NEW ZEALAND ECONOMICS
ANZ MARKET FOCUS

6 April 2010

INSIDE

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AN ONGOING PARADOX

ECONOMIC OVERVIEW

High levels of business confidence and rebounding consent issuance point to ongoing recovery prospects, which we take heart from. Conversely, credit growth figures continue to point to an economy that is deleveraging. We continue to portray this paradox as consistent with an economy that is tepidly recovering, but the timing in terms of consistently strong growth expected to be late 2010/early 2011. This morning's QSBO survey is certainly consistent with this message.

CONSEQUENCES OF A SINO-US TRADE WAR

Trade tensions between China and the US have flared up over China's RMB exchange rate policy. Such a development is a natural flow-on from global imbalances but also reflective of huge internal political pressure which tends to follow significant economic events. Our head of China Economics looks at recent developments and concludes that a trade war between the first and the soon-to-be second largest economy in the world will not only fuel trade protectionism globally, but also threaten the fragile recovery of the global economy. Our own assessment is that blurred economic and political agendas will simply be a feature of the "transition" stage we believe the world is entering. And during this stage trend growth will be lower.

FINANCIAL CONDITIONS UPDATE

Our Financial Conditions Indexes show growing momentum in NZ and Australia. But both are coming off different bases, and Australia's growth momentum looks stronger than NZ's. Based on our Financial Conditions Indexes, NZ growth looks to be undershooting the RBNZ's forecast, while Australian growth will overshoot the RBA's.

INTEREST RATE STRATEGY

Better US data has resulted in a sell-off in US rates. Together with expectations of a hike by the RBA later today, NZ yields will drift higher on the back of global moves. However, with the NZ economic data not providing a strong case for a June tightening cycle, we expect NZ rates to outperform global counterparts.

CURRENCY STRATEGY

Risk is back on following a string of better than expected US data. Hard commodities continue to perform well while soft commodities struggle, and this has left the NZD sidelined and missing out on the risk rally. The NZDAUD cross is again near its lows with the RBA decision today. We expect the RBA to hike and a break of the NZDAUD 0.7620 support to occur. Our target still remains 0.7300.

DATA AND EVENT CALENDAR

DATA WATCH

KEY FORECASTS

ECONOMIC OVERVIEW

SUMMARY

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THE WEEK AHEAD

- **ANZ Commodity Price Index (Tuesday 6 April, 3:00pm NZST).**
- **Fonterra Online Auction (Wednesday 7 April, 6:00am NZST)**. Whole Milk Powder prices have plateaued at around $3,300/tonne USD since the start of the year. Futures prices suggest some potential downside.

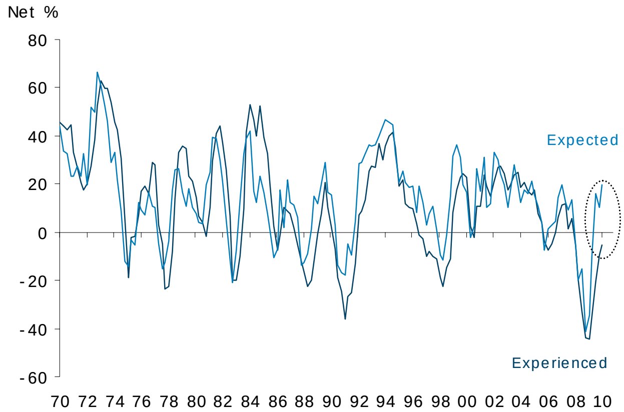
WHAT'S THE VIEW?

The run of volatile data continues, with something for everyone.

Building consent figures continue to rise. Residential issuance was up 5.9 percent in February, and eying natural population growth and migration trends, there is pressure for building activity to increase further, thereby correcting supply-demand imbalances. Confidence figures from the National Bank Business Outlook survey towards residential construction suggest this is indeed the case. But as usual **we tend to eye the level as well, and 1,400 consents per month is certainly an improvement but nothing to write home about yet.** High inventories of homes for sale, falling house prices and ongoing deleveraging by the household sector are huge headwinds against the "typical" pro-cyclical upswing in residential investment. We doubt this will derail the upward trend, but it will certainly mitigate the magnitude. Non-residential consent issuance from the private sector remains very weak but the government sector is partially filling that void. **The bottom line is that aggregate construction work is starting to pick-up slowly, but off an awfully low base.**

The National Bank Business Outlook measure of business confidence remains robust. High readings for headline business confidence and firms' assessment of their own activity are consistent with a typical cyclical recovery emerging. Confidence did ease a tad in March, but was well within the normal variability from month-to-month. Some have pointed out that on a seasonally adjusted basis, confidence was pretty well unchanged. We do not think the seasonal factors are stable enough to make such comments, but agree with the spirit. While investment and employment intentions are on an improving trend, they remain relatively muted for this stage of the cycle. We continue to hold reservations over whether businesses are actually translating this improved sentiment into investment and employment decisions as yet.

