DISCUSSION PAPERS

DP2010/06

Sharing a risky cake

David Baqaee and Richard Watt

Consider an n-person bargaining problem where players bargain over the division of a cake whose size is stochastic. In such a game, the players are not only bargaining over the division of a cake, but they are also sharing risk. This paper presents the Nash bargaining solution to this problem, investigates its properties, and highlights a few special cases.

DP2010/07

Exporting and performance: market entry, expansion and destination characteristics

Richard Fabling and Lynda Sanderson

We examine the effect of export market entry on New Zealand firm performance. Our novel contribution to the literature is the treatment of export status as an incremental process, in which firms may export to one or more markets with each of these markets providing additional potential for learning to occur. Focussing on new markets provides several benefits. Since we use matching techniques to account for self-selection, controlling for firm export histories reduces the problem of selection on unobservables (such as managerial preferences) which would confound a causal interpretation. Also, most new market entry is undertaken by incumbent exporters, providing a large number of events on which to test the learning-by-exporting (LBE) hypothesis.

DP2010/08

Intertemporal choice: a Nash bargaining approach

David Baqaee

A compelling, but highly tractable, axiomatic foundation for intertemporal decision making is established and discussed. This axiomatic foundation relies on methods employed in cooperative bargaining theory. Four simple axioms imply that the intertemporal objective function is a weighted geometric average of each period's utility function. This is in contrast to standard practice, which takes the objective function to be a weighted arithmetic average. The analysis covers both finite and infinite time.

DP2010/09

Debt dynamics and excess sensitivity of consumption to transitory wealth changes

Emmanuel De Veirman and Ashley Dunstan

We analyse the consumption-wealth relationship using a framework that accounts for transitory variation in wealth, and in a setting where transitory variation in household net worth is not dominated by boom and bust cycles in stock markets. We find that transitory variation in consumption depends positively on recent transitory changes in wealth. In addition, we find that gross asset wealth and household debt are positively related. Both findings constitute departures from standard lifecycle/permanent income hypothesis theory with complete financial markets, but can be explained by the introduction of liquidity constraints.

DP2010/10

Does the Kiwi fly when the Kangaroo jumps? The effect of Australian macroeconomic news on the New Zealand dollar

Andrew Coleman and Özer Karagedikli

We conduct an event study that examines how the New Zealand - US (NZ/US) and the Australia - US (AU/US) exchange rates responds to the release of Australian macroeconomic news including the CPI, GDP, trade balance, and monetary policy decisions. We use two different measures of the unanticipated component of the news announcements. First, we use the difference between the actual value of the data and a survey of market participants' expectations of that data announcement. Second, we use the immediate response of the AU/US exchange rate to the news announcement.

Our study has three main conclusions: 1) We show that the effects of the macro news in one country can also transmit to another country via the non-bilateral exchange rate (probably in anticipation of future spill-over effects). 2) Combined with results that show that the AU/US exchange rate responds by very little to New Zealand news, the results suggest that the low variation in the New Zealand - Australia cross rate is because both currencies respond in a similar fashion to Australian (but not New Zealand) macroeconomic data. 3) We highlight the problems associated with the events studies in which the surprises are calculated from a market price and propose a new estimator that overcomes this problem.

NEWS RELEASES

Reserve Bank *Bulletin* released

30 September 2010

The Reserve Bank today released the September 2010 issue of the Reserve Bank of New Zealand Bulletin.

Our lead article shows how yield curves can help economists understand such events as the global financial crisis. The yield curve describes the relationship between interest rates and debts with different maturities, for example the differing returns on one, two- and five-year mortgages. The article discusses yield curves for government debt, bank securities and mortgage rates.

Our second article looks at the New Zealand dollar and the impact of the global financial crisis on our currency. The article identifies three key drivers of the exchange rate: interest rate differentials, commodity prices and investors' risk appetite.

The Reserve Bank has responsibilities under the new Anti-Money Laundering and Countering Financing of Terrorism Act from 2009. Our third article explains the regulatory and supervisory risk-based framework established by this Act and describes the Reserve Bank's supervisory approach.

