Global Markets Research

Fixed Income: Weekly Strategy

27 September 2010

Australian flattening gathers pace as RBA October hike approaches

- The RBA will meet on October 5 for a "live" meeting. The market is likely to drift towards a fully priced hike.
- Offshore news is the only thing we can see that might stop the RBA from raising rates.
- In New Zealand an eventful month has seen our OIS insurance trade protect us well.

Over the last week speculation was mounting about what the FOMC would decide at their 21 September meeting. Much like the recent AFL Grand Final, the FOMC decision was slightly inconclusive. There were definite hints that they were opening the way for future easing, but also there were hints that the FOMC didn't see deflation as a serious concern. St Kilda and Collingwood play again on Saturday to find a winner, but we'll need to wait until November for the next FOMC meeting.

The market reaction to the FOMC was less nuanced. There was a significant rally in bonds that flattened the US and Australian curves, as well as widening the Australia/US bond spread. Since last Monday, the 10Y US Treasuries have rallied 14bp.

Locally, the release of press reports suggested the RBA was considering raising rates in October meant domestic markets missed the overall rallying tone. Australian 3Y bond futures have sold-off 5bp since last Monday while the 10Y have rallied 2bp. This has flattened the Australian curve by 7bp, down to little more than 20bp. We look for it to flatten further.

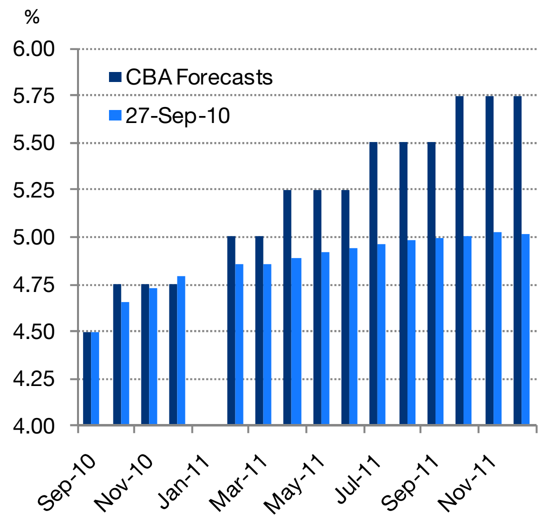
On page 3 Philip Brown discusses the developments and outlook for the RBA ahead of their 5 October meeting. After Governor Stevens' hawkish speech last week the October meeting is very much "live" with the CBA economics team expecting the RBA to raise rates.

In Europe the spreads on the so-called "peripheral" European sovereigns have been slowly widening. Interestingly, this has mostly been in a very orderly fashion with few large gaps. Despite the very wide spread both Portugal and Ireland managed to sell bonds at tender with high bid/cover ratios. The bond tenders were before the frankly appalling Irish Q2 GDP figures, however (expected +0.4% q/q, actual -1.2% q/q). If the market maintains functionality and continues to provide new funding to Sovereigns then the wider spreads are not, in of themselves, a concern (though the cost will, eventually, prove prohibitive).

Poor GDP reports were something of a theme this week. In New Zealand the GDP data printed at +0.2%, below market expectations of +0.8% and RBNZ forecasts of +0.9%. This poor data, combined with the ongoing assessment of the Canterbury Earthquake, has convinced our NZ economics team that the RBNZ will be on hold until March. This affects a number of our recommended trades and the full ramifications are discussed on page 5. In summary, we still look for the NZ curve to flatten eventually and the carry characteristics of the NZ trade we have recommended are not too bad. We leave our flattener in place but take profit on the received 6M OIS trade we had instituted as a hedge against the market rallying in response to an RBNZ pause.

Contents:

October is a live RBA meeting



Adam Donaldson Head of Debt Research T. +612 9118 1095 E. adam.donaldson@cba.com.au
Philip Brown Quantitative Strategist T. +612 9118 1090 E. philip.brown@cba.com.au