Today's QSBO release confirmed that while confidence is on an improving trend, a number of challenges remain. Investment intentions are recovering, but low profitability and a lack of demand are not yet suggestive of a strengthening demand for labour. A firming in pricing intentions suggest pricing pressures remain prevalent within the economy. The economy continues on a recovery path, but the pace of expansion is likely to be more gradual than suggested by a typical cyclical recovery.



Sources: ANZ, National Bank, NZIER

We typically see a big gap between the expected and experienced measures of the QSBO's domestic trading activity gauge during turning points in the economy. This was evident in the late 1980s and late 1998. But the size of the gap, the duration and the level of the experienced domestic trading activity reading (at -5 is below its long run average of +12) suggests there is something more at play than the typical cyclical recovery elements. We will need to see the experienced trading activity measure catch-up to the expected reading before we can grow more confident that a full blown recovery is underway. Put simply, the ingredients for a recovery are in place but there are structural aspects that are specific to this cycle that were not so binding previously. Specifically, household balance sheets do not have the capacity to fund a borrowing

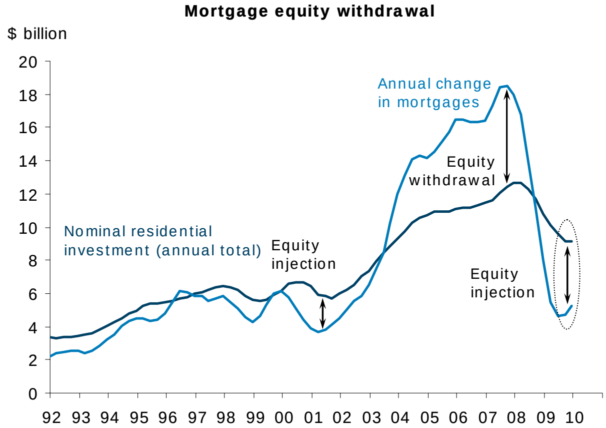
ECONOMIC OVERVIEW

induced spend-up.

We continue to put particular weight on credit figures, which confirmed that the economy remains in deleveraging mode. Private sector credit and resident M3 remain close to year-ago levels, and have declined relative to income. After plateauing for the last few months, business credit is continuing its trend decline in recent months and is around 8 percent below year-earlier levels – not an encouraging sign for business investment. Household credit growth eased in March (a reflection of softening housing activity no doubt) and is running below household income growth.

Our estimates of mortgage equity withdrawal suggest that throughout the economy, households have been injecting record amounts of funds into housing (close to $7b) over the past two years. In an environment of low income growth, more money going into debt repayment implies lower funds available for spending. Farm credit appears to have barely budged over the last few months, despite NZD commodity prices lifting sharply.

Mortgage equity withdrawal

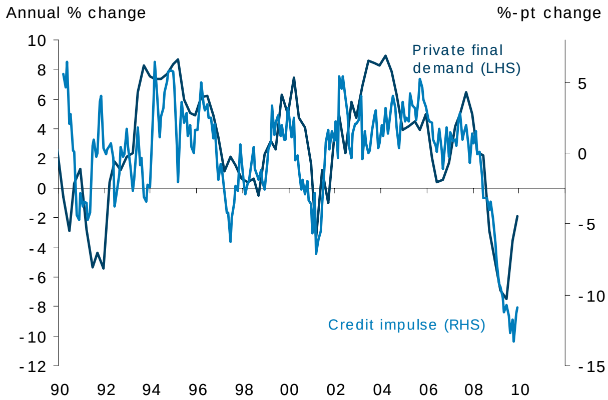


Sources: ANZ, National Bank, Statistics NZ, RBNZ

Ironically, we take comfort from such weak credit figures for they are about restoring some health to the national balance sheet, which will help provide some spine and durability to the upswing. Of course, the flipside to this is weaker near-term growth prospects, which we depict in the chart below where we link our credit impulse measure to private final demand. While we have seen some improvement to final demand, our credit impulse measure is not alluding to a strong rebound anytime soon.