Our final article describes the Reserve Bank's approach to managing the currency composition of its reserves portfolio. When reserves are fully hedged, foreign currency assets are matched with foreign currency liabilities, leaving little net foreign exchange rate risk. In July 2007, the Reserve Bank moved away from a fully-hedged reserve position, which made the currency composition of reserves a key decision.

Retail deposit guarantee scheme

8 October 2010

The Reserve Bank says the current Retail Deposit Guarantee Scheme, which ends on 12 October 2010, has served its purpose. Depositors will now need to take full account of the risks, returns and credit ratings associated with their deposits, Governor Alan Bollard said today.

The deposit guarantee scheme (which has been extended for a limited number of companies on tighter terms), is administered by the New Zealand Treasury and has covered all retail deposits of participating New Zealand-registered banks as well as retail deposits by eligible depositors in non-bank deposit-taking entities, including building societies, credit unions and finance companies.

Dr Bollard described the retail deposit guarantee scheme as a temporary measure designed to give assurance to New Zealand depositors, while continuing to ensure the efficient functioning of New Zealand financial markets.

The scheme was successful on both counts, he said. "It is now time to put banks and non-bank deposit takers, such as building societies, credit unions and deposit-taking finance companies, on a normal footing.

"The scheme was set up in response to exceptional circumstances, at a time of international financial market turbulence. That crisis is now well past us."

The Reserve Bank's focus with the retail deposit scheme was on the stability of New Zealand's financial sector. From 1 December 2010, the Reserve Bank will oversee new regulations governing non-bank deposit takers.

Dr Bollard said banks now enjoy a strong level of public and market confidence.

He said parts of the non-bank lending sector had come through the recent period well. Other parts would continue to face adjustment.

"In the finance company sector, over the medium term, there's an improving outlook most notably for institutions with stronger capital positions and better risk and liquidity management practices.

"Among savings institutions, comprising building societies, credit unions and the PSIS, there will likely remain a high level of confidence, supported by their sound performance through the recent downturn.

"In the absence of a government guarantee, it is vital that depositors understand the risks and the potential trade-off between risk and return. In this regard, one useful tool is an entity's credit rating – which banks and all but the smallest NBDTs are required to hold and publicly disclose.

"The more stringent regulatory regime for deposit-taking institutions will be a further catalyst for change."

The Reserve Bank is the prudential regulator of non-bank deposit takers which, from 1 December 2010, will be required to have:

- Credit ratings from an approved rating agency.
- Governance arrangements designed to ensure they give proper consideration to the interests of all stakeholders.
- Risk management programmes outlining how they will identify and manage key risks, such as credit and liquidity risk.
- Minimum capital requirements included in trust deeds.
- Restrictions on a deposit taker's related party exposure.
- Liquidity provisions enabling them to withstand a plausible range of shocks.

Developments in the non-bank deposit-taking sector

8 October 2010

The Reserve Bank today announced two developments regarding non-bank deposit takers (NBDTs).

1. Consultation paper on a second NBDT Bill

The Bank today released a consultation paper seeking comment on policy proposals for a second Bill to complete the legislative framework for the Bank's regulation of the NBDT sector.

Deputy Governor Grant Spencer said these proposals would give the Bank a number of powers covering licensing, fit and proper person requirements for directors and senior office holders of NBDTs, the ability to place restrictions on changes of ownership, as well as distress and failure management.

Submissions for the consultation paper close on 5 November.

2. Implementation of liquidity regulations

The Bank also noted that new liquidity requirements for NBDTs have been gazetted.

The Deposit Takers (Liquidity Requirements) Regulations 2010 were gazetted on 7 October 2010 and will commence on 1 December 2010. These regulations require quantitative liquidity requirements to be included in trust deeds.

The Bank will shortly release guidelines on quantitative liquidity requirements. "These guidelines are intended to assist NBDTs and trustees to meet prudential liquidity requirements," Mr Spencer said.

