



Reconciling market pricing and economists' RBA forecasts

- Market pricing more tightening since RBA meeting and SOMP, but still below economists' forecasts.
- We reconcile the differences between economists and market pricing for RBA rate expectations.
- We take profit on our AUD-NZD 10y swap trade after recent widening.

The Australian bond market has sold off dramatically over the past week. The 3Y rate has increased 30bp and the 10Y has increased 20bp. The Australian data hasn't been that strong. The main driver has been the continued sell-off in the US markets and a hawkish tone (and forecasts) from the RBA on Friday. The 10Y US yield is up nearly 30bp from last week. The ISM data was strong and the sell-off was well in train before Friday night's payrolls data. The headline NFP was weak at only +36K, but the unemployment rate fell to 9.0% after revisions and a drop in participation. After adjusting for new population controls, the report showed a massive 589k rise in household employment, contributing to the slow 10bp sell-off that followed the release.

The RBA left rates unchanged at their meeting last Tuesday, but highlighted the medium-term strength in the Australian economy. They doubled-down on that message in Friday's Statement of Monetary Policy. The RBA is still forecasting CPI at the top of the target band and raised their forecast for GDP (4¼% y/y by end-2011) amidst continued strong growth in China, India and the Australian Investment sector (including rebuilding efforts in Queensland).

The RBA's distinction between retail and investment growth is important. The retail sector in Australia continues to be surprisingly weak given the strength in the labour market. Today's retail sales data showed growth of only 0.2% (mom) in December. The quarterly data shows a -0.3% fall in the ex-inflation retail sales volumes measure.

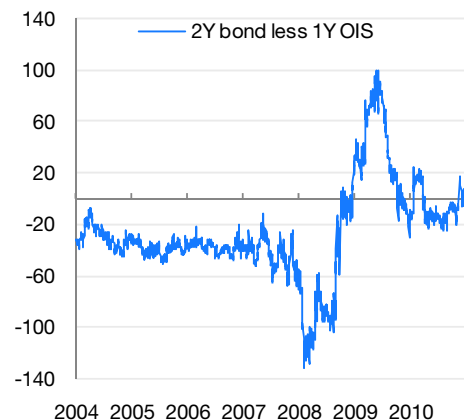
Although the underlying strength in the Australian economy is not yet being transferred to spending (and so inflation) economists still look for the RBA to raise rates over the remainder of 2011. We expect a year-end RBA cash rate of 5.50%. After a strong sell-off over the past week, the implied market pricing of the RBA has increased. However, the market implied year-end rate is still only 5.135% - well below our economists' (and most other economists') forecasts. Philip Brown explores the differences between economists' expectations and market pricing in his article on page 3.

The coming week has more important Australian data scheduled. The Australian labour force data is scheduled for release on Thursday. CBA economists expect the recent strong readings to continue and forecast another 25K jobs created and the unemployment rate to remain at 5.0%. The US has a relatively quiet week scheduled with the normal weekly indicators as well as the University of Michigan consumer confidence index early on Saturday morning (Sydney time).

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2Y bonds and the 1Y OIS



Source: Bloomberg,

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Key Positions

The strong sell-off in the US has transferred to Australian rates. This has had a mixed effect on our trades. Our only outright position was the paid 1Y*1Y which has done very well. The AUD to USD 10Y spread widening trade has done poorly – but not so badly as to be stopped out.

We have taken the opportunity afforded by the sell-off to take profit on our AUD to NZD spread trade for a profit of 38bp (23bp on the levels and 15bp of carry).

Key Trades

Trade	Entry	Curent	Profit	Target	Stop	Comment
Buy the NSWTC Jun-20 (Government Guaranteed) as an ASW	-12bp (3-Feb-10)	-4bp	-8bp	-35bp	0bp	Hold: A long-term buy-and-hold trade.
Pay 3yr AUD EFP	35bp rolls to 27 bp (9-Aug-10)	24bp	-3bp (roll was 8bp)	45bp	30bp	Hold: Increased mortgage fixing may force this wider as curve flattens.
OTM Conditional Steepener. 6M*2Y vs 6M*10Y. Buy 100m 6M*2Y 3.75% receiver. Sell 24.1M 6M*10Y 4.28% receiver.	3.75% and 4.28% 0.4bp premium (25-Aug-10)	5.43 and 6.18	-0.4bp (premium)			Hold: An insurance trade for a global double dip. Very unlikely to be used now, but 0.4bp well spent.
Buy the Suncorp Metway Govt Guaranteed Apr-11 Floater.	TM of 29.5bp	21bp	+8.5bp	0bp	40bp	Hold: This bond is Government Guaranteed. It should be much tighter. Repurchases of GG bank bonds becoming common.
Sell 3M, 20bp OTM bond put on Apr-20 ACGB, strike is 5.61%	5.61 / 10bp (15 Nov-10)	Current yield is 5.70	n/a	n/a	5.71bp	Hold: A strong sell-off as we approach maturity. At current levels the trade is perfectly at breakeven point.
Sell the ACGB Apr-20 against the UST 2.625% Nov-20	219bp (19-Jan-11)	206bp	-13bp	250bp	200bp	Hold: We think the US market will rally but see little scope for the Aus market to follow given our RBA call.
Pay AUD 1Y*1Y	5.41% (19-Jan-11)	5.72%	+31bp	5.90%	5.60%	Hold: New target and stop. The Australian market is underpricing the RBA.
Buy the Jun-16 vs the May-13 and May-21	+11bp (24-Jan-11)	+14bp	-3bp	+3bp	+15bp	Hold: PCA analysis suggests this is likely to fall. A flattening would also assist the trade.
But the KfW Dec-19 vs the IBRD Oct-19	33.5bp (31-Jan-11)	31bp	2.5bp	20bp	40bp	Hold: The EU Sovereign CDS is improving, but the spread has not yet moved in AUD.
Receive 10Y AUD-USD basis vs 3Y	8bp (31-Jan-11)	8bp	0bp	3bp	10bp	Hold: The mismatch between issuance and borrowing suggests the curve should flatten
Pay the AUD 10Y swap vs NZ 10Y swap	58bp (1-Nov-11)	81bp	+23bp (+15bp carry)	90bp	45bp	Take Profit: The higher yields in AUD as NZ yields fall tempt us to lock in profit.