Key Trades

Trade	Entry	Curent	Profit	Target	Stop	Comment
Buy the NSWTC Jun-20 (Government Guaranteed) as an ASW	*-12bp (3-Feb-10)*	*-24bp*	*12bp*	*-35bp*	*0bp*	***Hold:*** *A long term buy and hold trade. The NSWTC budget suggests borrowing will reduce. QTC has started to consolidate GG bonds.*
Sell the May-13 ACGB against the Nov-12 and Dec-13	*-11bp (25 May)*	*-8bp*	*+3bp*	*3bp*	*-20bp*	***Hold:*** *Taking longer than we thought – but with Dec-13 included in March 2011 Basket should work eventually*
*Buy 100m AUD 3M*2Y 5.30 payer, sell 200m 3M*2Y 5.60 payer, buy 100m 5.90 payer*	*6.2bp premium (22 June)*	*OTM – 5.14%*	*-6bp (prem-ium)*			***Expired OTM:*** *But only just.*
Pay 3yr AUD EFP	*35bp (9 August)*	*39bp*	*+4*	*45bp*	*30bp*	***Hold:*** *Increased mortgage fixing may force this wider as curve flattens.*
Sell the May-13 ACGB vs the Apr-20	*62bp (5 July)*	*24bp*	*38bp*	***15bp***	***33bp***	***New Target and Stop:*** *Hawkish speech by Stephens has flattened curve further. October Hike would flatten further.*
10yr ACGB BEI widening	*255 bp (18 August)*	*273bp*	*18bp*	*280bp*	*240bp*	***Hold:*** *Spread has widened in the sell-off*
*OTM Conditional Stepeener. 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 August)*	*5.21 and 5.61*	*-0.4bp (prem-ium)*			***Hold:*** *An insurance trade for a global double dip.*
Buy the NSWTC Apr-19 vs the EIB Aug-19	*63bp (8 Sep)*	*63bp*	*0bp*	*75bp*	*55bp*	***Hold:*** *We shift into the NSWTC to EIB trade.*
Buy the Suncorp Metway Govt Guaranteed Apr-11 Floater.	*TM of 29.5bp*	*28.5bp*	*+1.5bp*	*0bp*	*40bp*	***Hold:*** *This bond is Government Guaranteed. It should be much tighter. Can hold to maturity in 7 months.*
Sell the Mar-12 IR future against the Mar-11	*17bp (21 Sep)*	*17bp*	*0bp*	*50bp*	*0bp*	***New Trade:*** *The market is underpricing the chance of an active RBA through 2011*
Buy NZGB May-21 vs ACGB May-21	*29bp (5 July)*	*-5bp*	*+34bp*	*-10bp*	***14bp***	***Hold:*** *RBA speculation combined with weak NZ GDP has helped the trade a lot. New Stop.*
Receive 6M NZ OIS	*3.16 (30 August)*	*3.05%*	*+11bp*	*3.02%*	*3.25%*	***Take Profit:*** *Protected us against the pause as we'd hoped.*
*Pay 6M*2Y vs Buying the May-21*	*111bp (30 August)*	*111bp*	*0bp*	*50bp*	*135bp*	***Hold:*** *A number of influences have cancelled out. Still look for further flattening.*

Will the inevitable rate hike be in October?

Philip Brown – Fixed Income Quantitative Strategist – 61 2 9118 1090 – philip.brown@cba.com.au

- The market pricing suggest that a rate hike is the likely, but not certain, outcome in October
- CBA expects that the RBA will hike rates. We also expect that the IB market will drift towards 100% pricing.
- The interest in fixed rate mortgages is growing, which should see swap spreads widen.

The RBA meets next Tuesday (October 5) in a "live" meeting. The market is currently pricing a 63% chance of a rate rise from the RBA. Our core expectation is that the RBA will raise rates with our economists having brought forward the expected timing of a move from November to October last week. The underlying economy is strong with limited spare capacity. The direction of rates is not under question – they will rise. The difficulty is in predicting exactly when.

The current market pricing is for a slightly better than 50/50 chance of a rate rise. We cannot see any scheduled major event in the next week that will clearly resolve this one way or the other. There is a moderate amount of data to be released between now and then, but none of it has, traditionally, been massively relevant for the RBA

There are a lot of data scheduled for release on Thursday. Building Approvals is the most well-known, though the Private Sector Credit figures should not be overlooked. Anecdotally the housing and mortgage markets have been patchy recently. On the meeting-day itself the Retail Sales data will be released at 11:30am either during, or just after, the RBA meeting – depending on how long the board meeting actually goes for.

The RBA will be releasing a Financial Stability Review on Wednesday (30 Sep) but this is unlikely to hold much on monetary policy. Unless the RBA has become significantly more concerned about, for example, the European Sovereign situation it will be immaterial. Given that Governor Stevens was aware of the widening spreads in Europe when he spoke last week we can't imagine the FSR will be so cautious as to prevent an October rate rise.

There is the possibility of another article by a journalist considered to be "well-placed" and closely watched. However, with Terry McCrann already having described the October rate rise as "all but certain" we wonder how much more influence can come from this route. McCrann has already written two hawkish articles and Alan Mitchell a third. Ross Gittens says interest rates are likely to be higher for years, barring a catastrophe. Our best guess is that the market will price the move a little more fully this week as it comes to view RBA rate increases as inevitable in the absence of news to the contrary.

Last week we drew attention to the fact that current pricing implies the RBA will not raise rates significantly in 2011. Although the pricing suggests that a rate rise by year end is expected, only 25bp of rises are expected over the entirety of 2011. In contrast, the CBA economics team expect one rise per quarter, taking the rate 100bp higher over the year.

Preferred Trades

Last week we instituted a bank bill spread trade to capture this apparent anomaly. We have been asked why we did not suggest paying the 6M*1Y swap rate. Indeed we could have and we do fundamentally like