The consultation paper and information on prudential liquidity requirements can be accessed on the Bank's website (http://www.rbnz.govt.nz/finstab/nbdt/index.html).

Reserve Bank and NZX reach agreement

11 October 2010

The Reserve Bank and NZX today announced an agreement on the provision of clearing and settlement services to New Zealand's capital markets.

The Reserve Bank and NZX run New Zealand's two principal securities settlement systems: NZClear and New Zealand Clearing Limited, respectively.

In December 2009, the Capital Markets Development Taskforce recommended that the Reserve Bank and NZX Limited work together to ensure an efficient clearing and settlement infrastructure that supports the development of capital markets in New Zealand.

Reserve Bank Deputy Governor Grant Spencer said today that, following an extensive review of alternative options, the Bank and NZX have agreed to maintain separate competing systems but with full interoperability between them.

The agreement is formalised in a Memorandum of Understanding (PDF 1.5MB) which sets out joint objectives for the Bank and NZX with regard to the clearing and settlements infrastructure.

Mr Spencer said that, consistent with its broader liquidity policy, New Zealand Clearing Limited will be eligible for backup liquidity support from the Reserve Bank in its standard overnight facility.

Further, the Bank and NZX agree to establish a joint settlements advisory council to create a unified approach to dealing with industry issues.

Mr Spencer said the Bank and NZX consider agreement on these issues will help to ensure an efficient and competitive securities settlement infrastructure which will in turn support the development of New Zealand's capital markets.

Reserve Bank releases 2009-10 *Annual Report*

12 October 2010

The Reserve Bank's broad coverage of financial and economic functions has proved valuable in dealing with both financial and natural disasters, Reserve Bank Governor Alan Bollard said today when releasing the Bank's 2009-2010 *Annual Report*.

Dr Bollard said the Bank is one of the few OECD central banks to retain all its functions in one organisation. "A special pamphlet in the *Annual Report* illustrates how hugely useful it has been during the financial crisis and recovery to be carrying out monetary policy, financial stability, foreign reserves management, bank regulation, payments and settlements, and currency management all under one roof.

"It has also meant that we were able to assess rapidly how the recent Canterbury earthquake affected the financial system and economy, and where we could assist."

Dr Bollard said the economic recovery was proving slow and fragile, as could be expected when an economic recession coincided with a financial crisis.

"Nevertheless, the Bank is now able to manage a return to normality through the Official Cash Rate (OCR). Most of the crisis policies have been withdrawn or are time-limited, including most of the special liquidity facilities for banks and other institutions and the Bank's increased foreign reserves position."

The Bank is now focusing on the further development of New Zealand's prudential oversight regime for banks, non-bank deposit takers and insurance companies. "The Bank's new prudential liquidity policy has been at the forefront of prudential policy responses to the Global Financial Crisis, and has already proved its worth during the Greek sovereign debt crisis.

"At the same time, we are monitoring international developments to strengthen bank regulatory requirements under the 'Basel III' initiative, which is expected to be largely finalised by the end of 2010, with measures then being introduced over a long phase-in period. The Reserve Bank expects to adopt the bulk of these reforms, particularly around the strengthening of bank capital buffers. However, measures will not be adopted if they are ill-suited to New Zealand conditions."

Dr Bollard noted the Bank is now implementing its regulation of non-bank deposit takers, with requirements in place for credit ratings, capital, connected exposures, and the composition of boards. "To make this work for New Zealanders, the trustees, who are the front-line supervisors, will have to lift their game," he said.

The Bank is also putting in place regulation of the insurance industry.

Financially, the *Annual Report* shows the Bank has made a dividend payment to government of $290 million for the 2010 year. "This leaves the Bank with equity of $2,574 million, a strong base for the potential risks inherent in our activities and large balance sheet," Dr Bollard said.

This dividend follows a voluntary dividend payment in April 2010 of $45 million, which the Bank determined was surplus to its capital requirements emerging from the crisis.

