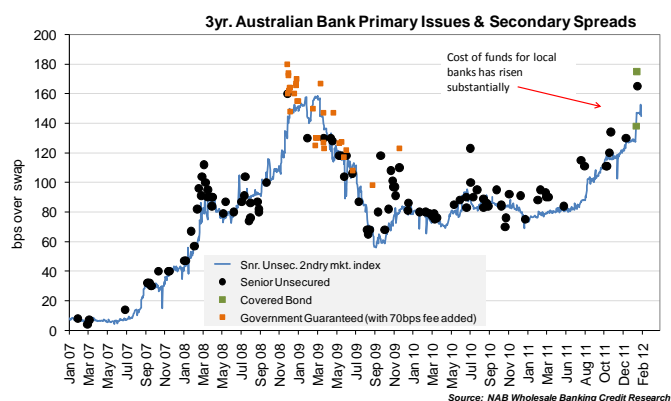
The RBA's own commodity price index rose in January, due to better prices for base metals, oil and gold. In short the international situation has not deteriorated any further than expected and sentiment is better.

Overall, then, we do not see a case for a dramatic cut of say 50bps from the RBA.

Nonetheless, on balance, the inflation outlook is improving and large parts of the Australian economy are weak, increasing the likelihood labour demand will continue flat and wages pressures will fall further.

Hence, there seems to be good case for another modest rate cut, especially against the backdrop of rising funding costs for local banks (contagion from offshore) which, other things equal will result in higher borrowing costs for households and businesses, further dampening the labour market outlook.

Bank cost of funds: Three year bank bonds



On this basis, we expect a 25bps cut on Tuesday, taking the cash rate to 4.0%.

Given the softness of forward looking indicators and the potential for fresh set-backs on the international front, plus the likelihood of further low inflation outcomes ahead, we expect another rate cut to follow, mid-year, taking the cash rate down to 3.75%. We expect this to be the bottom for this cycle.

Australia What to Watch

As well as the RBA's policy decision tomorrow, where we expect a 25bps cut, on Friday the RBA will release its Quarterly Statement on Monetary Policy, and provide updated forecasts for growth and inflation. This will give more guidance about the inflation outlook and how much room the RBA has for more rate cuts mid-year.

On the data front, retail sales are released today and we expect another soft outcome in December, growth of just 0.1%. Also today, ANZ job ads and the TD Securities inflation data are released. February consumer confidence (Wed) and the NAB's Quarterly Business Survey (Thurs) are also worth a look this week

Robert.j.henderson@nab.com.au

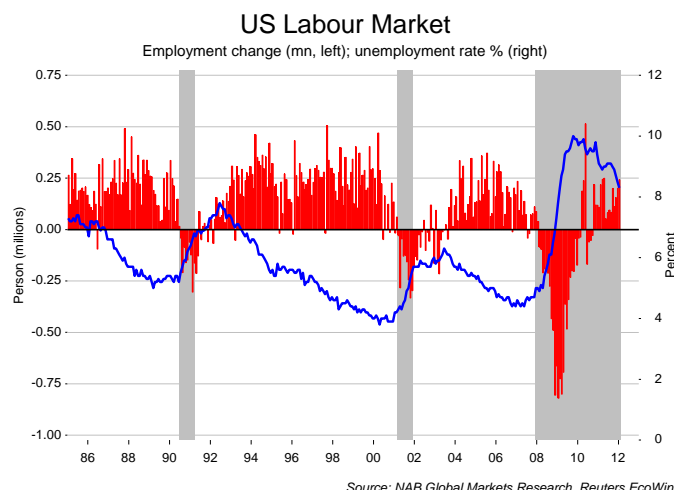
International Economic Roundup

- **US unemployment rate falls further in January**
- **Bernanke says recovery “frustratingly slow”**
- **European leaders agree on strong fiscal pact**
- **Global manufacturing stabilises in January**
- **Main focus this week: ECB, BoE meetings (watch for more QE from the BoE), Chinese inflation and trade data, likely distorted by the earlier Lunar New Year)**

US unemployment rate down to 8.3%

The January non-farm payrolls report was a bright ray of light for investors. Payrolls employment rose a stronger than expected 243k (f/c 140k), up from last month's 203k a real surprise, and a pleasant one at that. Capping better than expected employment growth was a further (unexpected) decline in the unemployment rate to 8.3% from 8.5%, the rate having fallen from 9.1% a year earlier and as recently as last August when the economy was in a flat spot. This report will be a real shot in the arm for confidence.

US labour market showing further signs of improvement



Other data on the US economy this past week was mixed. Personal spending data declined in December, with personal incomes rising 0.5%, the household savings rate at a four-month high of 4.0%. In a similar vein, The Conference Board's measure of consumer confidence unexpectedly fell to 61.1 in January (well below the median of 68.0) from 64.8 in December. House prices remained under wraps with the Case-Shiller house price data showing prices down 0.7% in November, down 3.3%yoy. Against those reports, the ISM manufacturing and non-manufacturing reports improved further in January.