Figure 1: Pricing of the RBA and CBA forecasts

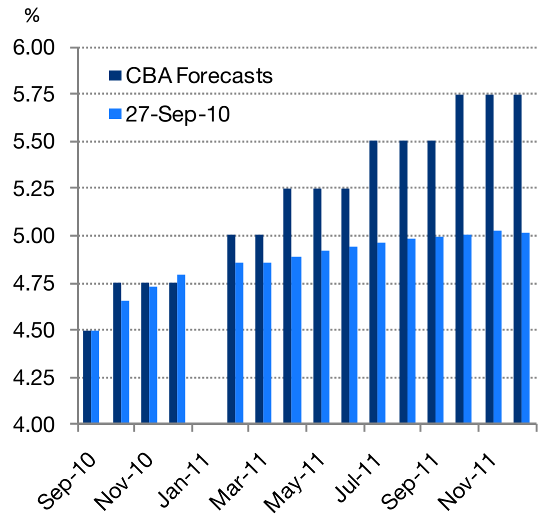
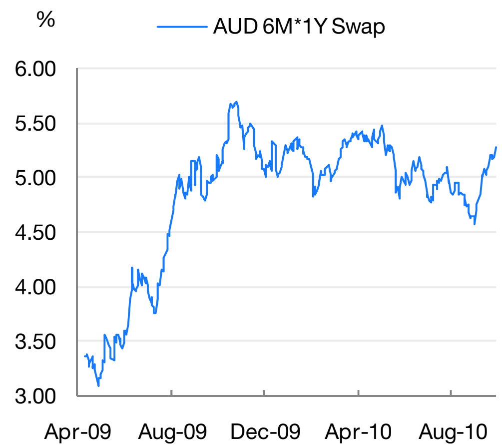


Figure 2: AUD front end selling-off



the position.

What held us back at the time (and continues to do so) is that the swap is much more exposed to an outright rally. If we are wrong and the RBA doesn't raise rates next week, there will be a rally. This rally may actually steepen the curve, if the RBA doesn't raise rates now but leaves rate hikes on the agenda by saying something like "rate hikes are coming, but not right now".

The outright level is, of course, significantly more volatile than the spread trade we have selected. However, we do like both of them and the choice between them is more one of relative risk-return trade-offs than any real difference in underlying view.

A third trade that could come into its own is the paid 3Y EFP that we have been sitting on for a while. We have been forecasting that the flattening of the yield curve will prompt a pick-up in mortgage fixing, taking swap spreads wider (Chart 3). However, the fear factor hasn't been there to induce households to act. But, judging by the latest trend in CBA's website hits, that could be about to change.

Figure 3: Fixed rate spreads and mortgaging fixing

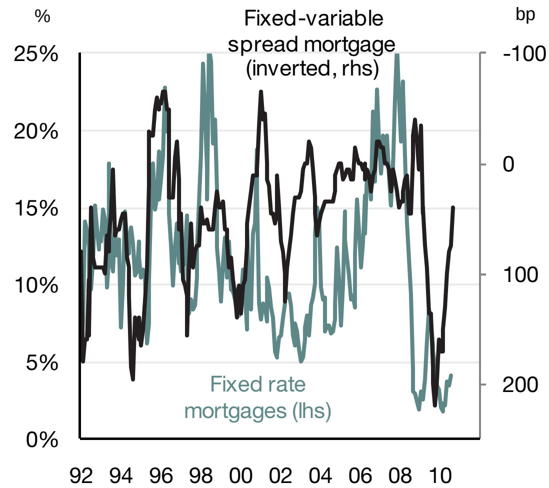
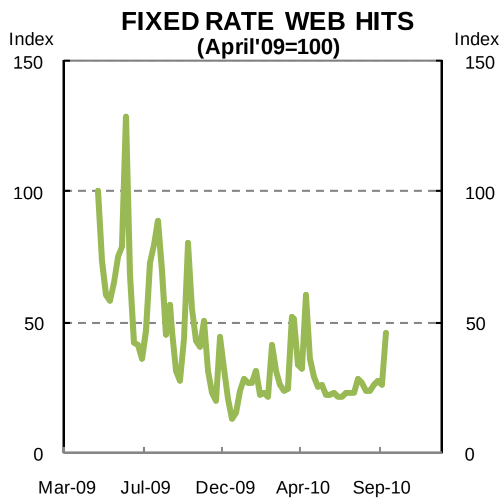


Figure 4: More interest in CBA's Fixed Rate web site



Repositioning in NZ – flattener stays, but without the hedge

Philip Brown – Fixed Income Quantitative Strategist – 61 2 9118 1090 – philip.brown@cba.com.au

- The GDP outcome has prompted our NZ economists to extend their expectation for the RBNZ's pause to March.
- We had previously recommended a flattening trade, with an OIS position to protect against an RBNZ pause.
- We take profit on the OIS trade, but maintain the flattener. We also maintain our ACGB to NZGB spread trade.

Background

We had previously recommended a flattener, with OIS for insurance.

On August 30 we highlighted in these pages that our NZ economics team had changed its near-term RBNZ call to "on-hold" until December – and that this could lead to a rally in the front-end of the NZ curve. But they (and we) still expected substantial tightening in 2011, which would lead to a medium term flattening bias. At the time we suggested positioning for this with a combination of trades.

To capture the likely flattening as the RBNZ hiked over the medium term, we suggested a general flattening position. To capture the tightening (outperformance) of bonds versus swaps we recommended buying a May-21 NZGB instead of receiving swap for the long end of the flattener. In all, we suggested paying the 6M*2Y swap against the May-21 bond at a spread of 111bp.

To protect against the likelihood of the RBNZ pausing in September we received the 6M OIS rate at 3.16%.

Recent Events

It has been an unfortunately eventful time in NZ

It has been an eventful (and unfortunate) month in New Zealand since we wrote on August 30. The Canterbury earthquake struck on 4 September. The initial reaction was for bonds to underperform swap with fears the Earthquake Commission would need to sell large volumes of bonds to raise money. Over the next few days this fear waned as better information came to the market.