The combination of an economy that is recovering but still deleveraging is reflected in our core economic forecasts. We see below trend growth for most of this year (abstracting from the base effect and statistical bounce), with consistently strong growth coming in late 2010 / early 2011. As noted last week, there are some that view credit growth as a lagging indicator, citing that cashflow always lead credit. This has some merit. But credit drives huge multiplier effects across the economy and getting growth is not the issue: it is about whether we are set for above-trend growth and hence the monetary policy consequences in terms of closing the output gap. For a savings deficit nation, credit growth seems a logical barometer as to whether this is set to manifest.

Private final demand and credit impulse



Sources: ANZ, National Bank, Statistics NZ

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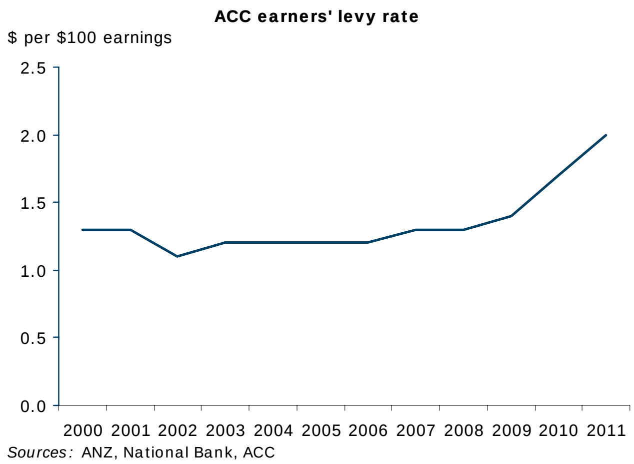
Fiscal policy remains on our radar and changes are set to make an impact already. The April increase in ACC earners' levies for workers is now lowering take home pay. From July, higher ACC fees for vehicle registration and the entry of vehicle fuels and electricity into the Emissions Trading Scheme will raise household costs (but also inflation – something we are keeping an eye on). In combination, these factors are likely to drain more than $600m from household budgets in the

ECONOMIC OVERVIEW

coming year.



This is not new news to us or the market, but we suspect NZ.Inc is not fully aware what is going on here. The process of fiscal consolidation involves a shift in burden back to the private sector at a time when it is still deleveraging. You will see this manifest in areas such as less spending, and small marginal tax rises that individually are pretty well irrelevant, but add up collectively. Don't get us wrong, this process is inevitable and essential (we now live in a world where sovereign risk and fiscal prudence is a huge differentiator across capital markets). As the IMF noted in their recent Article IV consultation, "faster (fiscal) consolidation over the next 3-4 years would take pressure off monetary policy and the exchange rate, thereby helping rebalance the economy toward the tradables sector and contain the current account deficit." Do we think there is going to be even tighter fiscal policy than has been flagged (i.e. tighter budgets than the $1.1b of new spending already announced)? No. But neither are we convinced that people fully appreciate the relevance the whole process of fiscal consolidation is going to have (locally and globally) over the coming years.

The data calendar this week is light. Apart from today's QSBO results, we will be paying close attention to commodity price trends. Higher NZD prices are a critical income factor helping the likes of the rural sector to deleverage (deleveraging is not just about paying down debt, it is also about improving its serviceability). We await this week's Fonterra Online Auction results for an indication of short-term dairy price trends.

This week's other key focal point is the RBA and we expect a 25bp hike, taking their cash rate to 4.25 percent. As our Australian counterparts note, "In recent months it has become quite clear that the Australian economy is growing at a pace fast enough to put downward pressure on the unemployment rate. In effect the economy is growing at an above trend rate." Hence the RBA cash rate needs to rise, and the growing yield differential between NZ and Australia still leaves us looking for the NZDAUD to push below 75 cents. This is another reason why we are optimistic about growth prospects for NZ.Inc, just not in 2010 but rather over 2011.