Testifying earlier in the week ahead of payrolls, Chairman Bernanke spoke before the House Budget Committee said the US economy is still vulnerable (a “frustratingly slow” recovery), but spending, production and jobs have improved. He also said credit has begun to improve for small business and implored Congress again to address the worrying outlook for US public finances.

European leaders agree on fiscal pact

European stocks made some reasonable gains this past week on somewhat more stable economic news, expectations that the Greek restructuring deal is nigh and an agreed EU fiscal pact and permanent bailout mechanism.

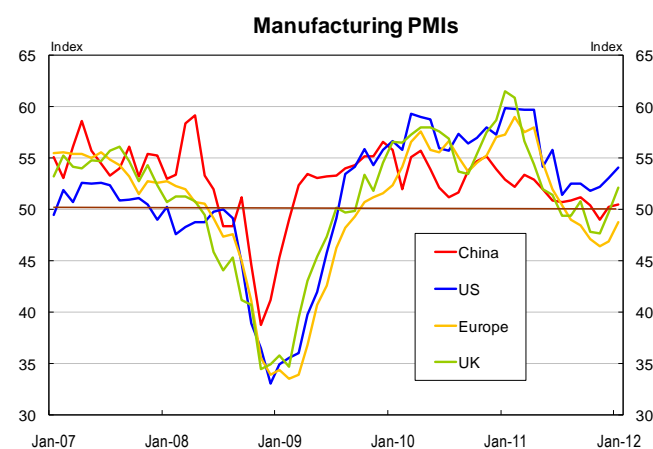
In Europe, 25 of the 27 leaders (not agreeing were the UK and the Czech Republic) signed up to a treaty that will include automatic sanctions on countries that breach stricter budget rules, enshrining the idea of balanced budgets into national law. Leaders also

agreed to setup the €500bn European Stability Mechanism in July. The agreement is expected to lead to a formal pact by March.

Meanwhile Greece is expected to finalise a deal with its private creditors by the end of the week. Finance Minister Venizelos said one of the conditions for the bond swap deal is a new austerity program that secures continued bailout loans. The Troika (ECB, EU Commission and IMF) are scheduled to complete their latest assessment within days.

Typifying the difference in economic performance between Germany and some other EU economies, the Euro-zone unemployment rose to 10.4% in Dec from 10.3% in Nov, but Germany's unemployment fell to 6.7% from 6.8%. Spain's unemployment rate in the December quarter was an eye-glazing 22.9% (with youth unemployment close to 50%). The new Rajoy Government set to announce a labour market reform package within weeks to improve the economy's performance.

Some hopeful signs for global growth in the New Year



Global manufacturing perks up a little in Jan

Investor sentiment was aided this past week by signs of stabilisation in in the various manufacturing PMIs that perked up in January. The Eurozone PMI rose slightly to 48.8 (Germany at 51.0), slightly higher than the flash estimate of 48.7 (released earlier this month), and up from 46.9 in December. In the UK, the manufacturing PMI rose to an 8-month high of 52.1 in January (median 50.0) from 49.7 in December.

The US ISM Manufacturing Index rose to 54.1 in January from 53.9 December, slightly below expectations for 54.5 but nevertheless at its highest level since June 2011. These Northern Hemisphere data followed similar gains in Asian PMIs. Most notably, China's official PMI index improved to 50.5 in January from 50.3 in December, despite forecasts of a fall to 49.6, further supporting the view that global production is holding up quite well despite the ongoing European debt crisis. Gains were also evident in India and Australia, India's PMI rising to 57.5 from 54.2 and Australia's rose to 51.6 from 50.2.

Offshore this week

- **USA:** Consumer credit, Jobless claims, Consumer Sentiment, monthly Budget
- **Europe:** ECB meeting, German Factory Orders & Industrial Production, and Trade; **EC Government debt auctions:** Netherlands, France; **UK:** BoE meeting, Industrial Production, Trade, PPI
- **China:** CPI, PPI, Trade, **NZ:** Wages, Unemployment

David.deGaris@nab.com.au

FX Strategy

- **The AUD model estimated an 8c rise in January, driven mostly by a rise in metal prices. The AUD remains above one standard deviation estimated by the model.**
- **This week the RBA is expected to cut rates. This is almost fully priced. The China data should also be influential. Initial range estimate is 1.0750 – 1.0530.**

Over January, our model of the current AUD value rose 8cents. The model includes the Australian versus US two-year swap spread, industrial metal prices, gold prices and a measure of market risk appetite. Of the eight cent rise, a widening of the Australian / US interest rate gap contributed 0.7cents. Over the month, Australian two year swap rates were relatively stable but ended marginally lower. However, the change in the Fed's language, saw the US two year swap rate drop sharply. So while the RBA has eased, and expected to ease further, US yields are approaching lows. This makes the AUD marginally more attractive. We would highlight that US yields are approaching lows, so it may take a reversal of Australian rate expectations for a further positive driver from this source.

The rise in the metal's price in January was the largest driver of the model's estimate of AUD over the month. Metals contributed +2.7cents. A rise in the gold prices contributed another 2.2cents. A rebound in sentiment as markets prices out a European disaster and Chinese GDP concerns were alleviated all allowed for a recovery in metals prices over the month. Our economists do expect a lower terms of trade in Australia over the year, as such we suspect that this driver may moderate over the year.