The earthquake caused a significant steepening of our trade, as the probability of rate hikes lessened and the bonds underperformed swap. However, the OIS rallied slightly, offsetting our losses somewhat.

The RBNZ duly paused in September and, amongst other things, predicted GDP growth of 0.9% in Q2. They were too optimistic. The figure was released at 0.2% on 23 September. This release prompted a significant rally. It also prompted our NZ colleagues to reassess their forecasts for the length of the pause the RBNZ will have before raising rates again. Their new

Figure 1: The flattening trade has returned to our entry level (111bp on Aug 30)

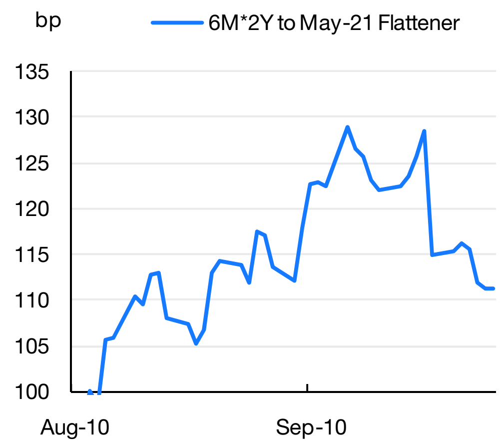
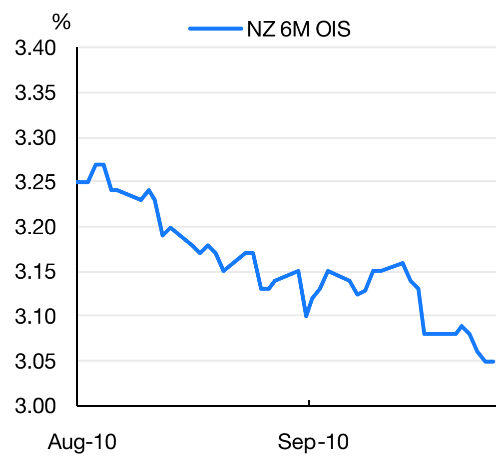


Figure 2: OIS has protected us from an RBNZ pause – as we hoped it would



forecast is for the first rate rise to occur in March 2011.

The GDP was weaker than expected

The NZ GDP release coincided (more or less), with the FOMC's conspicuously open-ended assessment of the prospects of quantitative easing. As a consequence of the rally in 10Y Treasuries, the rally in NZ did not steepen the curve as much as might be expected for a move of that size. The continuing rally in the US has helped the NZ curve to flatten more over the latter part of the week too.

The upshot of all this is that the flattening trade is now almost exactly where we entered it, while the OIS trade has gained 11bp. We have been somewhat fortunate in that the US QE speculation has helped the long end of the NZ curve keep pace with the front end. However, our expectation of bonds outperforming swap has proved correct. Despite the Earthquake Commission selling (which was less than originally assumed) bonds have outperformed swap as the curve has rallied. This is somewhat unusual. Normally NZ swaps are faster to react.

We remove our received OIS position, it has served its purpose

However, the developments of the last few weeks have changed our outlook somewhat. First, the OIS trade has served us well, but it is now time to take profit. The current pricing of the curve leaves only the barest chance of a rate hike inside six months. As we don't see an RBNZ easing on the horizon we take profit at this point (see Figure 3). Strictly speaking there could be another basis point or two in the trade, but we are comfortable with 8bp of profit.

We retain the flattener, for now

We still favour flattening of the NZ curve – eventually. That's the kicker, the time that it might take this trade to work. The total carry is not particularly horrible on this trade (surprisingly). Although the swap curve is very steep at the front end, the 6M*2Y swap has no actual carry, only roll-down. While the 10Y part of the bond curve is flatter, the physical nature of the bond and the low repo in NZ mean there is both carry and roll-down on the bond part of the trade. In all, the flattener costs about 2bp per month to hold. This is not negligible, but not too bad either. For the moment we will hold the trade.

Revisions to NZ bill and bond forecasts following RBNZ revisions

Updated bond forecasts

In light of the poor GDP numbers and revised RBNZ expectations we have revised our NZ bill and bond forecasts. With the RBNZ already suggesting the peak of the cycle will be much lower than market pricing, it is easy to envisage a scenario where the pricing initially overshoots the eventual peak.

For this reason we have a slight rally coming into the numbers after the cash rate peaks at

Figure 3: Implied rates now only marginally above cash

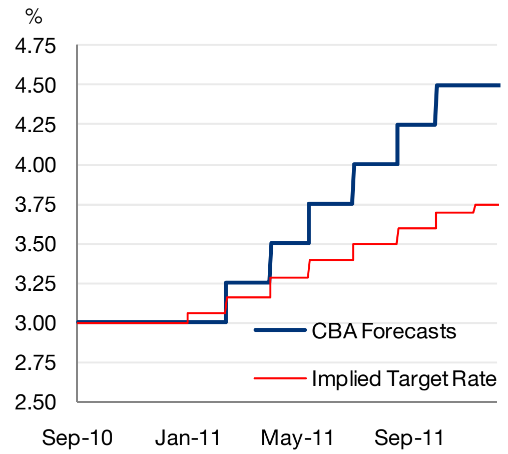


Figure 4: New NZ bill and bond forecasts

	Now	Dec-2010	Jun-2011	Dec-2011	Jun-2012	Dec-2012
RBNZ	3.00	3.00	3.75	4.50	4.50	4.50
3M	3.14	3.25	4.25	4.70	4.70	4.70
2Y		4.00	4.60	5.00	4.80	4.70
3Y	3.92	4.20	4.70	5.10	5.00	4.90
10Y	5.14	5.10	5.30	5.50	5.50	5.40

4.50%.