Traders are traders and econ'mists are econ'mists... and never the twain shall meet?

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- Economists are much more hawkish about the RBA than market pricing and have been so for months.
- It is possible that traders simply expect a different RBA outcome, but a skew in the way economists and traders are measured may also be contributing to the difference.
- The high rates in Australia do not appear to be attracting enough capital to depress the quoted rates.

The RBA did not raise interest rates last week, but did release a fairly aggressive set of forecasts in the MPS on Friday. The RBA has lifted the Dec-11 GDP forecast to 4¼%. Although the near-term CPI forecasts have been lowered, the mid-term forecasts remain unchanged and at (or near) the top of the 2-3% target band. Economists, almost universally, are expecting the RBA to raise rates again in 2011. Most economists expect 50bp or more of rate rises this year.

CBA's economists, for example, expect the RBA to raise rates in May and once per quarter for the rest of the year. Our year-end RBA forecast is 5.50%. Our team changed their call for a rate hike from April to May on Friday but this was more an issue of timing than the direction of rates. The overall direction is still unambiguously higher.

Most economists have held similar expectations of a 5.50% cash rate by year end for some time (Figure 1). Markets, however, are much more resistant to the idea of future tightening. After a few days of consistently selling off, the implied cash rate at year end in the interbank futures strip is 5.05%. As recently as a week ago, this implied rate was only 4.95%. Figure 2 shows this remains low relative to our forecasts, while Figure 3 shows an incapacity to price in more than a 5.25% rate for end 2011.

The future direction of the RBA is pivotal to Australian financial markets. However, there's a significant and long-running disconnect between the expectations of the market and the expectations of the economists on this point. We present some explanations and assess the relative merits of each.

Our position

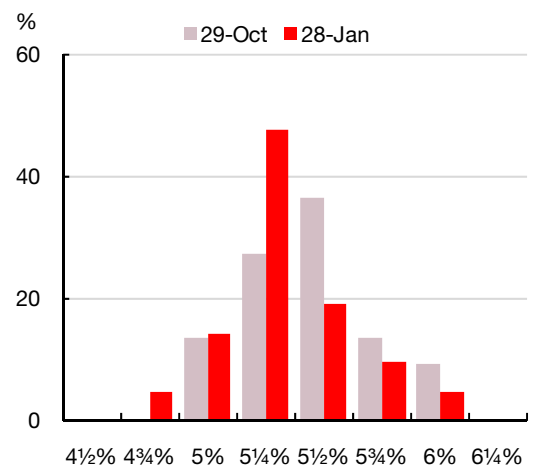
Before analysing the various sides, and in the interests of full disclosure, we should acknowledge our bias before we start. As a team, we back the economists' viewpoint and have recommended paying the 1Y*1Y swap rate to implement our view. We used a 1Y*1Y because of the difficulty in predicting the exact timing of future rate rises. The 1Y*1Y rate covers a broad enough time-frame that any scenario of raising rates will trigger a sell-off and benefit our position.

The Queensland floods and the cyclone have only exacerbated the timing uncertainty about the RBA. However, our underlying belief that the RBA will raise rates hasn't changed and the 1Y*1Y remains the best way to play this view. Following last Friday's sell-off, compounded by the US payrolls report over the weekend, this trade is now about 25bp in the money.

Do traders and economists have different underlying views?