The *Annual Report* also shows the Bank has maintained stable underlying income from interest earnings and stable operating costs. "Nonetheless, we have recorded a loss of $111 million for the year ended 30 June 2010, as a result of unrealised losses arising from adverse revaluations on our assets and liabilities."

Dr Bollard said most of these losses occurred on the Bank's unhedged foreign exchange position, as exchange rate and interest rate movements partially reversed the large unrealised gains of the previous year.

"While our reserves are still showing a positive return based on purchase costs, we foreshadowed in the 2009 *Annual Report* the likelihood of volatility in accounting profit and loss."

The Bank and the Minister of Finance have entered into a new Funding Agreement for the five years ended 30 June 2015. This was ratified by Parliament on 20 July and focuses on extending capacity in new regulatory and surveillance areas, commencing a programme of upgrading bank notes, and establishing a small office in Auckland to offer more security in the event of a Wellington earthquake.

This follows a year in which the Bank completed development work to improve the robustness and efficiency of its payment and settlement systems, to update inventory systems to manage currency, and to fundamentally rebuild financial and economic statistical systems.

"The financial crisis reinforced that accurate knowledge and robust controls are crucial for a central bank," Dr Bollard concluded.

RBNZ consultation on covered bonds

15 October 2010

The Reserve Bank today released a consultation paper on the introduction of a regulatory framework for the development of covered bond programmes by New Zealand banks.

Although used extensively in Europe for many years, covered bonds represent a new funding instrument for New Zealand banks. Covered bonds are debt securities backed by the cash flows from a specific pool of mortgages or other loans. They differ from standard bonds in that investors have specific recourse to the assets that secure ('cover') the bonds in the event of default, as well as retaining a claim on the residual assets of the issuer.

Deputy Governor Grant Spencer said covered bond programmes will benefit the New Zealand banking system through a broadening of international funding sources, particularly for the issuance of long term debt.

"The covered bond market is already underway for New Zealand banks under informal guidelines and it will probably develop further without a formal regulatory framework. However, the Reserve Bank believes that some relatively minor legislative changes would usefully support the development of this market," Mr Spencer said. "The Reserve Bank is therefore now consulting on possible legislative changes, as well as proposals for a formal limit on covered bond issuance by each bank."

The Reserve Bank also intends to introduce new disclosure requirements to ensure that the impact of covered bond issuance is transparent. It will do this in the context of the wider bank disclosure review currently under way.

Submissions for the consultation paper close on 19 November 2010.

The consultation paper can be accessed on the Bank's website (www.rbnz.govt.nz/finstab/banking/

OCR unchanged at 3.0 percent

28 October 2010

The Reserve Bank today left the Official Cash Rate (OCR) unchanged at 3.0 percent.

Reserve Bank Governor Alan Bollard said: "Despite some data turning out weaker than projected, the medium-term outlook for the New Zealand economy remains broadly in line with that assumed at the time of the September *Monetary Policy Statement*.

"Downside risks to the outlook for global growth continue, with high public and private debt inhibiting recovery in many developed economies. Moreover, it is unclear how further policy support would impact on the outlook for growth in our Western trading partners. Offsetting this weakness, strong growth continues in China, Australia and emerging Asia.

"Domestically, recent data has turned out weaker than projected. Continued household caution has seen consumer spending and housing market activity remain muted, and many firms have become less optimistic about their future prospects. However, continued high export prices, along with reconstruction and repairs in Canterbury, will support activity over the coming year.

"Overall, continued GDP growth is expected to gradually absorb current surplus capacity over the next few years. Headline inflation is expected to move higher following the recent increase in the rate of GST. The subdued state of domestic demand suggests this inflation spike will have limited impact on medium-term inflation expectations.

"While it is appropriate to keep the OCR on hold today, it remains likely that further removal of monetary policy support will be required at some stage."