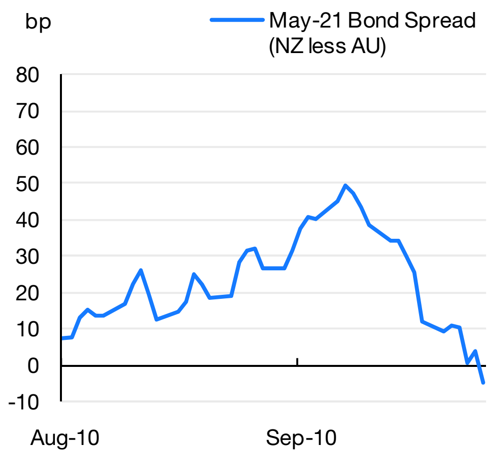
Also keeping our ACGB/NZGB spread

Keep hold of our ACGB to NZGB spread

Our final NZ trade to review is a long held ACGB to NZGB spread trade (we look for ACGB to underperform NZGB). This trade has done very well over the past week as the growing speculation about the RBA has seen AUD rates resist the global rally. The poor NZ GDP data also helped this trade.

With the RBA odds-on to raise rates at least once (and quite probably twice) before the RBNZ next raises rates we are happy to keep this trade. We believe the market is still underestimating the likelihood of RBA rate rises continuing through 2011 (see article above). We shift the stop for this trade to capture some of the profit already made.

Figure 5: ACGB to NZGB 10Y Spread



Key Views

United States

US data has become patchy, with notable weakness in housing starts but some stronger readings in other places (Capital Goods Orders, for example). The FOMC did not increase QE at its meeting this week. Nor did they rule it out, somewhat pointedly saying they stood ready if needed.

Pressure to reduce the deficit following austerity measures elsewhere around globe appears to be giving way to the need for more fiscal stimulus, but we suspect the impact on bonds will be limited given the trend towards austerity elsewhere. The political sphere is starting to interact with the financial sphere in currency markets too. After the intervention of the BoJ the Yuan fix has come under increased speculation. The congressional panel has approved a bill allowing the US to increase duties on countries whose currencies are undervalued as a result of an intervention (read China).

The USD is range bound between risk-aversion demand and lower levels associated with low US bond yields. Sideways movement in the USD is likely to remain the outcome for now. However, if the Fed conducts additional QE, the USD will weaken.

	Tactical (<1 mth)	**Strategic** (>3 mths)
Policy rate	0.1%	0.1%
10yr bond	2.4%	2.8%
2/10 curve	200bp	230bp
USD/JPY	83.5	84
EUR/USD	1.35	1.32

Australia

The Australian economy continues to perform well despite the weakness in Europe and the US. The August SOMP and meeting minutes show the RBA continues to expect Australia to benefit from surging commodity prices and trade linkages with Asia. Governor Stevens has re-affirmed this view in his recent speech in Shepparton. The market is now pricing a two-thirds chance of a hike at the October meeting.

Ultimately, more tightening is likely both later in 2010 and through 2011 as policy-makers make room for the resources boom and inherent inflation risks.

In the short term the US long end may continue to outperform Australian rates, though sentiment can be fickle. The contrast between the US and the Australian outlook points to a flatter Australian curve.

The combination of a range-trading USD, declining vol, and Australia's relative economic health are providing upside risks to the AUD. Stronger than expected outcomes in China and Asia's economies and weaker than expected outcomes in the US and Europe will feed into future AUD strength if vol. can remain low.

	Tactical (<1 mth)	**Strategic** (>3 mths)
Policy rate	4.50%	4.75%
10yr bond	5.00%	5.20%
3/10 curve	10bp	30bp
10yr EFP	50	55
10yr v US	230	220
AUD/USD	0.96	0.97

New Zealand

The recent earthquake in Christchurch has left a significant re-building task. In economic terms the result is that near-term growth is reduced, but medium term GDP is given a boost by the rebuilding effort.

After a much weaker than expected Q2 GDP reading our economists look for the RBNZ to be on hold through to the March meeting in 2011, before again raising rates. The RBNZ left rates unchanged at the September 16 meeting and issued a relatively Dovish statement.

There has been a loss of momentum in New Zealand's economy. The pause in the RBNZ tightening cycle will leave the bulk of the New Zealand yield curve below the Australian yield curve for an extended period. Upward pressure on AUD/NZD is likely to remain the case for the next month or more. But NZD should remain well supported by a pick-up in dairy prices and a subsequent lift in NZD terms-of-trade.