RECENT LOCAL DATA

- **SNZ Building Consents – February.** The number of residential consents rose by a seasonally adjusted 5.9 percent (10.2 percent excluding apartments). The value of non-residential building consents rose to $317m following the $285m of consent issuance in January. The value of building consents increased by 17 percent to be 7.2 percent higher than 12-months earlier.
- **RBNZ Money and Credit aggregates – February**. Resident private sector credit ex-repo declined by 0.4 percent to be unchanged on 12-months earlier. Household credit (up 2.7 percent y/y) and agricultural credit (+7.0 percent y/y) were offset by falling business credit (down 7.8 percent y/y).
- **National Bank Business Outlook – March.** Headline business confidence eased 7.6 points to +42.5. Firms' own activity and employment intentions eased, to be partly offset by a small climb in investment intentions.
- **Quarterly Survey Of Business Opinion – March.** The general business situation improved to +36 (from +20), with firms' domestic trading activity in the past quarter at -5 (previously -10). Average costs and selling prices rose towards long run averages, investment intentions firmed, but employment intentions were little changed from December.

CONSEQUENCES OF A SINO-US TRADE WAR

SUMMARY

Trade tensions between China and the US have flared up over China's RMB exchange rate policy. Such a development is a natural flow-on from global imbalances but also reflective of huge internal political pressure which tends to follow significant economic events. Our Head of China Economics looks at recent developments and concludes that a trade war between the first and the soon-to-be second largest economy in the world will not only fuel trade protectionism globally, but also threaten the fragile recovery of the global economy. Our own assessment is that blurred economic and political agendas will simply be a feature of the "transition" stage we believe the world is entering. And during this stage trend growth will be lower.

SOME BACKGROUND

The term rebalancing was mentioned 40 odd times in a 20 page document by the G20 in late 2009.[1] This is about reducing excess deficits in the West and stimulating domestic demand across Asia. The same document declared a strong commitment to fighting protectionism and promoting free trade.

However, while strong in spirit globally, walking the walk (as opposed to talking the talk) faces strong challenges locally (read: how do you match economic with political reality?) and there is often different interpretations over the chosen path. An obvious area of tension at present surrounds exchange rates, and the role they will play in assisting the rebalancing process.

We are grateful to receive some comments from our Head of China Economics Li-Gang Liu in regards to simmering Sino tensions which stand at the heart of the global rebalancing process.

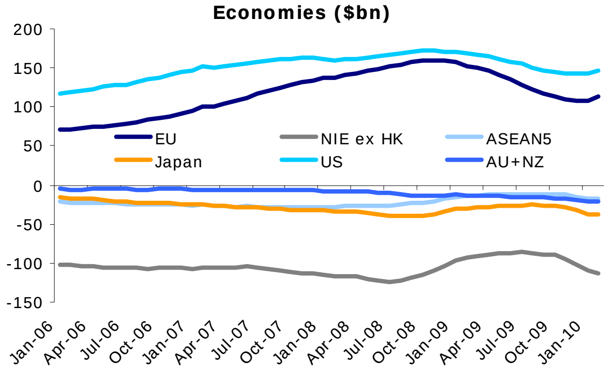
After Premier Wen's March statement on China's RMB exchange rate, the US Congress has reacted strongly by threatening to name China as a "currency manipulator"[2]. Because of high unemployment in the US during a mid-term election year, the current US economic and political environment suggests that the threat to name China as a currency manipulator is credible. **If China were to be named as a "currency manipulator", this would make it easier for the US to impose punitive tariffs on Chinese exports to the US. Obviously, this will have significant implication on Sino-US trade and could result in a damaging a trade war.**

THE STAKES ARE LARGE

Economic interdependence between China and the US is high. From the Chinese perspective, the country sends about 23 percent of its exports to the US, after adjusting for Hong Kong's re-exports of Chinese goods to the US. Our estimates suggest that around 41 million Chinese jobs are directly involved in Sino-US trade. Meanwhile, the US market is still crucial for China's export sector. China's exports are closely correlated with US PMI, with the Chicago PMI leading Chinese export growth by one quarter. Higher trade barriers from the US are likely to translate to a sizable shock on China's exports. Meanwhile, the mere talk of US trade sanctions will raise uncertainty on the prospects of Chinese exports. As a result, the export orders could be diverted to China's neighbouring economies such as ASEAN and Latin America. The negative impact on Chinese exports could be more immediately felt than commonly thought.

A Sino-US trade war will have serious implications for intra-Asian trade and for China's trade with Australia (and New Zealand) as well. While China runs a trade surplus with the US and the EU, the country also runs substantial trade deficits with its neighbours such as Japan, NIEs (Korea, Taiwan, and Singapore), and to some extent with major ASEAN economies. This is largely due to the unique feature of intra-Asia regional trade, in which China imports intermediate products, assembling them using its inexpensive and abundant labour, and then sending the final goods to the United States and elsewhere.

