



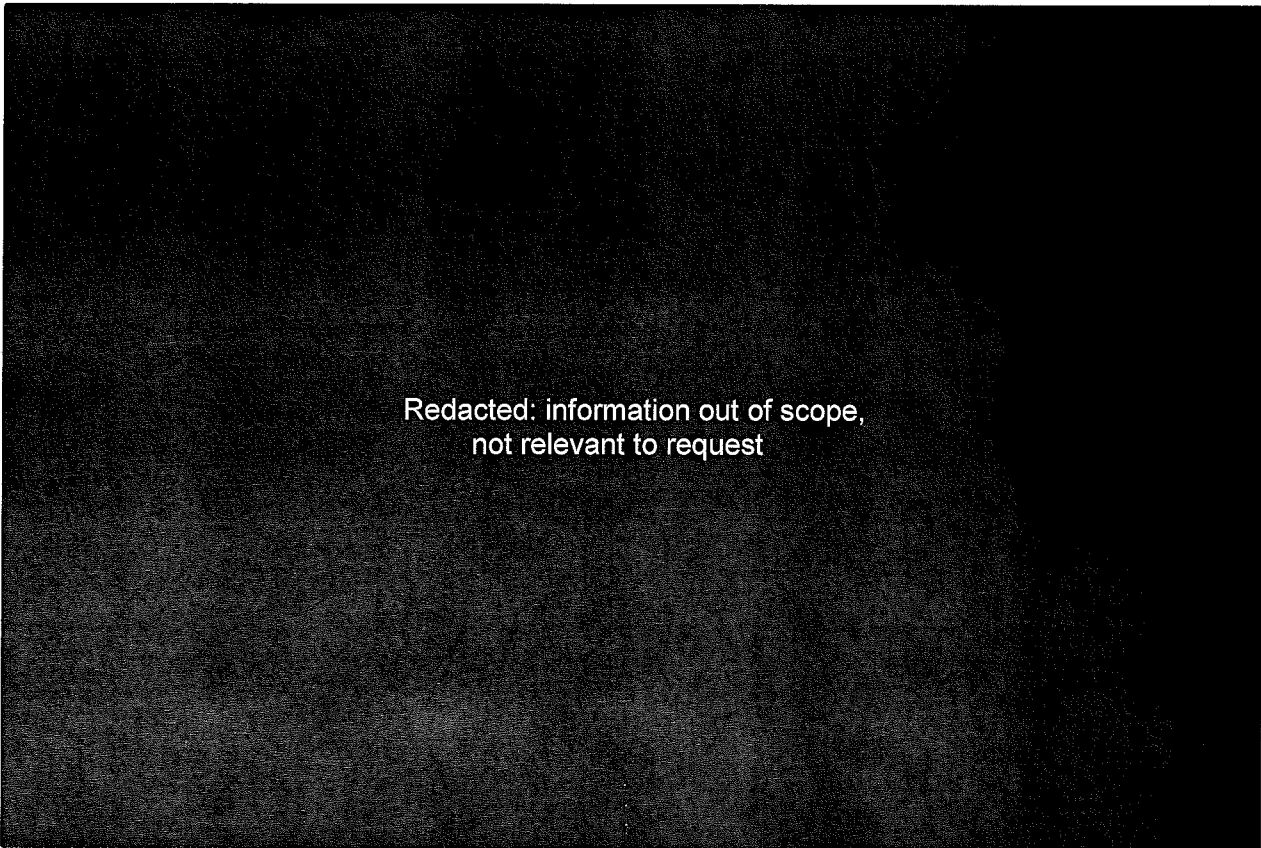
Reserve Bank Financial System Roundup

15 August 2013

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FINANCIAL MARKET DEVELOPMENTS

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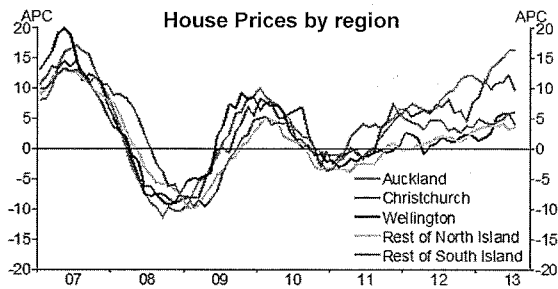