	Tactical (<1 mth)	**Strategic** (>3 mths)
Policy rate	3.0%	3.0%
10yr bond	5.2%	5.6%
2/10 swap curve	120bp	100bp
10yr v US	270	220
10yr v AUS	20	20
NZD/USD	0.73	0.74
AUD/NZD	1.3200	1.3200

CBA Forecasts:

Cash rate	27-Sep	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
US	0.25	0.25	0.25	0.25	0.50	1.00	1.50
Australia	4.50	4.75	5.00	5.25	5.50	5.75	6.00
New Zealand	3.00	3.00	3.25	3.75	4.25	4.50	4.50
United Kingdom	0.50	0.50	0.75	0.75	1.00	1.25	1.50
Eurozone	1.00	1.00	1.00	1.00	1.00	1.25	1.50
Japan	0.10	0.10	0.10	0.10	0.10	0.30	0.30
2-yr bond yield	**27-Sep**	**Dec-10**	**Mar-11**	**Jun-11**	**Sep-11**	**Dec-11**	**Mar-12**
US	0.42	0.75	1.00	1.25	1.75	2.00	2.25
Australia	4.86	4.90	5.10	5.20	5.30	5.30	5.60
New Zealand	3.80	4.00	4.20	4.60	4.90	5.00	4.80
United Kingdom	0.69	1.30	1.70	2.20	2.70	2.95	2.95
Eurozone	0.73	0.80	1.00	1.20	1.40	1.70	2.00
Japan	0.14	0.30	0.50	0.60	0.70	0.70	0.70
10-yr bond yield	**27-Sep**	**Dec-10**	**Mar-11**	**Jun-11**	**Sep-11**	**Dec-11**	**Mar-12**
US	2.59	2.90	3.10	3.20	3.30	3.40	3.50
Australia	5.12	5.20	5.40	5.40	5.50	5.50	5.70
New Zealand	5.11	5.10	5.20	5.30	5.50	5.70	5.50
United Kingdom	3.04	3.50	3.60	3.80	3.90	4.00	4.20
Eurozone	2.34	2.50	2.60	2.70	2.80	3.00	3.20
Japan	1.00	1.30	1.30	1.30	1.40	1.50	1.60

AUD Swap Rates	27-Sep	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
2-year	5.26	5.40	5.65	5.75	5.80	5.75
3-year	5.33	5.45	5.65	5.75	5.80	5.80
5-year	5.56	5.60	5.80	5.90	5.95	5.95
7-year	5.62	5.68	5.90	5.96	6.03	6.03
10-year	5.65	5.80	6.05	6.05	6.15	6.15