China - Trade Balance with Different Economies ($bn)



Sources: CEIC, ANZ Economics.

Meanwhile, a slowdown in China's exports due to US trade sanctions will also affect China's imports of raw materials from Australia and other resource-

1 Leaders' Statement from the Pittsburgh Summit, September 24-25, 2009.
2 The US Treasury Report on global currency policies, scheduled for release in April 15, has been delayed.

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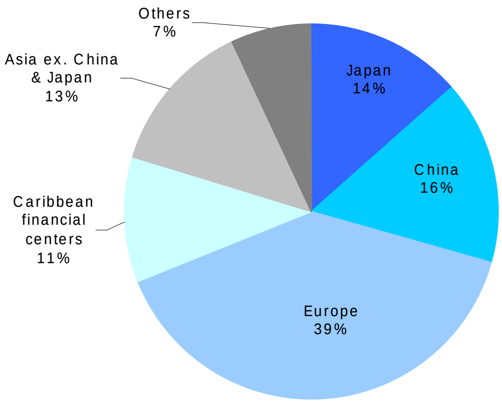
rich countries in Latin America. That said, a Sino-US trade war also has the potential to cascade into the global economy, thus disrupting the burgeoning global recovery process.

From the US perspective, a trade war with China will be damaging as well. It is estimated that 0.57 million US manufacturing jobs would be lost. As China invests most of its foreign reserves in US assets, the US is also highly reliant on China's financing to help maintain low borrowing costs. According to US Treasury's International Capital Flows data, China held $1.4tn of US financial assets at the end of June 2009, accounting for around 16 percent of total foreign portfolio holdings. If China were to sell the US assets in response to the import tariff levied by the US, there would be a substantial impact. Because of large financing needs in the US, any talk of Chinese diversifications of US dollar based assets will have a shock wave on the US Treasury markets.

Total foreign holdings of US financial assets (as of Jun 2009)



Sources: CEIC, ANZ Economics.

Which sectors would be impacted the most?

If the US were to impose a 25 percent punitive tariff, as suggested by Paul Krugman, how damaging would it be for Chinese exports? We use an empirical model to evaluate this effect, with real effective exchange rate (REER) and G3 GDP growth as explanatory variables. As China's exports to G3 economies are closely related to the processing trade, we also investigate the impact on China's processing exports and ordinary exports separately. As expected, the models show that the processing exports are more affected by the G3 GDP growth but less influenced by the REER effect, while China's ordinary trade is affected strongly by both the income and the exchange rate effect.

Assuming that the G3 growth rate will be at 2.5 percent for the next three years, and pass-through effects of tariffs are partial (60 percent in Scenario 1, and 50 percent in Scenario 2), we find that a 25 percent punitive tariff will bring about a double-digit decline in China's overall exports. Specifically, a 25 percent import tariff would likely reduce China's total exports by 8.5-12.1 percent, with an average value at -10.3 percent. The impact on China's ordinary exports will be the highest in the three groups, causing the ordinary exports to drop by 12.4 percent, on average. However, the impact on China's processing exports is smaller, but still sizeable, implying a drop of 4.0 percent.

Our empirical findings suggest that the stakes of a Sino-US trade war are huge. It will not only affect economic growth and job creation in both countries, but will also have a negative impact on Australia and other resource-rich economies. More seriously, the Sino-US trade war would also likely create huge uncertainty and increased volatility in international capital markets. It could also potentially disrupt the still anaemic global recovery.

Given the large stakes involved, it argues for both China and the US to tone down their vitriol and to discuss their differences in a constructive way. In fact, some positive signs are already on the horizon. China has sent its delegations to the US for consultation and the US has recently toned down its rhetoric on China's RMB exchange rate policy. It appears that the likelihood of a trade war is diminishing, but mutual concrete actions are still required. The US will have to create a favourable environment for China to move on the RMB exchange rate issue at her own initiative. **China, meanwhile, will also have to play its own part by addressing its savings and investment imbalance, including revisiting its exchange rate policy, and contribute more meaningfully towards resolving global economic imbalances.**

OUR ASSESSMENT

We don't profess to be experts in foreign trade policy so will limit our observations to some broad thoughts:

- There is a strong social aspect to be mindful of in **considering the significant global event we have just experienced: specifically, there is huge political pressure on leaders to deliver populist style initiatives, when the world desperately requires strategic**

CONSEQUENCES OF A SINO-US TRADE WAR

leadership given significant structural change that is pending (and underway).