Risk appetite contributed 2.5cents to the rise in the model's value over January. The aforementioned reduction of European sovereign stress concerns was a large driver of better risk sentiment. Greece didn't leave the Euro area, and these risks have been priced out. Most importantly, there was no more bad news, rather than any good news per se, helped settle markets. The EU Leaders did sign the ESM and the Fiscal Treaty at the end of the month, but this was expected. The Fed's suggestion of another round of QE, combined with better US data also has the market very excited about more liquidity. This tends to feed positive risk assets. Whether the Fed follows through or not is a question for the rest of Q1, but for now the world is a happier place. FX volatility is now relatively low and the direction is likely to depend on the ongoing European situation, the Fed's willingness to flood markets with money and the path of China's growth. It does appear the moderation of risk at present has likely priced out some of the hurdles to be faced this year.

So we know why there are upside pressures in the AUD at present; some of them appear temporary and some are caused by unexpected events – such as the FOMC's promise of more liquidity. This does put pressure on our present forecasts, particularly the unexpected events.

While the model accounts for an 8c increase in the month (from the model value at Jan 1), the actual AUD rose half that. Except, the actual level of the AUD is above one standard deviation from the model. The rise in AUD over January only reduced its exuberance, compared to the model value. In effect the model was catching up to the AUD actual value. But the AUD still remains more than one standard deviation above that suggested by current market factors.

The AUD/USD has consistently been above the level suggested by traditional current market factors since April 2011. That spread was marginally reduced in January but still exists. This is an unusually prolonged period above expectations and suggests something's going on. We suspect the divergence is driven partially by the demand for Australian AAA assets (ACGB). This doesn't quite match up with the rise in the foreign ownership of ACGBs, which began in earnest in 2009; but, there was an acceleration in 2011 and in the latest quarter available from the RBA (September 2011), foreign ownership rose above 80% of the ACGB market. This is likely one driver of the AUD anomaly. But more on this at a later date.

This week, the RBA is expected to ease interest rates. This is not quite fully priced but an easing should not weigh on AUD dramatically. The bigger surprise would be the RBA remaining on hold. The Chinese economic data should also impact the AUD, with the surprise being worst than expected data. The market remains long AUD; failure to break 1.0750 decisively risks an unwind, unless positive Greek events generate another attempt to push higher. We'd expect a range of 1.0750 to 1.0530 in the first instance.

Exhibit 1. AUD January Annotated Chart

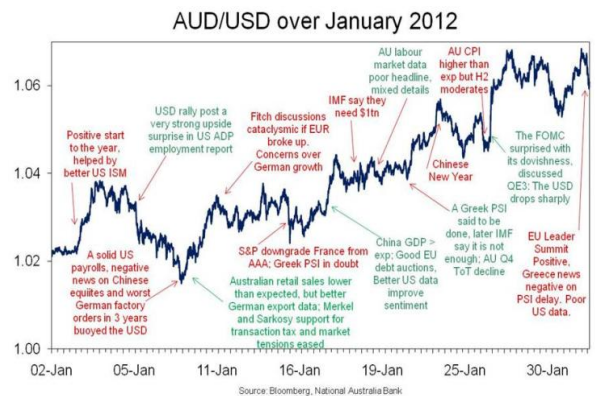


Exhibit 2 the Drivers of AUD in January 2012

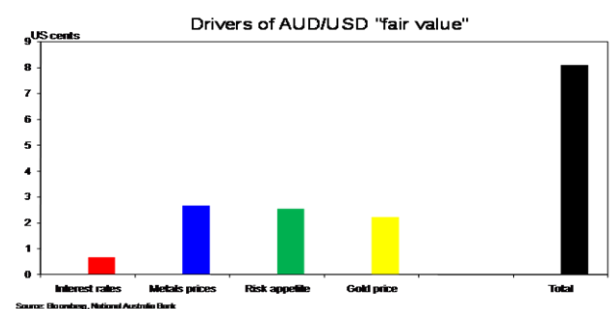
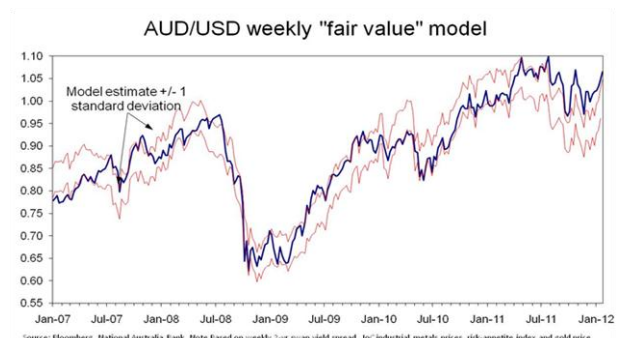


Exhibit 3 AUD versus the Model



Interest Rate Strategy

- **Australia – since we only expect one or two more rate cuts, we are getting closer to the end of the current RBA rate cut cycle. For now, paying short dated swaps are likely to remain attractive**
- **US – On balance, better than expected economic data in the US has dampened the prospect of further accommodative policies over the near term – at least for now**

Recent developments

Last week, swap rates rallied quite evenly across the curve with 3 year yields dropping 16bps and 10 year yields losing 18bps. The curve had a slight steepening bias, largely due to the five year rallying 21bps which almost revisited its three year lows. Overall, swap yields have remained trading within the range set since December. However, the rally over the last five days means they finished the week trading closer to the lower band of the range.