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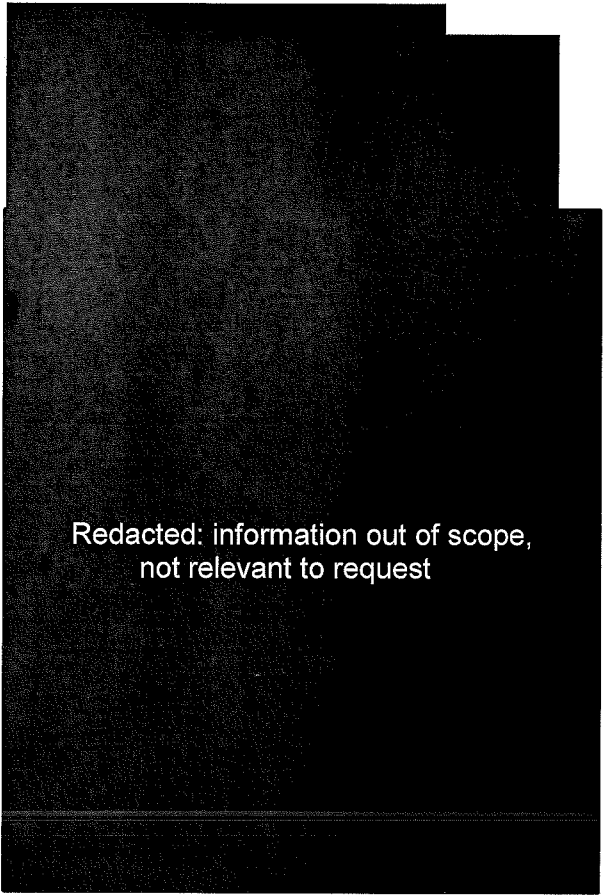
FINANCIAL SYSTEM AND POLICY*

House price data buoyant, but some early signs of rising borrower/lender caution

REINZ housing market data for July continued to show price and sales activity increases. Nationwide house prices (comparing the last 3 months with the same period a year ago) are up around 9 percent. New listings in the Auckland market continue to be slower than sales, contributing to tightness in the market.



However, some data on borrower intentions and lending standards suggests demand for home purchases, while still strong, may be starting to slow. Firstly, high LVR lending by the banks has declined slightly in recent months, and more recent anecdotes suggest this will continue as the banks prepare for the possibility of LVR restrictions. Secondly, A survey of real estate agents also suggests that interest from first home buyers may be waning slightly.



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Key regulatory/legislative initiatives (significant recent changes in blue)

<p>Macro-prudential policy</p>	<p>The Reserve Bank has published its response to submissions to the consultation on the framework for restrictions on high-LVR residential mortgage lending, as well as a revised Banking Supervision Handbook chapter BS19.</p> <p>A regulatory impact assessment of such restrictions is expected to be with your Office by 16 August.</p>
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<p>Review of bank capital adequacy requirements for housing loans</p>	<p>The Bank is working on a staged review of bank capital adequacy requirements for housing loans. As a result of stage one, the capital requirements for internal models banks will increase to reflect the additional systemic risk in high loan to value lending. Stage two of the review will initially focus on definitional issues, some of which need to be addressed in order to enhance the effectiveness of the Bank's new macroprudential LVR policy. The Bank expects to consult on this part of stage two in the coming weeks.</p>

Market Indicators

EXCHANGE RATES	Current	% change 2 weeks ago	% change month ago	% change year ago
	NZDUSD	0.8030	1.7%	2.8%
NZDEUR	0.6058	1.4%	1.3%	-7.8%
NZDAUD	0.8798	-0.5%	2.5%	14.5%
NZ TWI	75.73	0.5%	2.4%	4.3%

INTEREST RATES	Current	%	bps change 2 weeks ago	bps change month ago	bps change year ago
	OCR	2.50		0	0
NZ 90 day bank bill	2.66		1	0	1
NZ 10 yr govt bond	4.48		26	23	83
US 10 yr govt bond	2.71		0	17	89
Germany 10 yr govt bond	1.82		16	24	26
France 10 yr govt bond	2.35		12	13	19
Italy 10 yr govt bond	4.18		-18	-28	-158
Spain 10 yr govt bond	4.42		-20	-31	-222

CDS SPREADS	Current	bps	bps change 2 weeks ago	bps change month ago	bps change year ago
	NZ Govt	49		0	0
AU Banks	109		-1	0	-26
EU Banks	134		-1	-24	240

COMMODITIES	Current	% change 2 weeks ago	% change month ago	% change year ago
	WTI Oil	107.0	-0.8%	0.6%
Gold	1,334.0	1.8%	3.9%	-16.8%
CRB	290.0	1.7%	1.1%	-3.9%

SHAREMARKETS	Current	% change 2 weeks ago	% change month ago	% change year ago
	S&P 500	1,685	-1.3%	0.2%
Euro Stoxx 600	308.6	1.8%	3.8%	14.2%
ASX 200	5,157	1.9%	3.5%	20.5%
NZX 50	4,525	-0.5%	-1.8%	24.6%
VIX Volatility	13.0	0.8%	-5.4%	-10.9%

Note: 'Current' prices measured on Thursday 15 August 2013.