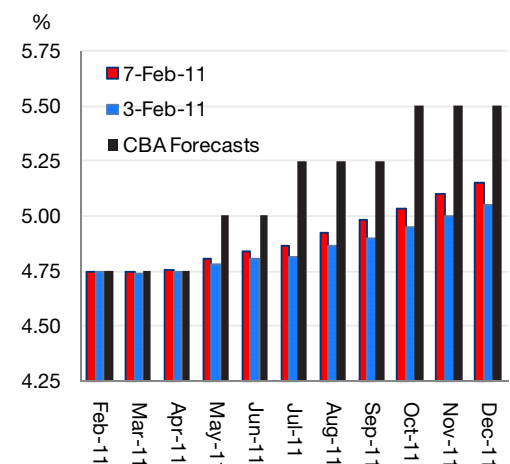
The first explanation for the discrepancy between market pricing and economists' expectations is that market prices are formed by investors and particularly traders, who, unlike economists, typically have money

Figure 1 – “Expected cash rate” End 2011



Source: Bloomberg, CBA

Figure 2 – CBA forecasts and the implied RBA path



Source: Bloomberg, CBA



on the line. That immediate financial incentive can explain variations in pricing relative to forecasts. But there are other underlying reasons why the two groups have such different ‘views’.

It is possible that the traders are more concentrated on the short-term outlook and the economists are more focused on the medium term. We are not aware of anyone arguing that the RBA should be raising rates in March. The difference is that economists are happy to accept the RBA will be active again after a pause, while traders are looking to make money from the next move. The trend for economists to push out and moderate the extent of their cash rate forecasts evident in Figure 1 (combined with the US bond sell-off) has helped traders profit from curve steepening and AUS-US spread narrowing trades of late.

But both traders and economists are reading the same RBA statements. And, although RBA-speak takes some deciphering, it’s not that complicated. Although there is some possibility that a difference in focus is causing the discrepancy, the differences in view seem a little too broad-based to be generalised so easily.

Are traders using a different measure of “expected”?

A possibility is that traders and economists agree completely on the possible distribution of future cash rates. However, they might be giving different answers because they are answering slightly different questions. When an economist forecasts the cash rate they are, normally, forecasting the most likely outcome. The RBA has made comments to this effect recently when saying they set rates “for the expected scenario”. For statisticians, the most likely outcome is known as the mode of the distribution.

However, the futures market will not be doing this. Futures market will be attempting to find the weighted average of the outcomes, or the mean of the distribution. When a distribution is skewed these two measures are not necessarily the same.

We believe the distribution of the expectations of the future cash rate is negatively skewed. There is significantly more chance of a global double dip or European sovereign concern causing the RBA to cut rates savagely than some other strange event causing the RBA to hike rates very quickly. Hence, the distribution of future cash rates is likely to be negatively skewed.

(The very fact that I struggle to come up with an example of what would cause the massive spike in rates is illustrative too.)

Consider a negatively skewed distribution of possible future cash rates, such as Figure 4. Figure 4 is entirely from my imagination, but I intend it to be semi-realistic and it does illustrate an important point. The mode of the distribution in Figure 4 is 5.50%. An economist using this distribution is likely to suggest the expected cash rate is 5.50%. However, a futures market would trade towards the average of 5.12%.

Obviously, this statistical feature of the market can be running simultaneously with most other explanations. Our options traders advise this is the case.

Is foreign money weighing on the front end?

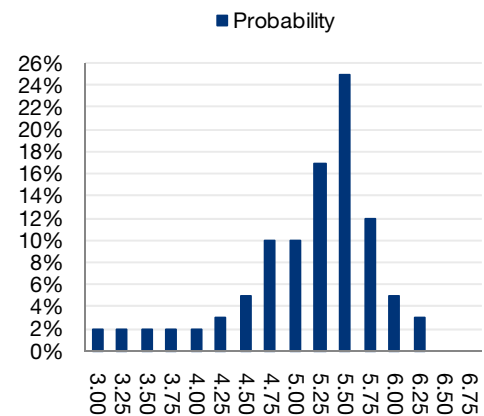
Another explanation is that the strength of the Australian dollar and the inflow of foreign money is artificially bidding down Australia’s yield curve. Smoothing of the curve can mean this impact filters through toward the front end of the curve. Figure 5 shows the AUS-US 2-year bond spread remains wide relative to both the 10-year bond spread and longer-dated Eurodollars (due to QE2). This is likely to be attracting

Figure 3 – Interbank cash rate pricing for end 2011



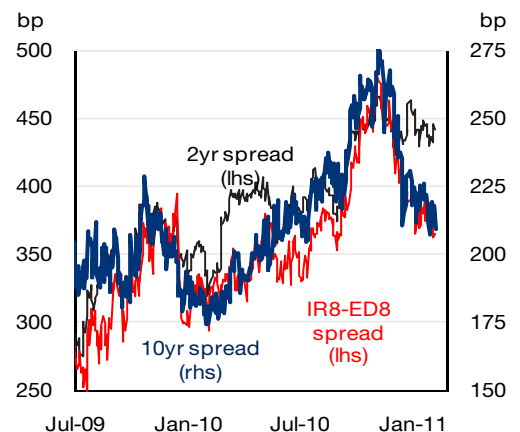
Source: Bloomberg, CBA

Figure 4 – An example of a possible expectations distribution



Source: Bloomberg, CBA

Figure 5 – AUS-US spreads



Source: Bloomberg, CBA



additional interest into that section of the curve notwithstanding economists' warnings on interest rates. Figure 6 shows foreign ownership of Commonwealth bonds continues to rise.