The rally in swap yields has been largely driven by the prospects of QE3 expectations in the US and an increase in liquidity provision in Europe. Last week, Ben Bernanke admitted "the pace of the recovery has been frustratingly slow", in addition, the Q4 GDP number came slightly below expectations and while the US ISM manufacturing data was encouraging, consumer confidence and house prices were down in January.

However, early on Saturday, the US non-farm payroll numbers came in at 243k against market expectations of 140k and revisions added a further 60k to payrolls in November and December. The better than expected US employment data will potentially set the tone in the domestic market for the beginning of this week. The increase in risk appetite is likely to push swap yields back to the middle of recent ranges as the hopes of further accommodative policies in the US are delayed for now.

The market pricing for another RBA cut on Tuesday was practically unchanged at around 80% last week. A second 25bps cut will depend on how much of any rate cut banks pass on to borrowers, and also on future inflation trends. We've slotted that extra rate cut into the middle of the year, but it could come earlier.

As we expect only one or two more rate cuts, we are getting closer to the end of the current RBA rate cut cycle. For now, paying short dated swaps are likely to remain attractive. But as chart 2 shows, markets are forward looking and the 3 year swap rate tops out before the end of the RBA rate hike cycle and bottoms out before the last cut. Of course, not every cycle is identical, but a good rule of thumb is that the likes of the 3 year swap rate normally bottom at the second last cut.

So if the RBA cuts this Tuesday and NAB's forecast for only one more cut ahead proves correct, this would suggest the 3.7% low in the 3 year swap rate we saw in late December will prove to be the cycle's low.

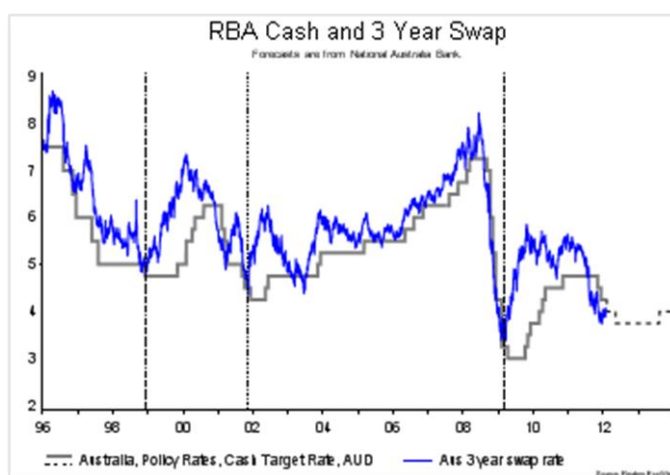
Week ahead

The focus for this week will be the RBA's decision on Tuesday. The recent soft economic readings such as retail spending, credit growth and employment as well as low inflation, should be enough to twist the RBA's hand for a rate cut. Friday's RBA Quarterly Statement on Monetary Policy is also likely to draw the market attention. The RBA's forecast for growth and inflation are key determinants in their outlook of the interest rate path ahead

1: Key Rates: Recent Movements and Forecasts

Period End	Now	Weekly change	Dec-12
RBA Cash	4.25	0.00	3.75
Fed Fund	0.25	0.00	0.00
ACGB10's	3.71	-0.10	0.00
UST10's	1.92	0.03	4.20
Aus-US 10 year	179	-13	-420
Aus 3yr Swap Rate	3.95	-0.06	4.30
Aus 10yr Swap Rate	4.69	-0.03	4.90
Aus 3/10 Swap Curve	74	3	60
Aus 3yr Swap Spread	64	-8	40

2: Historically 3 year swaps rise before the end of the rate cycle



3: Five year swaps almost revisited its three year lows



View and recommendations

- **Outright yields – Aussie 3 year swap rate is now at 3.95%, likely to remain here if the RBA cuts next week, but head towards 4½% by the end of the year. Lock in rates on rallies towards 3.8%.**
- **Yield Curve – The 3/10 futures slope has remained in the lower end of its recent +60bps to +80bps range. The slope faces mixed forces through 2012 and we expect it to remain fairly range-bound.**

rodrigo.h.catril@nab.com.au
peter.jolly@nab.com.au

What to Watch Australia (L = Last, F=Forecast, M = Market Median, n/f = not forecast)

Retail Sales, December and Q4 (Monday, 11.30)

Retail spending remains weak. A flat result for November followed gains of just 0.2% and 0.3% in the previous two months. The solid outcomes of 0.8% in July and 0.6% in August provided optimism that retail trade would trend higher in the second half of 2011, but amid lower consumer confidence and slowing employment growth, consumers continue to restrain their spending.