Calendar – September 2010

Monday	*Tuesday*	*Wednesday*	*Thursday*	*Friday*
Early October AU NSW Labour Day Holiday, Oct (4 Oct) AU Trade balance, Aug (5 Oct) AU RBA meeting (5 Oct) AU Retail trade (5 Oct) AU Labour force, Aug (7 Oct) AU Housing finance, Aug (11 Oct)		**1** **AU AI-Group PMI, Aug, Index, (54.4)** **AU GDP, QII, q/y%ch, 1.1/3.0 (0.5/2.7)** CH PMI Manufacturing, Aug, Index, (51.2) JP Vehicle sales, Aug, y%ch, (0.15) EU/GE/UK PMI manufacturing, Aug, Index, (55.0/58.2/57.3) US ISM manufacturing, Aug, Index, (55.5) US Construction spending, Jul, m%ch, (0.1) US Total vehicle sales, Aug, mn, (11.85)	**2** **AU Trade balance Jul, $bn, 4.0, (3.5)** EU PPI, Jul, m/y%ch, (0.3/3.0) EU GDP, QII, q/y%ch, (1.0/1.7) EU ECB announces int. rate, %, 1.00, (1.00) UK PMI construction, Aug, Index, (54.1) US Factory orders, Jul, m%ch, (-1.2) US Pending home sales, Jul, m/y%ch, (-2.6/-20.1)	**3** **AU CBA/Ai-Group PSI, Aug, (46.6)** CH Non-Manuf PMI Aug, Index, (60.1) EU/GE/UK PMI services, Aug, Index, (55.6/58.5/52.9) EU Retail sales, Jul, y/y%ch, (0.0/0.4) US Non-farm payrolls, Aug, '000, (-131) US Unemployment rate, Aug, %, (9.5) US Avg hrly earnings, Aug, m/y%ch, (0.2/1.8) US ISM non-manufacturing, Aug, Index, (54.3)
6 **AU Ai-Group PCI, Aug, Index, (43.3)** **AU TD inflat gauge Aug, m/y%ch, , (0.1/2.8)** **AU ANZ Job ads, Aug, m%ch, (1.3)** UK New car registrations, Aug, y%ch, (-13.2)	**7** **AU RBA cash rate, %, 4.50, (4.50)** JP Leading / Coincident index CI, Jul, , (99/101.3) JP BoJ target rate, %, 0.10, (0.10) GE Factory orders, Jul, m/y%ch, (3.2/24.6)	**8** **AU Housing finance, Jul, m%ch** **No. of own-occupiers, %, 1, (-0.039)** **Value of all loans, %, 1, (-0.3)** NZ Manufacturing activity QII, q%ch, (0.009) JP Machine orders, Jul, m/y%ch, (1.6/-2.2) JP Curr a/c total/adjusted, Jul, ¥bn, (1047.1/1362.1) GE Trade bal, Jul, €bn, (14.1B) GE Industrial production, Jul, m/y%ch, (-0.6/10.9) UK Industrial production, Jul, m/y%ch, (-0.5/1.3) US Federal Reserve Beige Book US Consumer credit, Jul, $bn, (-1.3) CA Building permits, Jul, m%ch, (6.5) CA Bank of Canada, %, 0.75, (0.75) CA Ivey purchasing manager index, Aug, (54)	**9** **AU Labour force, Aug** **employment, '000, 20, (23.5)** **unemployment rate, %, 5.3** **participation rate, %, 65.5, (65.5)** **AU RBA Ass Gov Debelle speaks in Sydney** NZ Card spending, Aug, m%ch, (-0.1) JP Consumer confidence, Aug, Index, (43.4) EU ECB Monthly report UK Trade balance, Jul UK BoE announces rates, %, 0.50, (0.50) US Trade balance, Jul, $bn, (-49.9) CA Housing starts, Aug, '000, (189.2) CA Housing price index, Jul, m%ch, (0.1) CA Trade balance Jul, C$bn, (-1.1)	**10** NZ Terms of Trade Index, QII, q%ch, (5.9) CH Trade balance Aug, US$bn, (28.73) JP GDP, QII, q%ch, (0.1) JP Domestic CGPI, Aug, m/y%ch, (-0.1/-0.1) UK PPI Input/Output/core, Aug, y%ch, (10.8/5.0/4.7) US Wholesale inventories, Jul, m%ch, (0.1) CA Net change in employment, Aug, '000, (9.3) CA Unemployment rate, Aug, %, (8.0)
13 **NZ Food prices, Aug, m%ch, (1.6)** CH PPI/CPI, Aug, y%ch, (4.8/3.3) CH Retail sales, Aug, y%ch, (17.9) CH Industrial production, Aug, y%ch, (13.44) CH Fxd Ass Investment, Aug, y%ch, (24.9) EU Industrial production Jul, m/y%ch, (-0.1/8.2)	**14** **AU NAB Bus conf/cond, Aug, Index, (2/5)** NZ Retail sales, Jul, m%ch, (0.9) JP Industrial production, Jul JP Capacity utilisation, Jul EU/GE ZEW survey (econ. sentiment), Sep, UK RICS house price balance, Aug, %, (-8.0) UK CPI, Aug US Retail sales, Aug, m%ch, (0.4) US Business inventories, Jul, m%ch, (0.3)	**15** **AU MI/WBC Consumer Sent, Sep, Index, (119.2)** **AU DEWR skilled vacancies, Sep, m%ch, (-0.3)** **AU Dwelling commence, QII, q%ch, 0.0 (4.3)** **AU New motor veh. sales, Aug, m/y%ch, (-2.6)** EU CPI, Aug, m%ch, (-0.3); core, y%ch, (1.0) UK ILO unemployment rate (3mths), Jul, %, (7.8) US Import price index, Aug, m/y%ch, (0.2/4.9) US Empire manufacturing, Sep, Index, (7.1) US Industrial production, Aug, m%ch, (1.0) US Capacity utilisation, Aug, %, (74.8)	**16** **AU MI Consumer Inflation Exp., Sep, %, (2.8)** **AU MI Unemp. Expt., Sep, Index, (120.3)** **AU Labour Force - Industry, Aug** **AU RBA Quarterly Bulletin** **AU RBA Ass Gov Lowe speaks in Sydney** NZ RBNZ official cash rate, %, 3.25 (3.00) NZ Business PMI, Aug, Index, (49.9) EU New car registrations Jul, y%ch, (-6.9) EU Trade balance Jul, €bn, (-16) UK Retail sales, Aug US Producer price index Aug, m/y%ch, (0.2/4.2) US Current account balance, QII, US$bn, (-109.0)	**17** EU Current account, Jul, €bn, (-4.6) EU Construction output, Jul, m/y%ch, (2.7/3.1) GE Producer prices, Aug, m/y%ch, (0.5/3.7) US CPI, Aug, m/y%ch, (0.3/1.2); core, (0.1/0.9) US Uni. Of Michigan confidence, Sep, Index
20 **AU RBA Gov Stevens speaks in Shepparton** NZ PSI, Aug, Index US NAHB housing market index, Sep, (13) CA Wholesale sales, Jul, m%ch, (-0.3)	**21** **AU RBA Board minutes for September** NZ Credit card spending, Aug, m/y%ch, (-1.2/2.7) US Housing starts/Building Permits, Aug, '000, (546/565) US FOMC rate decision, %, 0-¼, (0-¼) CA CPI, Aug, m/y%ch, (0.5/1.8)	**22** NZ Current account, QII, % of GDP, (-2.4) EU Industrial new orders, Jul, m/y%ch, (2.6/22.9) UK Bank of England minutes CA Leading indicators, Aug, m%ch, (0.4) CA Retail sales, Jul, m%ch, (0.1)	**23** NZ GDP, QII, q/y%ch, (0.6/1.9) US Leading indicators, Aug, m%ch, (0.1) US Existing home sales, Aug, mn/m%ch, (3.83/-27.2)	**24** **AU Financial Accounts, QII** GE IFO - Business climate, Sep, Index US Durable goodes orders, Aug, m%ch, (0.3) US New home sales, Aug, m%ch, (-12.4)
27 JP Trade bal total/adj, Aug, ¥bn, (804.2/610.4) US Dallas Fed, Sep, Index	**28** GE Retail sales, Aug GE CPI, Sep UK GDP, QII UK Total bus investment, QII UK Current account balance QII, £bn, (-9.6) US S&P/Case-Shiller home price ind., Jul, US Richmond Fed, Sep, Index, (11)	**29** **AU Population growth, QI, q/y%ch, (0.4/2.0)** NZ Trade balance, Aug JP Tankan Index, QIII, Index, (1) UK Net consumer credit, Aug CA Teranet House Prices, Jul, y%ch, (13.6)	**30** **AU HIA new home sales Aug** **AU Private sector credit, Aug** **AU Build approv, Aug** **AU RBA Financial Stability Review** NZ Building permits, Aug NZ NBNZ Business confidence, Sep, Index JP Retail sales, Industrial Production, Aug US GDP, QII, q%chsaar, (1.6)	***Central Bank Meetings*** EZ ECB (2 Sep) JP BoJ (6/7 Sep) AU Reserve Bank of Australia (7 Sep) CA Bank of Canada rate (8 Sep) UK BoE (9 Sep) NZ RBNZ (16 Sep) US FOMC (21 Sep)