Liquidity guidelines for non-bank deposit takers

29 October 2010

The Reserve Bank has published non-binding quantitative liquidity guidelines for the non-bank deposit taking sector. The guidelines complement the Deposit Takers (Liquidity Requirements) Regulations 2010 gazetted earlier this month. Under the regulations, appropriate quantitative liquidity requirements must be included in an NBDT's trust deed by 1 December 2010.

Deputy Governor Grant Spencer said the Guidelines are intended to help the sector develop quantitative liquidity requirements that are appropriate for an NBDT, and therefore meet their obligations under the regulations.

"They outline the matters that an NBDT and trustee should consider in setting quantitative liquidity requirements," Mr Spencer said.

The guidelines and information on prudential liquidity requirements can be accessed on the Bank's website http://www.rbnz.govt.nz/finstab/nbdt/requirements/4212995.pdf (PDF 92KB).

Removal of temporary crisis liquidity facility

9 November 2010

The Reserve Bank announced today that it is removing the last remaining temporary liquidity facility put in place during the financial crisis.

Commenting on the adjustment Reserve Bank Deputy Governor Grant Spencer said:

"Financial market conditions continue to stabilise. Use of the RBNZ's special facilities, specifically for the purpose of accessing term funding, has been low with New Zealand banks able to access funding from their normal market sources. As a result, the RBNZ is removing the regular Tuesday Open Market Operation which is the last remaining temporary liquidity facility introduced during the financial crisis."

The regular Tuesday Open Market Operation (OMO) involves repurchase transactions for maturities of up to three months. There has recently been very little use of this facility and the RBNZ retains the ability to offer term maturity dates at its discretion in its normal OMOs.

This change will take effect from 1 December 2010, with the final regular Tuesday OMO scheduled for 30 November 2010. The RBNZ will be reviewing over coming months the remaining measures initiated during the crisis , in particular the range and credit quality of securities that are repo eligible in RBNZ operations. Further detail will be announced on this in due course.

"These decisions have no implications for the stance of monetary policy," Mr Spencer said.

Financial system better placed to support economic growth

10 November 2010

New Zealand's financial system has benefited from recovery in the global economy, with banks now better positioned to meet future credit demand and support economic growth, Reserve Bank Governor Alan Bollard said today.

On the release of the Bank's November 2010 *Financial Stability Report*, Dr Bollard said that domestic rebalancing is proceeding but pressures on the New Zealand dollar are not helping.

"Households and businesses are keeping spending low as they reduce debt," Dr Bollard said. "Combined with improved export commodity prices, this is reducing New Zealand's current account deficit and external indebtedness, both of which are positive for financial stability. However, the New Zealand dollar remains relatively high, reflecting easy monetary conditions and weak economic activity in the major developed economies. If sustained, this will make the continued rebalancing of economic activity towards the tradables sector difficult to achieve.

"Emerging Asia remains the main engine of global growth and this has been positive for New Zealand. Financial markets have become more stable since the European sovereign debt crisis earlier in the year. But the widespread withdrawal of fiscal stimulus and debt reduction by consumers and businesses continue to pose risks to the global recovery. In the US new quantitative measures have been announced recently. These appear to be supporting risk asset markets, but they are also putting pressure on capital inflows and exchange rates in third country economies, which is problematic for international rebalancing."

Deputy Governor Grant Spencer said that the New Zealand banks remain in good shape. They have substantially increased the stability of their funding base over the past year, consistent with the Reserve Bank's new prudential liquidity policy introduced in April. This has reduced a major source of vulnerability highlighted during the financial crisis. Spencer added that the Reserve Bank is now removing its last remaining crisis liquidity facility.

"On the asset side, the level of banks' non-performing loans now appears to be stabilising after rising steadily from mid-2007. We expect to start seeing an improvement as the economic recovery continues into 2011. Risks to this outcome would arise if the current softness in house prices were to become accentuated or if agricultural export prices were to drop off their current high levels.

In the non-bank sector, we have seen more failures of finance companies with high exposure to the property development sector, most notably South Canterbury Finance. "The remaining firms in this sector have less exposure to property and therefore provide a foundation for recovery and industry consolidation. The non-banks are also now coming into compliance with the requirements of the new Reserve Bank regulatory regime, most of which comes into force next month."