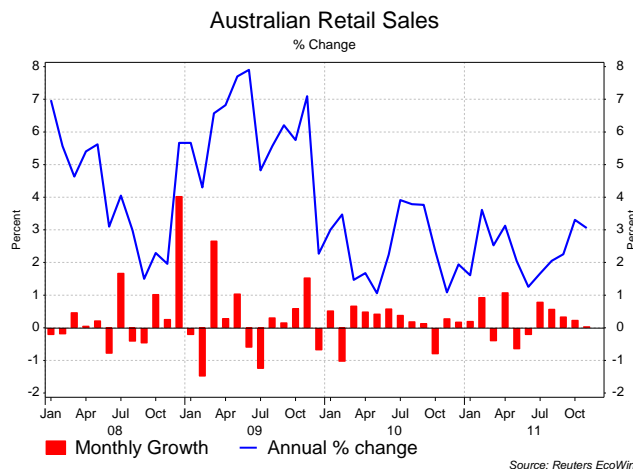
Monthly growth in retail sales is decelerating, and we expect another soft outcome in December, growth of just 0.1%, capping off a very weak year for the retail industry.

The Q4 volumes data will also be released, and after a gain of 0.6% in Q3, we expect a 1.0% gain in Q4.

Monthly Values: L: 0.0%, F: 0.1%; Median: 0.2%

Quarterly Volumes: L: 0.6%, F: 1.0%; Median: 0.6%

Monthly retail sales growth decelerating



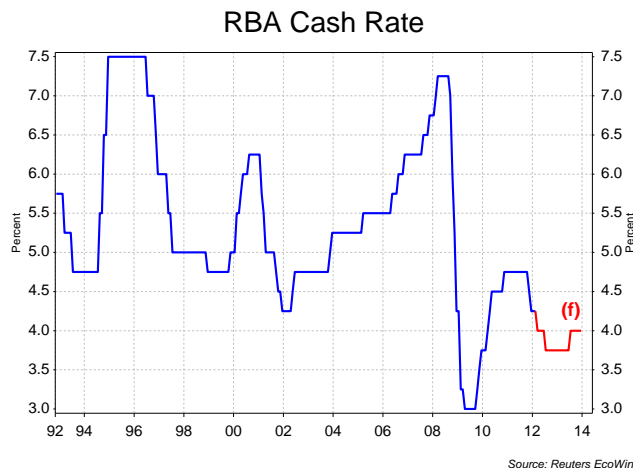
RBA Policy Meeting (Tuesday, 14.30) RBA Monetary Policy Statement (Friday, 11.30)

The RBA meets on Tuesday and is expected to cut the cash rate a further 25 basis points to 4.00%. Although it's still early days, the rate cuts in November and December do not appear to have boosted activity or confidence all that much, with still soft readings for retail spending, credit growth, employment and the housing market in late 2011. With inflationary pressures contained and the global outlook still very uncertain, there is further room for the RBA to cut interest rates again on Tuesday.

On Friday, the RBA will release its Quarterly Statement on Monetary Policy, and provide updated forecasts for growth and inflation. Any downward revision to the inflation outlook would be a signal for further rate cuts later in 2012.

L: 4.25%, F: 4.00%; Median: 4.00%

RBA expected to cut interest rates on Tuesday



Consumer Confidence, February (Wed, 10.30)

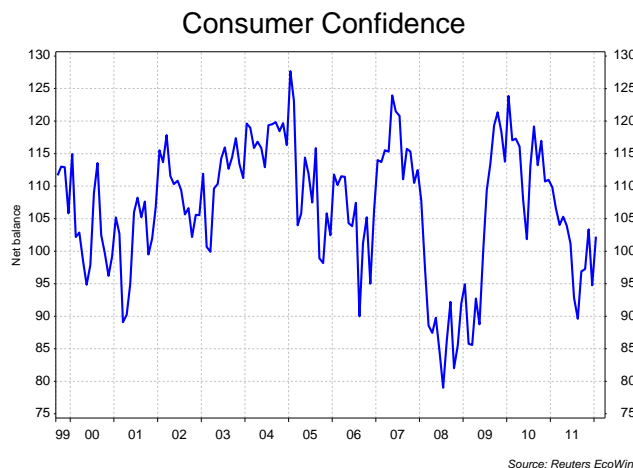
Consumer confidence rose in January by 2.4%, after the somewhat surprising 8.3% fall in December. That December survey had taken place after the soft November labour force report, which seemed to override any positive sentiment from the RBA's interest rate cut in December.

Looking through the volatility in recent months, consumer confidence is off the lows seen in mid-2011, but is still well below the levels seen in 2010. Consumers remain cautious and are still holding back their spending, amid a softer local labour market, still weak house houses and ongoing concerns about the global economy.

Confidence will likely remain subdued in the first half of 2012, but with the RBA lowering interest rates we should see an upward trend in the series in the second half of the year.