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

Research

Commodities		Telephone	Email Address
Luke Mathews	Agri Commodities	+612 9118 1098	luke.mathews@cba.com.au
Lachlan Shaw	Mining & Energy Commodities	+613 9675 8618	lachlan.shaw@cba.com.au

Economics		Telephone	Email Address
Michael Blythe	Chief Economist	+612 9118 1101	michael.blythe@cba.com.au
Michael Workman	Senior Economist	+612 9118 1019	michael.workman@cba.com.au
John Peters	Senior Economist	+612 9117 0112	john.peters@cba.com.au
James McIntyre	Economist	+612 9118 1100	james.mcintyre@cba.com.au

Fixed Income		Telephone	Email Address
Adam Donaldson	Head of Debt Research	+612 9118 1095	adam.donaldson@cba.com.au
Philip Brown	Fixed Income Quantitative Strategist	+612 9118 1090	philip.brown@cba.com.au
Alex Stanley	Associate Analyst, Fixed Income	+612 9118 1125	alex.stanley@cba.com.au
Michael Bors	Credit Research Analyst	+612 9118 1108	borsma@cba.com.au
Steve Shoobert	Credit Research Analyst	+612 9118 1096	steve.shoobert@cba.com.au
Winnie Chee	Securitised Product	+612 9118 1104	winnie.chee@cba.com.au
Tally Dewan	Quantitative Analyst	+612 9118 1105	tally.dewan@cba.com.au
Kevin Ward	Database Manager	+612 9118 1960	kevin.ward@cba.com.au

Foreign Exchange		Telephone	Email Address
Richard Grace	Chief Currency Strategist	+612 9117 0080	richard.grace@cba.com.au
Joseph Capurso	Currency Strategist	+612 9118 1106	joseph.capurso@cba.com.au
Peter Dragicevich	FX Economist	+612 9118 1107	peter.dragicevich@cba.com.au

Delivery Channels & Publications		Telephone	Email Address
Monica Eley	Internet/Intranet	+612 9118 1097	monica.eley@cba.com.au
Ai-Quynh Mac	Information Services	+612 9118 1102	maca@cba.com.au

New Zealand		Telephone	Email Address
Chris Tennent-Brown	CBA NZ Economist	+64 9374 8819	chris.tennent-brown@asb.co.nz
Nick Tuffley	ASB Chief Economist	+64 9374 8604	nick.tuffley@asb.co.nz
Jane Turner	Economist	+64 9374 8185	jane.turner@asb.co.nz
Christina Leung	Economist	+64 9369 4421	christina.leung@asb.co.nz

Sales

Institutional		Telephone
Syd	FX	+612 9117 0190
		+612 9117 0341
	Credit	+612 9117 0020
	Japan Desk	+612 9117 0025
Melb		+613 9675 6815
		+613 9675 7495
		+613 9675 6618
		+613 9675 7757
Lon	FX	+44 20 7329 6266
	Debt & Derivatives	+44 20 7329 6444
	Corporate	+44 20 7710 3905
HK		+852 2844 7538
Sing		+65 6349 7077
NY		+1212 336 7739

Equities	Telephone
Syd	+612 9118 1446
Asia	+613 9675 6967
Lon/Eu	+44 20 7710 3573
NY	+1212 336 7749

Corporate	Telephone
NSW	+612 9117 0377
VIC	+612 9675 7737
SA	+618 8206 4155
WA	+618 9482 6044
QLD	+617 3015 4525
NZ	+64 9375 5738
Metals Desk	+612 9117 0069
Agri Desk (Corp)	+612 9117 0157
Agri Desk	+612 9117 0145

Unless otherwise noted, all data is sourced from Australian Bureau of Statistics material (www.abs.gov.au).