Mr Spencer said an important new regulatory development has been the passage of the Insurance (Prudential Supervision) Act. The Reserve Bank is now responsible for prudentially regulating and supervising New Zealand insurers. This means all insurance providers, including life, health and general insurers, will have to meet prudential standards and be licensed by the Reserve Bank."

He added that the Reserve Bank is generally supportive of the 'Basel III' initiative on new international standards for bank capital and liquidity requirements. "However, we will fully assess the potential impacts of these standards before making any changes in New Zealand."

Bank disclosure review outcome: better information, less compliance cost

19 November 2010

The Reserve Bank has finalised the main policy decisions in its review of disclosure requirements for registered banks.

The Bank issued a consultation paper on registered bank disclosure in August this year and has now followed this up with a policy outcome statement.

Deputy Governor Grant Spencer said the changes in disclosure requirements will significantly reduce banks' compliance costs, while at the same time creating more manageable disclosure documents that are better aligned with the needs of investors and analysts.

"Some elements of the regime will be dropped completely, while other parts, which can be costly to produce, will be streamlined and simplified," Mr Spencer said.

"The result will be a regime that produces better, more accessible information for users at lower cost to the banks."

Mr Spencer added that the Reserve Bank appreciated the level of engagement received from the banks and from interested users. He said the consensus around the options presented was encouraging and the Reserve Bank would now put the preferred option into effect.

The main changes to the existing regime include:

- Dropping the quarterly Key Information Summary and Supplemental Disclosure Statement.
- Introducing a single quarterly disclosure document aimed at more financially savvy readers.
- Cutting by three or four times the size of the half-year disclosure document, by basing it on interim rather than full-year accounting standards.

- Further rationalisation of information across all time periods.

While these main features will go ahead as proposed, the Reserve Bank has also taken into account concerns raised during the consultation process. For instance, the Reserve Bank has accepted that the extra compliance cost for banks in producing an interest-rate re-pricing schedule every quarter rather than every six months, outweighs the advantages of more frequent updates for users.

This is the first major overhaul of the disclosure regime since it was set up in 1996 and will better align disclosure information with its original purpose of enhancing market discipline in the banking sector.

Subject to the Orders in Council process, required to bring these changes into effect, the first disclosure statements under the new regime will be for reporting periods ended 31 March 2011.

The policy outcome document (PDF 168KB) and the earlier consultation document (497KB) can be downloaded from the Reserve Bank's website.

OCR unchanged at 3.0 percent

9 December 2010

The Reserve Bank today left the Official Cash Rate (OCR) unchanged at 3.0 percent.

Reserve Bank Governor Alan Bollard said: "Interest rates are now projected to rise to a more limited extent over the next two years than signalled in the September Statement.

"The pace of economic growth appears to have moderated. Corporate investment intentions are now below average. Household spending also remains weak, with household credit still flat and housing market activity slowing further. House prices may decline a little further in the near term. This continued household and business caution suggests current low interest rates are having a less stimulatory effect than in the past.

"On the positive side, activity in New Zealand's trading partners continues to expand. Growth in the Asia-Pacific region remains strong, and growth in the US and UK has turned out a little stronger than was projected. Consistent with this, export commodity prices, which were already very high, continue to increase. While this is encouraging, downside risks to global growth and export prices persist.

"Repairs to earthquake damage in Canterbury are expected to add to GDP growth over the projection period. The earthquake appears to have caused about $5 billion of damage to infrastructure, and residential and commercial property.

"While the near-term outlook for GDP growth has softened, beyond this, higher export volumes and earthquake repairs are expected to push GDP growth above that projected in the September Statement. As growth recovers, current spare capacity will gradually be used up, causing underlying inflation to pick up. More immediately, the recent increase in the rate of GST will cause headline CPI inflation to spike higher temporarily, although there is little evidence of this spike affecting price and wage setting behaviour.