L: +2.4%

Consumers remain cautious



Weekly Calendar of Global Economic Releases

Monday, 6 February 2012									
NZ	Waitangi Day Holiday								
AU	TD Securities Inflation MoM/YoY	JAN			0.5%/2.4%	23.30	10.30		
AU	ANZ Job Advertisements (MoM)	JAN			-0.9%	0.30	11.30		
AU	Retail Sales s.a. (MoM)	DEC	0.1%	0.3%	0.0%	0.30	11.30		
AU	Retail Sales Ex Inflation (QoQ)	4Q	1.0%	0.6%	0.6%	0.30	11.30		
EC	Sentix Investor Confidence	FEB			-21.1	9.30	20.30		
GE	Factory Orders MoM (sa)	DEC		1.0%	-4.8%	11.00	22.00		
EC	Bills auctions in Netherlands and France								
US	Fed's Bullard Speaks on Inflation Targeting in Chicago (NV)					13.55	0.55		
US	Fed's Fisher Speaks on Economy in Washington (V)					17.15	4.15		
Tuesday, 7 February 2012									
NZ	LCI/QES Wage Reports	4Q	1.9%/3.8%	1.9%/3.4%	2.0%/3.4%	21.45	8.45		
AU	AiG Perf of Construction Index	JAN			41	22.30	9.30		
UK	BRC Sales Like-For-Like YoY	JAN			2.2%	0.01	11.01		
AU	RBA CASH TARGET	FEB	4.00%	4.00%	4.25%	3.30	14.30		
GE	Industrial Production MoM (sa)	DEC		0.0%	-0.6%	11.00	22.00		
US	IBD/TIPP Economic Optimism	FEB			47.5	15.00	2.00		
US	JOLTs Job Openings	DEC			3161	15.00	2.00		
US	Consumer Credit	DEC		\$7.00B	\$20.37B	20.00	7.00		
Wednesday, 8 February 2012									
AU	Westpac Consumer Confidence (MoM)	FEB			2.4%	23.30	10.30		
UK	BRC Shop Price Index YoY	JAN			1.7%	0.01	11.01		
GE	Current Account (EURO)	DEC		15.2B	14.3B	7.00	18.00		
GE	Trade Balance	DEC		14.4B	16.2B	7.00	18.00		
US	MBA Mortgage Applications	Feb-03			-2.9%	12.00	23.00		
US	Fed's Williams Speaks on Economy in San Ramon, California (ALT)					15.30	2.30		
Thursday, 9 February 2012									
NZ	Unemployment Rate	4Q	6.4%	6.5%	6.6%	21.45	8.45		
NZ	Employment Change (QoQ)	4Q	0.4%	0.4%	0.5%	21.45	8.45		
AU	NAB Quarterly Business Survey	Q4				0.30	11.30		
CH	Producer Price Index (YoY)	JAN		0.7%	1.7%	1.30	12.30		
CH	Consumer Price Index (YoY)	JAN		4.0%	4.1%	1.30	12.30		
UK	Industrial Production (MoM/YoY)	DEC		0.2%/-3.1%	-0.7%/-3.1%	9.30	20.30		
UK	Manufacturing Production (MoM/YoY)	DEC		0.4%/0.5%	-0.2%/-0.6%	9.30	20.30		
UK	Total Trade Balance (GBP/Mln)	DEC			-£2566	9.30	20.30		
UK	BOE Asset Purchase Target	FEB	325B	325B	275B	12.00	23.00		
UK	BOE Policy Meeting	Feb-09	0.50%	0.50%	0.50%	12.00	23.00		
EC	ECB Policy Meeting	Feb-09	1.00%	1.00%	1.00%	12.45	23.45		
US	Initial Jobless Claims	Feb-04			367K	13.30	0.30		
US	Wholesale Inventories	DEC		0.5%	0.1%	15.00	2.00		
UK	NIESR GDP Estimate	JAN			0.1%	15.00	2.00		
Friday, 10 February 2012									
NZ	Electronic Card Transactions	JAN			-0.3%	21.45	8.45		
AU	RBA Statement on Monetary Policy					0.30	11.30		
CH	Trade Balance (USD)	JAN		\$10.5B	\$16.52B	1.00	12.00		
CH	Exports YoY%	JAN		-1.5%	13.40%	1.00	12.00		
CH	Imports YoY%	JAN		-5.0%	11.80%	1.00	12.00		
GE	Consumer Price Index (MoM/YoY)	JAN F		-0.4%/2.0%	-0.4%/2.0%	7.00	18.00		
UK	PPI Output (MoM/YoY)	JAN		0.1%/3.7%	-0.2%/4.8%	9.30	20.30		
US	Trade Balance	DEC		-\$48.5B	-\$47.8B	13.30	0.30		
US	U. of Michigan Confidence	FEB P		74	75	14.55	1.55		
US	Monthly Budget Statement	JAN		-\$65.0B	-\$49.8B	19.00	6.00		
Upcoming Central Bank Interest Rate Announcements									
Australia, RBA	7-Feb	4.00%	4.00%	4.25%					
UK BOE	9-Feb	0.50%	0.50%	0.50%					
Europe ECB	9-Feb	1.00%	1.00%	1.00%					
Japan, BoJ	14-Feb	0.0%-0.1%	0.0%-0.1%	0.0%-0.1%					
New Zealand, RBNZ	8-Mar	2.50%	2.50%	2.50%					
Canada, BoC	8-Mar	1.00%	1.00%	1.00%					
US Federal Reserve	13-Mar	0%-0.25%	0%-0.25%	0%-0.25%					
India, RBI	15-Mar	8.50%	8.50%	8.50%					