While we have some sympathy with that view, we are finding it difficult to find supporting empirical evidence. This supply and demand argument could be true of the physical bill and bond markets. But the implied RBA pricing comes from a cash settled derivative market – not a physical market. As the OIS and IB markets are cash settled, there is no reason that excess demand for the physical bills would affect the cash settled market. AFMA data also shows turnover of derivatives vastly exceeds that of physical bonds or bills. In credit markets, the CDS and the physical bonds routinely trade with a significant margin (“basis”) reflecting this difference.

There is some evidence that the physical bills are currently trading with a lower spread above the OIS than the bank bill futures are (Figure 7). However, we think this might be a seasonality effect. The bills futures will, per se, expire on a bill future expiry day. Bill expiry days tend to have much higher bill rate-sets than most other days. The difference between the bill futures to OIS spread and the physical bill to OIS spread may represent the extra cash in the physical market or it may represent the seasonality in bills.

There are other arguments that refute the “excess demand for AUD bonds” thesis too. Our repo traders report that there are excess bonds in the market available for repo. So much so, that “GC” repo – that is borrowing collateralised by a bond – actually has a higher yield than uncollateralised borrowing. GC repo has been trading around 4.76-80%, above the cash rate of 4.75%. If bonds were scarce then the reverse would be true. The GC rate would be under the cash rate.

Figure 8 shows the difference between the 2Y bond and the 1Y OIS rate. The large variations over the financial crisis show that the spread can alter when conditions are unusual enough to warrant it, but that in normal times the spread is reasonably reliable. Before the crisis, when the RBA was also generally tightening (and there were less bonds on issue), the bond was quoted reliably between 30 and 60bp under the OIS. Over the last few weeks the spread has increased from -5 to +15bp. This would indicate that, contrary to the cash-inflow hypothesis, there are actually plenty of bonds around and they yield more than you might expect given the level of the OIS.

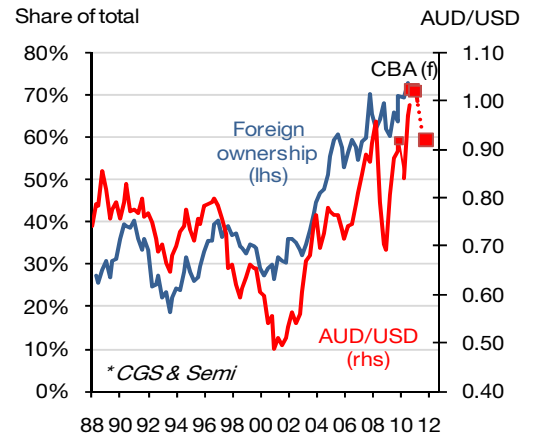
Conclusions

We find the most compelling arguments are a mixture of the “traders and economists are different” and the “statistical skew” elements. The “excess cash” argument seems fairly weak, though intuitively appealing.

We see the best approach to trading this as holding our existing paid 1y/1y position. Although the exact timing of the RBA's moves is hard to predict, the direction is not. While the skew of economists' forecasts and the trend to lowering and moderating RBA calls remains a problem, our sense is that this risk is being moderated by the improving US economic back-drop. The 1y/1y is well positioned to benefit from the sharp moves that will undoubtedly come when a catalyst for RBA hikes emerges. We have altered our target (5.90%) and stop (5.60%).

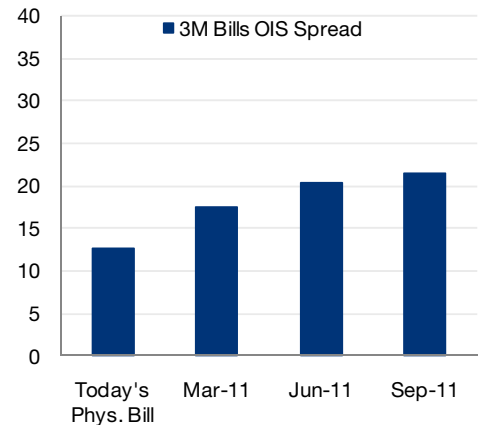
We are happy to maintain our position in the swap, but for new entrants might instead choose the 6M*1Y OIS as an alternative. Figure 7 shows that the bill rates move higher above the OIS the longer the maturity, which, from the pay-side, is unfortunate. Also, the recent sell-off has been concentrated at the 3Y point, so a slightly shorter trade probably has more juice left in it than the 1Y*1Y does.

Figure 6 – Foreign ownership of CGS



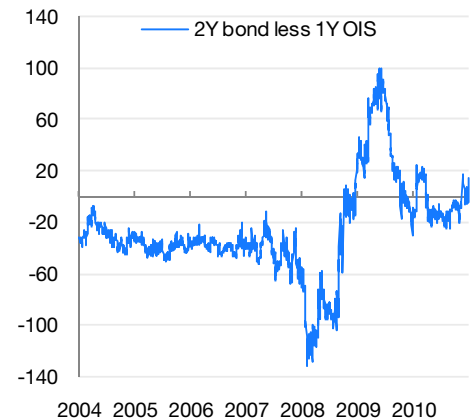
Source: ABS, CBA

Figure 7 – Spreads between cash bills, bill futures and the OIS rate



Source: Bloomberg, CBA

Figure 8 – 2Y bonds and the 1Y OIS



Source: Bloomberg, CBA



Taking profit on the AUD to NZD swap trade

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- We take profit of 35bp on the AUD to NZD swap differential trade.
- The trade will have made significant carry as well as the 20bp mark-to-market profit.
- The medium-term trend is still in favour of widening, we believe.
- However, a week with poor NZ data and good AUD sentiment has caused the spread to widen sharply.