- We view blurred economic and political agendas as a feature of the transition stage **we have made reference to repeatedly since the start of the year. While growth is currently top of policymakers priorities, the combination of exit strategies, structural resource reallocation (i.e. the mobilisation of capital and labour from an "old" to a "new" normal), regulatory changes (i.e. we are not going back to banking as usual) and leadership versus populism (and potential protectionism) will feature in importance as 2010 progresses.** We expect this stage to last a number of years and the trend rate of growth to be lower.
- We view the inevitable endgame as a higher CNY (and other Asian currencies in general). In our eyes this should accentuate upwards support for the USD **(on a TWI basis) given that Asian currency rigidity has meant additional pressure on the USD to weaken further against other nations, but specifically the EUR.** This in turn should cap the potential for the NZD to get pushed slavishly higher once again.

FINANCIAL CONDITIONS UPDATE

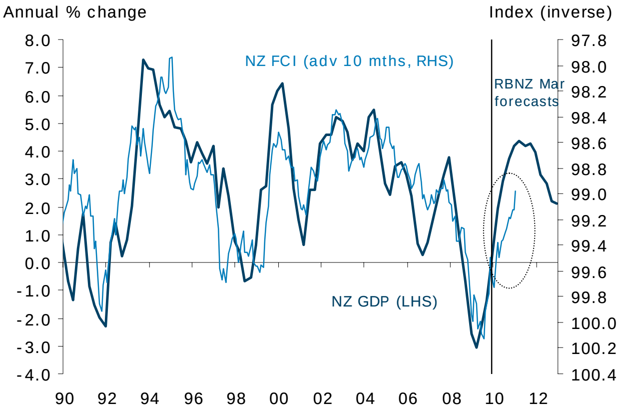
SUMMARY

Our Financial Conditions Indexes[3] show growing momentum in NZ and Australia. But both are coming off different bases, and Australia's growth momentum looks stronger than NZ's. Based on our Financial Conditions Indexes, NZ growth looks to be undershooting the RBNZ's forecast, while Australian growth will overshoot the RBA's.

STILL ON THE UP

Our Financial Conditions Index (FCI) for NZ suggests the economy will continue to recover in the year ahead. Strong export commodity prices and slightly lower interest rates on fixed rate mortgages helped ease financial conditions this month. A rise in equity prices also helped, as did a narrowing in the credit default swap spreads for the big four Australian banks, as sovereign debt concerns eased somewhat. But acting in the other direction in tightening conditions were weak credit growth and ongoing downward pressure on property prices – including residential and rural.

RBNZ GDP forecasts vs Financial Conditions Index



Sources: ANZ, National Bank, Statistics NZ, RBNZ

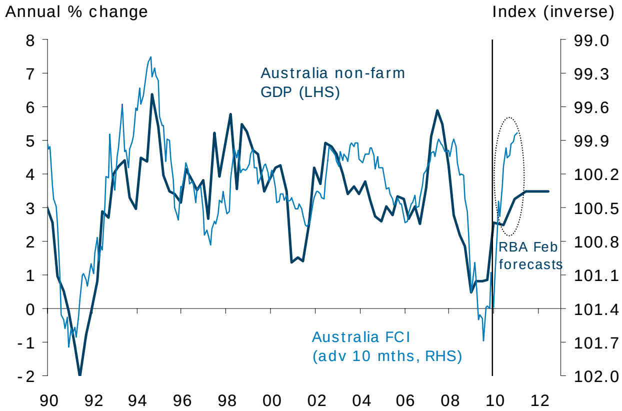
Based on the level of the FCI at present, it is pointing towards year-on-year GDP growth of 2½ to 3 percent by the end of this year. This looks to be well shy of what the RBNZ was forecasting in their March *Monetary Policy Statement*, where they were expecting year-on-year growth of 4 percent by December 2010. The FCI has managed to not only pick the last two turning points well in advance, but it also gave a reasonable indication of the depth of the downturn. So while business confidence is alluding to a growth outlook more in line with the RBNZ's forecast, we continue to take a more guarded view.

POWERING AWAY?