"While interest rates are likely to increase modestly over the next two years, for now it seems prudent to keep the OCR low until the recovery becomes more robust and underlying inflationary pressures show more obvious signs of increasing.

"The New Zealand dollar has appreciated significantly since the September Statement. Sustained strength in the currency is inhibiting the rebalancing of economic activity towards the tradable sector. Accelerated elimination of New Zealand's fiscal deficit could help improve national savings, thereby easing current pressure on interest rates and the New Zealand dollar, and reducing New Zealand's dependence on international borrowing."

PUBLICATIONS

Regular publications

Annual Report	Published in October each year.
Financial Stability Report	Published six-monthly. A statement from the Reserve Bank on the stability of the financial system.
Monetary Policy Statement	Published quarterly. A statement from the Reserve Bank on the conduct of monetary policy.

Reserve Bank of New Zealand Statement of Intent, 2010-2013

Recent Reserve Bank Discussion Papers

2010

DP2010/01	Evaluating household expenditures and their relationship with house prices at the microeconomic level *Mark Smith*
DP2010/02	All together now: do international factors explain relative price co-movements? *Özer Karagedikli, Haroon Mumtaz and Misa Tanaka*
DP2010/03	Multi-period fixed-rate loans, housing and monetary policy in small open economies *Jaromír Beneš and Kirdan Lees*
DP2010/04	Internationalised production in a small open economy *Aurélien Eyquem and Güneş* Kamber
DP2010/05	Using estimated models to assess nominal and real rigidities in the United Kingdom *Güneş Kamber and Stephen Millard*
DP2010/06	Sharing a risky cake *David Baqaee and Richard Watt*
DP2010/07	Exporting and performance: market entry, expansion and destination characteristics *Richard Fabling and Lynda Sanderson*
DP2010/08	Intertemporal choice: a Nash bargaining approach *David Baqaee*
DP2010/09	Debt dynamics and excess sensitivity of consumption to transitory wealth Changes *Emmanuel De Veirman and Ashley Dunstan*
DP2010/10	Does the Kiwi fly when the Kangaroo jumps? The effect of Australian macroeconomic news on the New Zealand dollar *Andrew Coleman and Özer Karagedikli*

A full list of Discussion Papers is available from Administration, Economics Department.

Selected other publications

Testing stabilisation policy limits in a small open economy: proceedings from a macroeconomic policy forum
Finance and Expenditure Select Committee inquiry into the future monetary policy framework: submission by the Reserve Bank of New Zealand

Pamphlets

Explaining Currency
Explaining Monetary Policy
The Reserve Bank and New Zealand's Economic History
This is the Reserve Bank
Your Bank's Disclosure Statement – what's in it for you?
Snakes and Ladders – a guide to risk for savers and investors, by Mary Holm

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Articles in recent issues of the Reserve Bank of New Zealand *Bulletin*

Vol. 72, No. 4, December 2009

The Reserve Bank's new liquidity policy for banks

Assessing recent external forecasts

Banking crises in New Zealand – an historical perspective

The evolution of New Zealand's trade flows

Vol. 73, No. 1, March 2010

The crisis and the Reserve Bank's stabilisation rate

Twenty years of inflation targeting

Inflation targeting, the financial crisis and macroeconomics: an interview with Mark Gertler

How may the new architecture of financial regulations develop?

Lessons from previous US recessions and recoveries

The crisis and monetary policy: what we learned and where we are going

Recent trends and developments in currency

Vol. 73, No. 2, June 2010

The Reserve Bank and macro-financial stability

Financial sector amplification and credit cycles in New Zealand

World trade interdependencies: a New Zealand perspective

The Reserve Bank's new approach to holding and managing its foreign reserves

Vol. 73, No. 3, September 2010

Connecting the dots: a yield curve perspective on New Zealand's interest rates

The New Zealand dollar through the global financial crisis

Anti-money laundering and countering the financing of terrorism - the Reserve Bank's responsibilities and approach

The currency denomination of New Zealand's unhedged foreign reserves