On 1 November we recommended receiving the NZD 10Y swap against paying the AUD 10Y swap at a spread of 58bp.

The original justification for the trade was partly economic and partly carry-related. When we established the trade, we expected the RBA to be more active than the RBNZ and for this to translate into a wider spread. Broadly speaking, this has happened, though both the RBA and the RBNZ have been more ‘dovish’ than our original expectation.

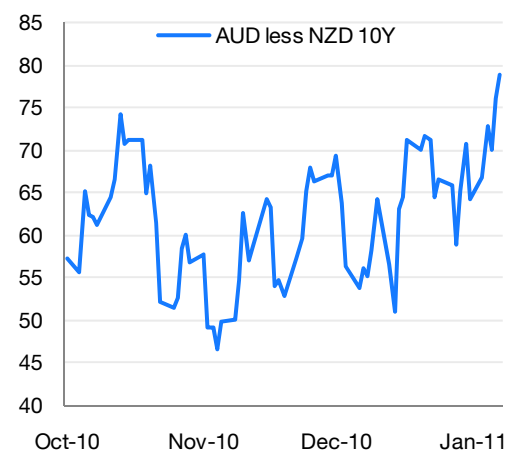
The second part of the justification was carry. The floating rate-sets on the NZD10Y swap are 3M BKBM, compounded. The 10Y rate at the time was nearly 200bp higher than the 3M rate-set. In Australia the rates were far closer, which gave the spread a highly positive carry of around 5bp per month.

Recently, the Australian market has sold-off heavily on the back of the RBA SoMP, while the weak NZ employment data has caused the NZ market to rally. As such, the spread between the two rates has spiked noticeably (see Figure 1).

In general, we still believe the spread is likely to trend wider in the medium term. However, the near term dynamics are probably for a tightening of the spread. If our expected rally in the US comes to pass, the AUD market is more likely to move with the US than the NZ.

We may well seek to re-establish this trade in the near term if the spread moves back towards the 60-65 level. However, the current level of 81bp presents a good opportunity to take profit.

Figure 1: AUD less NZD 10Y swap differential



Source: CBA, Bloomberg



Key Views

United States		Tactical (<1 mth)	Strategic (>3 mths)
<p>The outlook for US yields is changing. The Fed is worried about excess capacity in product and particularly the labour market and concentrating on warding off deflation risks. But the recent data has been brighter and the market is embracing recovery, while still concerned about the fiscal backdrop and potential inflation impacts of QE.</p> <p>Overall, we expect a stronger economic recovery to take hold in 2011 and for bond yields to head higher as the situation becomes clearer. But the market has run far quickly, and appears to be pricing an excessive inflation profile given the risks and capacity at hand. We look for a pull-back in the near-term as data continues to unveil a weak pricing environment. However, the strength of the activity data suggests we may not see this consolidation. The Fed is likely to be very slow to adjust its views and respond to such a recovery with tighter policy. When it does, we see room for the curve to flatten markedly.</p> <p>The payrolls-induced rally in the USD, overlaid with Egypt's political problems, is likely to run for a few more days. In our view, the USD rally is likely to provide entry points for long EUR/USD positions. Judging by recent bond auctions, investors appear to be satisfied with European authorities' attempts to deal with the debt crisis. We expect USD/JPY to remain relatively firm and stable because low levels of Japanese offshore investment and the short-term pull back in US yields will limit upside in USD.</p>	Policy rate	0.1%	0.1%
	10yr bond	3.40%	3.25%
	2/10 curve	270bp	250bp
	USD/JPY	83	85
	EUR/USD	1.33	1.42
Australia		Tactical (<1 mth)	Strategic (>3 mths)
<p>Australia's economic health and lack of spare capacity continues to stand in stark contrast to the rest of the advanced world. RBA tightening in 2010 put substantial flattening pressure on the domestic curve and saw spreads to the US benchmark widen noticeably. But the impact of that tightening on the retail sector and the AUD has curbed inflation pressure and contributed to a change in market trend in late 2010 (together with the US bond sell-off).</p> <p>A main dynamic in the domestic markets is tension between a comparatively weak current picture of the economy and a very strong medium term outlook. An example of this dynamic is the very strong labour market but consumers' reluctance to spend. We see the fundamental strength exerted by high commodity prices and booming investment as dominating over the year and pushing the RBA to tighten another 75bp this year to ward off inflation pressure generated by the tight labour market. However, with no "smoking gun" likely in the near term and a new flood levy on the way, timing on rate rises is harder to predict.</p> <p>We favour a paid 1Y/1Y position to directly capture the lack of RBA risk being priced.</p> <p>We expect AUD to fluctuate around parity (0.97-1.02) over the next few months. Any further payrolls-induced fall in AUD is likely to find strong support at the bottom of that range. In the medium term, we expect the AUD to begin easing once the Fed indicates it is preparing to withdraw its loose policy stance and the USD firms, but we expect to see 1.02 trade again before then.</p>	Policy rate	4.75%	5.00%
	10yr bond	5.60%	5.50%
	3/10 curve	40bp	25bp
	10yr EFP	52bp	55bp
	10yr v US	220	225
	AUD/USD	0.97	0.99
	New Zealand		Tactical (<1 mth)
<p>The RBNZ is on hold and our economists believe it will remain so until the third quarter. The income boost coming through from growth in Asia points to eventual extension of the cycle and further RBNZ tightening thereafter once the economy recovers some traction.</p> <p>The NZ curve has been steepening because weaker domestic outcomes have lowered front end rates while higher offshore rates have kept the long-end elevated. Markets expect the RBNZ to leave rates alone and the offshore movements are likely to continue driving the slope of the NZ curve.</p> <p>The NZD is likely to face headwinds while there is a bid for USD is the latest round of risk aversion care of the unrest in Egypt but we do not envisage the dip in NZD to be large. We think the soft NZ economy is likely to be reflected in gains in AUD/NZD and expect the recent dip in AUD/NZD to have been exhausted.</p>	Policy rate	3.00%	3.00%
	10yr bond	5.50%	5.50%
	2/10 swap curve	145bp	145bp
	10yr v US	210	225
	10yr v AUS	+10	0
	NZD/USD	0.76	0.77
	AUD/NZD	1.31	1.32