GMT: Greenwich Mean Time; AEDT: Australian Eastern Daylight Time; r: Revised

Forecasts

Economic Forecasts															
Annual % Chng				Quarterly % Chng											
				2011				2012				2013			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Australia Forecasts															
Household Consumption	3.5	2.8	2.3	0.8	1.0	1.2	0.7	0.6	0.6	0.6	0.5	0.6	0.6	0.5	0.5
Business Investment	20.2	21.4	12.4	6.0	-0.3	14.2	7.0	3.4	3.0	2.7	2.7	3.1	3.1	2.9	3.2
Residential Construction	-1.5	4.0	8.8	-1.4	-0.6	0.9	0.3	0.4	1.5	2.5	2.3	2.4	2.1	1.7	1.4
Government Spending	-1.0	-2.2	-0.3	0.1	0.3	-2.5	-0.7	-0.1	-0.4	-0.1	-0.1	-0.1	0.0	0.0	0.0
Exports	-1.7	7.6	4.9	-6.4	2.9	2.0	2.3	2.0	1.3	1.2	1.1	1.2	1.2	1.1	1.1
Imports	11.1	8.1	7.0	2.5	3.5	4.3	1.3	1.6	1.4	1.6	1.6	1.8	1.9	1.6	1.7
Net Exports*	-2.6	-0.4	-0.7	-1.8	-0.2	-0.6	0.1	0.0	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
Inventories*	0.3	-0.1	0.1	-0.1	0.7	-1.1	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1
Domestic Demand - qtr%				1.1	0.6	2.1	1.1	0.9	0.8	0.9	0.9	1.0	1.0	0.9	1.0
Dom Demand - ann %	4.0	4.4	3.8	3.4	3.0	4.6	5.0	4.8	5.0	3.8	3.5	3.6	3.8	3.9	3.9
Real GDP - qtr %				-0.7	1.4	1.0	1.1	0.7	0.8	1.0	0.7	0.9	0.9	0.7	0.9
Real GDP - ann %	2.1	3.7	3.4	1.1	1.9	2.5	2.8	4.2	3.6	3.7	3.3	3.5	3.5	3.3	3.5
Australia Other															
CPI headline - qtr %				1.6	0.9	0.6	0.0	0.3	0.7	1.4	0.8	0.6	0.6	0.7	0.8
CPI headline - ann %	3.4	2.3	3.1	3.3	3.6	3.5	3.1	1.8	1.6	2.4	3.2	3.6	3.4	2.8	2.8
CPI underlying - qtr %				0.8	0.8	0.4	0.6	0.5	0.7	0.7	0.7	0.6	0.5	0.7	0.8
CPI underlying - ann %	2.6	2.4	2.6	2.4	2.7	2.5	2.6	2.3	2.2	2.6	2.7	2.7	2.6	2.5	2.6
Wages (Pvt WPI - qtr %)				0.9	0.8	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.6	0.6	0.6
Wages (Pvt WPI - ann %)	3.8	3.3	2.9	4.0	3.9	3.7	3.6	3.4	3.4	3.2	3.2	3.2	3.0	2.8	2.6
Unemployment Rate (%)	5.2	5.2	5.1	5.2	5.0	5.3	5.2	5.2	5.2	5.2	5.2	5.3	5.2	5.1	5.0
Terms of trade	14.5	-8.7	-4.2	3.9	5.8	2.6	-4.0	-4.2	-3.6	-3.5	-0.5	-0.5	-0.5	-0.3	-0.3
G&S trade balance, \$Abn	19.9	-10.1	-31.9	2.3	6.2	6.8	4.5	1.5	-1.5	-4.6	-5.5	-6.5	-7.6	-8.4	-9.4
Current Account (% GDP)	-2.3	-4.5	-5.7	-3.2	-1.9	-1.5	-2.7	-3.4	-4.2	-5.0	-5.2	-5.4	-5.6	-5.8	-6.0

Source: NAB Group Economics

*Contribution to real GDP

Exchange Rate Forecasts									
	6-Feb	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Majors									
AUD/USD	1.0756	0.96	0.98	1.00	1.00	0.98	0.97	0.96	0.95
NZD/USD	0.8346	0.74	0.78	0.81	0.82	0.81	0.80	0.79	0.77
USD/JPY	76.61	76	77	79	81	81	81	82	82
EUR/USD	1.3114	1.25	1.28	1.33	1.36	1.37	1.37	1.36	1.35
GBP/USD	1.5809	1.52	1.54	1.56	1.56	1.57	1.57	1.54	1.53
USD/CNY	6.3070	6.30	6.25	6.15	6.05	5.95	5.90	5.85	5.80
USD/CAD	0.9941	1.06	1.04	1.01	1.00	1.02	1.04	1.06	1.08
Australian Cross Rates									
AUD/JPY	82.40	73	75	79	81	79	79	79	78
AUD/EUR	0.8202	0.77	0.77	0.75	0.74	0.72	0.71	0.71	0.70
AUD/GBP	0.6804	0.63	0.64	0.64	0.64	0.62	0.62	0.62	0.62
AUD/NZD	1.2888	1.30	1.26	1.23	1.22	1.21	1.21	1.22	1.23
AUD/CNY	6.7838	6.05	6.13	6.15	6.05	5.83	5.72	5.62	5.51