CBA Forecasts:

Cash rate	7-Feb	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
US	0.25	0.25	0.25	0.25	0.50	0.75	1.00	1.25	1.50
Australia	4.75	4.75	5.00	5.25	5.50	5.75	5.75	5.75	5.75
New Zealand	3.00	3.00	3.00	3.25	3.50	3.75	4.25	4.50	4.50
United Kingdom	0.50	0.50	0.50	0.50	0.75	1.00	1.25	1.50	1.75
Eurozone	1.00	1.00	1.00	1.00	1.00	1.25	1.50	1.75	2.00
Japan	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
2-yr bond yield	7-Feb	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
US	0.75	0.50	0.80	1.10	1.40	1.70	2.00	2.30	2.50
Australia	5.19	5.10	5.40	5.60	5.70	5.70	5.70	5.65	5.60
New Zealand	3.80	3.80	4.00	4.20	4.60	4.90	5.00	4.80	4.80
United Kingdom	1.52	1.20	1.20	1.40	1.60	1.80	1.90	2.00	2.10
Eurozone	1.44	0.90	1.00	1.20	1.40	1.70	2.00	2.30	2.50
Japan	0.23	0.15	0.15	0.20	0.20	0.30	0.60	0.70	0.70
10-yr bond yield	7-Feb	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
US	3.64	3.00	3.10	3.30	3.50	3.70	3.80	3.90	4.00
Australia	5.73	5.50	5.60	5.70	5.75	5.80	5.75	5.70	5.70
New Zealand	5.54	5.50	5.70	5.80	5.90	5.90	5.90	5.80	5.80
United Kingdom	3.82	3.30	3.30	3.50	3.60	3.60	3.70	3.80	4.00
Eurozone	3.26	2.80	2.80	2.90	2.90	3.00	3.10	3.20	3.30
Japan	1.30	1.00	1.10	1.10	1.20	1.30	1.40	1.60	1.70
Currencies	7-Feb	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
AUD/USD	1.01	1.02	0.99	0.94	0.92	0.90	0.88	0.85	0.85
AUD/JPY	83	87	85	82	81	79	77	75	75
AUD/EUR	0.75	0.73	0.68	0.66	0.66	0.66	0.65	0.64	0.65
AUD/GBP	0.63	0.63	0.58	0.56	0.56	0.56	0.55	0.54	0.54
AUD/CAD	1.00	1.03	1.01	0.97	0.96	0.95	0.92	0.92	0.92
AUD/NZD	1.32	1.34	1.32	1.31	1.30	1.29	1.28	1.25	1.25
USD/JPY	82	85	86	87	88	88	88	88	88
USD/EUR	1.36	1.40	1.45	1.42	1.40	1.36	1.35	1.32	1.30
USD/GBP	1.61	1.62	1.70	1.68	1.65	1.60	1.59	1.58	1.58
USD/CAD	0.99	1.01	1.02	1.03	1.04	1.05	1.05	1.08	1.08
USD/NZD	0.77	0.76	0.75	0.72	0.71	0.70	0.69	0.68	0.68



Calendar – February 2011

Monday	Tuesday	Wednesday	Thursday	Friday
<p>31 January</p> <p>AU Private sector credit, Dec NZ Building permits, Dec NZ Trade balance, Dec JP Industrial/vehicle production, Dec JP Housing starts/construction orders, Dec UK GfK consumer confidence survey, Jan, Index</p>	<p>1</p> <p>AU AI-Group PMI, Jan, Index, (46.3) AU NAB Bus conf/cond, Dec, Index, (6/4) AU ABS House price indexes, QIV, q%ch, (0.1) AU RBA cash rate, %, 4.75, (4.75) NZ Avg Hourly Earnings, QIV, q%ch, (1.0) NZ Labour Cost - Priv Sect, QIV, q%ch, (0.5) EU/GE/UK PMI manufacturing, Jan, Index, (56.9/60.2/58.3) UK Net consumer credit, Dec, £bn, (-0.1) US ISM manufacturing, Jan, Index, (57) US Total vehicle sales, Jan, mn, (12.53)</p>	<p>2</p> <p>AU HIA new home sales Dec, m%ch, (-0.2) EU PPI, Dec, m/y%ch, (0.3/4.5) UK PMI construction, Jan, Index, (49.1)</p>	<p>3</p> <p>AU CBA/AI-Group PSI, Jan, Index, (46.4) AU Build approv, Dec, m%ch, 2.0, (-4.2) AU Trade balance Dec, \$bn, 1.8, (1.9) NZ Emp Growth/Unemp Rate, QIV, (1.0/6.4) CH Non-Manuf PMI Jan, Index, (56.5) EU PMI services/composite, Jan, Index, (55.2/56.3) EU ECB announces int. rate, %, 1.00, (1.00) GE/UK PMI services, Jan, Index, (60/49.7) US ISM non-manufacturing, Jan, Index, (57.1) US Factory orders, Dec, m%ch, (0.7)</p>	<p>4</p> <p>AU RBA Statement on Monetary Policy UK New car registrations, Jan, y%ch, (-18.0) US Non-farm payrolls, Jan, '000, (103) US Unemployment rate, Jan, %, (9.4) US Avg hrly earnings, Jan, m/y%ch, (0.1/1.8) CA Net change in employment, Jan, '000, (22) CA Unemployment rate, Jan, %, (7.6) CA Ivey purchasing manager index, Jan, (50)</p>
<p>7</p> <p>AU AI-Group PCI, Jan, Index, (43.8) AU ANZ Job ads, Jan, m%ch, (2.0) AU Retail trade, Dec, m%ch, 0.5, (0.3) AU Retail sales ex inf., QIV, q%ch, -0.5 (0.7) JP Leading / Coincident index CI, Dec, , (100.6/102.4) GE Factory orders, Dec, m/y%ch, (5.2/20.6) US Consumer credit, Dec, \$bn, (1.346) CA Building permits, Dec, m%ch, (-11.2)</p>	<p>8</p> <p>JP Curr a/c total/adj., Dec, ¥bn, (926.2/1145.1) JP Trade balance - BOP basis, Dec, ¥bn, (259.7) GE Industrial production, Dec, m/y%ch, (-0.7/11.1) UK RICS house price balance, Jan, %, (-39) CA Housing starts, Jan, '000, (171.5)</p>	<p>9</p> <p>AU MI/WBC Consumer Sent, Feb, Index, (104.6) NZ Card spending, Jan, m%ch, (-0.9) JP Consumer confidence, Jan, Index, (40.2) JP Machine tool orders, Jan, y%ch, (64.0) GE Trade bal, Dec, €bn, (12.9) UK Total trade balance, Dec, £bn, (-4.1)</p>	<p>10</p> <p>AU Labour force, Jan employment, '000, 25, (2.3) unemployment rate, %, 5.0, (5.0) participation rate, %, 65.9, (65.8) AU MI Consumer Inflation Expectat, Feb, %, (4.6) AU MI Unemp. Exp., Feb, Index (108.7) CH Trade balance Jan, (13.1) JP Machine orders, Dec, m/y%ch, (-3.0/11.6) EU ECB Monthly report UK Industrial production, Dec, m/y%ch, (0.4/3.3) UK BoE announces rates, %, 0.50, (0.50) US Wholesale inventories, Dec, m%ch, (-0.2)</p>	<p>11</p> <p>AU RBA Parliamentary Testimony NZ Food prices, Jan, m%ch, (-0.8) CH PPI/CPI, Jan, y%ch, (5.9/4.6) CH Industrial production, Jan, y%ch, (13.5) CH Fxd Ass Investment, Jan, y%ch, (24.5) CH Retail sales, Jan, y%ch, (19.1) GE CPI, Jan, m/y%ch, (1.0/1.7) UK PPI Input/Output/core, Jan, y%ch, (12.5/4.2/2.9) US Trade balance, Dec, \$bn, (-38.3) US Uni. Of Michigan confidence, Feb, Index CA Trade balance Dec, C\$, (-0.1)</p>