Interest Rate Forecasts									
	6-Feb	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
RBA Cash rate									
RBA Cash rate	4.25	4.00	4.00	3.75	3.75	3.75	3.75	4.00	4.00
3 month bill rate	4.28	4.4	4.3	4.1	4.1	4.1	4.2	4.3	4.4
3 Year Swap Rate	3.94	4.1	4.1	4.2	4.3	4.5	4.7	4.7	4.9
10 Year Swap Rate	4.71	4.7	4.9	4.8	4.9	5.0	5.2	5.4	5.6
Offshore Policy Rates									
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
ECB refi rate	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
BoE repo rate	0.50	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25
RBNZ OCR	2.50	2.50	2.50	2.75	3.25	3.50	3.75	4.00	4.25
China 1yr lending rate	6.56	6.56	6.56	6.31	6.31	6.31	6.56	6.81	6.81
China Reserve Ratio	21.0	20.0	18.5	17.5	17.5	17.5	17.5	17.5	17.5
10 Year Benchmark Bond Yields									
Australia	3.86	3.90	4.10	4.10	4.20	4.40	4.60	4.80	5.00
United States	1.92	2.00	2.25	2.25	2.50	2.75	3.00	3.25	3.50
Europe/Germany	1.93	2.10	2.20	2.30	2.40	2.50	2.50	2.60	2.70
UK	2.18	2.50	2.50	2.60	2.70	2.95	3.40	3.75	4.20
New Zealand	3.78	4.70	5.10	5.20	5.20	5.30	5.25	5.10	5.05

Global GDP				
	2010	2011	2012	2013
Australia	2.6	2.1	3.7	3.3
US	3.0	1.7	2.3	3.1
Eurozone	1.7	1.5	-0.6	1.3
UK	1.8	0.9	0.7	2.1
Japan	4.0	-0.2	3.1	2.0
China	10.4	9.2	8.2	8.0
India	8.8	7.1	6.2	5.9
New Zealand	1.6	2.0	2.4	3.2
World	5.2	3.8	3.3	3.6

Commodity prices (\$US)				
	6-Feb	Jun-12	Dec-12	Dec-13
WTI oil	97.84	99	103	104
Gold	1740	1560	1480	112
Iron ore*	142	130	145	135
Hard coking coal*	285	235	225	215
Thermal coal*	119	110	110	115

* NAB estimates/ forecast of quarterly contract prices

Global Markets Research

Australia

Peter Jolly
Head of Research, Australia
+61 2 9237 1406

Macroeconomics

Rob Henderson
Chief Economist, Markets
+61 2 9237 1836

Spiros Papadopoulos
Senior Economist
+61 3 8641 0978

David de Garis
Senior Economist
+61 3 8641 3045

FX Strategy

Emma Lawson
Senior Currency Strategist
+61 2 9237 8154

Interest Rate Strategy

Rodrigo Catril
Interest Rate Strategist
+61 2 9293 7109

Credit Research

Michael Bush
Head of Credit Research
+61 3 8641 0575

Ken Hanton
Senior Credit Analyst
+61 2 9237 1405

Equities

Peter Cashmore
Senior Real Estate Equity Analyst
+61 2 9237 8156

Jenny Khamphet
Senior Real Estate Equity Analyst
+61 2 9237 9538

Design and Distribution

Melanie Snowden
Desktop Publisher
+61 2 9237 8151

New Zealand

Stephen Toplis
Head of Research, NZ
+64 4 474 6905

Craig Ebert
Senior Economist
+64 4 474 6799

Doug Steel
Markets Economist
+64 4 474 6923

Mike Jones
Currency Strategist
+64 4 924 7652

Kymberly Martin
Strategist
+64 4 924 7654

Design and Distribution

Barbara Leong
Publications Administrator
+64 4 474 9771

UK/Europe

Nick Parsons
Head of Research, UK/Europe,
and Global Head of FX Strategy
+ 44 207 710 2993

Gavin Friend
Markets Strategist
+44 207 710 2155

Tom Vosa
Head of Market Economics
+44 207 710 1573

Design and Distribution

Derek Allassani
Research Production Manager
+44 207 710 1532

Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Rob Brooker
Head of Australian Economics
+61 3 8634 1663

Alexandra Knight
Economist – Australia
+(61 3) 9208 8035

Michael Creed
Economist – Agribusiness
+(61 3) 8634 3470

Dean Pearson
Head of Industry Analysis
+(61 3) 8634 2331

Robert De lure
Senior Economist – Property
+(61 3) 8634 4611

Brien McDonald
Economist – Industry Analysis
+(61 3) 8634 3837

Gerard Burg
Economist – Industry Analysis
+(61 3) 8634 2778

John Sharma
Economist – Sovereign Risk
+(61 3) 8634 4514

James Glenn
Economist – Asia
+(61 3) 9208 8129

Tony Kelly
Economist – International
+(61 3) 9208 5049

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it. Please click [here](#) to view our disclaimers and terms of use.