<p>14</p> <p>AU Housing finance, Dec, m%ch No. of own-occupiers, %, 4.0, (2.5) Value of all loans, %, 3.0, (2.9) NZ Retail sales ex inflation, QIV, q%ch, (0.7) NZ Retail sales, Dec, m%ch, (1.5) JP GDP, QIV, q%ch EU Industrial production Dec, m/y%ch, (1.2/7.4)</p>	<p>15</p> <p>AU RBA Board Minutes AU NAB Bus conf/cond, Jan, Index JP Industrial production, Dec, m/y%ch, (1.0/4.2) JP BoJ target rate, %, 0-0.10 (0-0.10%) EU GDP, QIV, y%ch, (1.9/3.9) EU/GE ZEW survey (econ. sentiment), Feb, (25.4/15.4) UK CPI, Jan, m/y%ch, (1.0/3.7); core, y%ch, (2.9) US Import price index, Jan, m/y%ch, (1.1/4.8) US Retail sales, Jan, m%ch, (0.6) US Business inventories, Dec, m%ch, (0.2)</p>	<p>16</p> <p>AU DEWR skilled vacancies, Feb, m%ch, (-4.6) AU New motor veh. sales, Jan, m/y%ch, (0.8/-3.1) UK ILO unemployment rate (3mths), Dec, %, (7.9) UK Bank of England Inflation Report US Building permits, Jan, '000, (635) US Housing starts, Jan, '000, (529) US Producer price index Jan, m/y%ch, (1.1/4.0) US Capacity utilisation, Jan, %, (76.0) US Industrial production, Jan, m%ch, (0.8) CA Leading indicators, Jan, m%ch, (0.5)</p>	<p>17</p> <p>AU RBA Ass Gov Lowe speaks in Sydney NZ Business PMI, Jan, Index, (53.1) NZ Producer prices, in/outputs, QIV, q%ch, (0.7/1.2) JP Leading / Coincident index CI, Dec, EU Current account, Dec, €bn, (-11.2) EU Construction output, Dec, m/y%ch, (-0.9/-6.8) US CPI, Jan, m/y%ch, (0.5/1.5); core, (0.1/0.8) US Leading indicators, Jan, m%ch, (1.0) US Philadelphia Fed, Feb, Index, (19.3) CA Wholesale sales, Dec, m%ch, (1.2)</p>	<p>18</p> <p>GE Producer prices, Jan, m/y%ch, (0.7/5.3) UK Retail sales, Jan, m/y%ch, (-0.8/0.0) CA CPI, Jan, m/y%ch, (0.0/2.4)</p>
<p>21</p> <p>AU HIA Housing Affordability Index, QIV NZ PSI, Jan, Index, (52.5) NZ Credit card spending, Jan, m/y%ch, (-1.4/2.0) GE IFO - Business climate, Feb, Index, (110.3)</p>	<p>22</p> <p>US S&P/Case-Shiller home price ind., Dec, US Richmond Fed, Feb, Index CA Retail sales, Dec, m%ch, (1.3)</p>	<p>23</p> <p>AU Prelim. construction wk done, QIV, q%ch, , (-2.1) AU WPI QIV, q/y%ch, 0.9/3.8, (1.1/3.5) JP Trade bal total/adj, Jan, ¥bn EU Industrial new orders, Dec, m/y%ch, (2.1/19.9) UK Bank of England minutes US Existing home sales, Jan, mn/m%ch, (5.28/12.3) CA Teranet House Prices, Dec, y%ch, (4.9)</p>	<p>24</p> <p>AU Capex, QIV, q/y%ch, 5.0, (6.2) AU AWE Nov, q/y%ch, 1.4/3.8 (0.4/4.5) GE GDP, QIV US Durable goods orders, Jan, m%ch, (-2.5) US New home sales, Jan, m%ch, (17.5)</p>	<p>25</p> <p>JP CPI, Jan, GE CPI, Feb, UK Total bus investment, QIV, q/y%ch, (3.1/8.9) UK GDP, QIV, q/y%ch, (-0.5/1.7) US GDP, QIV US Uni. Of Michigan confidence, Feb, Index</p>
<p>28</p> <p>AU Company profits, QIV, q%ch, 0.0, (-1.5) AU Private sector credit, Jan, AU Inventories, QIV, q%ch, -0.2 (-0.8) GDP contrib, %, 0.2 (-0.2) AU RP Data house prices, Jan, NZ Building permits/Trade balance, Jan NZ NBNZ Business confidence, Feb, Index JP Industrial/vehicle production, Jan EU CPI, Jan, m/y%ch, (0.6/2.2); core, y%ch, (1.1) US Personal income/spending, Jan US Pending home sales, Jan, m/y%ch, (2.0/-3.6) CA GDP, QIV, q%chsaar, (1.0)</p>			<p>Early March AU Balance of Payments, QIV (1 Mar) AU Govt Finance Stats, QIV (1 Mar) AU Retail trade, Jan (1 Mar) AU GDP, QIV (2 Mar) AU Trade in Goods & Services, Jan (3 Mar) AU Building approvals, Jan (3 Mar)</p>	<p>Central Bank Meetings AU RBA (1 Feb) EZ ECB (3 Feb) UK BOE (10 Feb) JP BoJ (15 Feb) CA Bank of Canada (1 Mar) NZ RBNZ (10 Mar) US FOMC (16 Mar)</p>

Note: Figures in brackets represent previous result (if available). All information is preliminary and subject to revision. Chief Economist: Michael Blythe ph: 9118-1101 Economist: James McIntyre: 9118-1100



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