Despite four rate hikes by the RBA, our FCI for Australia continues to loosen. Higher interest rates are certainly acting to tighten conditions somewhat. But they have not been sufficient so far to offset easing conditions from elsewhere. A return to double digit house price inflation, a pick-up in credit growth and higher equity prices, alongside a narrowing in the credit default swap spreads for the major banks, have been more than enough to offset the effect of higher interest rates.

Based on historical relationships, **the current FCI reading is consistent with year-on-year non-farm GDP growth of close to 5 percent.** If so, this suggests an acceleration from the already strong growth momentum from late last year, with quarterly GDP growth rates of over 1 percent on the cards. This is significantly stronger than what the RBA forecast back in February.

RBA GDP forecasts vs Financial Conditions Index



Sources: ANZ, National Bank, Bloomberg, RBA

GROWING DICHOTOMY

Our FCI for NZ and Australia continue to highlight the diverging growth outlooks. On the face of it, our FCI suggests that the RBNZ can afford to remain patient. With growth looking to possibly come in weaker than what they expect, a delay to the mid-year tightening cycle is warranted. Conversely, our FCI for Australia is pointing towards an economy that is set to grow at well above trend by the end of the year. As such, monetary policy needs to be returned to neutral at the very least. This points to interest rates in NZ remaining below Australia's for some time.

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[3] Unlike the conventional Monetary Conditions Index, our Financial Conditions Index incorporates a wider array of variables to capture the different channels through which monetary policy influences the economy. We include credit growth, asset prices and proxies for the cost and availability of credit.

INTEREST RATE STRATEGY

SUMMARY

Better US data has resulted in a sell-off in US rates. Together with expectations of a hike by the RBA later today, NZ yields will drift higher on the back of global moves. However, with the NZ economic data not providing a strong case for a June tightening cycle, we expect NZ rates to outperform global counterparts.

MARKET THEMES

- Better US payrolls and ISM has market pricing in a chance of the Fed tightening as early as September.
- RBA widely tipped to hike again later today. Focus will be on whether the Board sees any urgency to get towards "neutral" quickly.
- Any moves higher in NZ yields expected to attract receiving interest.

REVIEW AND OUTLOOK

Solid receiving interest was evident in the NZ rates market last week at levels about 4.3 percent in the 2-year swap. The NZ curve steepened as the front end rallied and with steepening pressure globally, this trend could continue. Mortgage activity remains concentrated around rolling on to floating, so there is little payside flow hitting the market, although corporate paying interest is picking up on rallies. **April is a big month for Uridashi maturities and we expect to see more related receiving activity during the month.** This interest should also pass through to the bills/libor market which has seen a small rally as banking issuance is on hold ahead of upcoming profit announcements.

There has also been increased volatility around the BKBM set with the 90 day bank bill margin to OIS contracting from around 28bp to around 7bp, and back out to 15bp. The RBNZ withdrew around $1b of cash from the system last week which had some effect, but much of the pricing in the BKBM set last week was about price discovery as the market settles down under the new environment. This has seen a good buying interest in June bank bills.

Given the fairly light domestic data calendar, offshore events will dictate the NZ market's direction. Today's QSBO did not see much market reaction, with all eyes on the RBA decision later today. Any further selloff in the US market will also see NZ yields drift higher, though topside moves will be capped by ongoing receiving interest should the 2-year swap yield move past 4.3 percent.

PREFERRED BORROWING STRATEGIES

Delay hedge decision if possible, in anticipation of swap rates edging lower over the next month. The bellwether 2yr swap rate has risen by around 20bps since early March, and we are struggling to justify this on economic grounds. We note that bank bill futures assume the 90 day bill rate will rise to 3.68% by September and 4.22% by December. These are well above the RBNZ's March MPS (quarter average) projections of 3.26% and 3.63% respectively, and suggest that the market has gotten far too carried away. In fact if you take the RBNZ's projections literally, they imply a 2yr swap rate at 3.88%, well below the market. However, as we have long noted, while the short end of the curve is pricing in large successive hikes, the long end is pricing in something close to a permanent recession. Take advantage of this via forward starting swaps.

GAUGES FOR NZ INTEREST RATES

GAUGE	DIRECTION	COMMENT
RBNZ / OCR	↔/↓	We still prefer Sep for the first hike, market at June.
NZ data	↔/↓	GDP irrelevant in respect of June hike. H1 data mixed.
Fed Funds / front end	↔/↓	Rates to remain low. Is the Fed behind the curve?
RBA	↔/↑	We expect an April hike.
US 10 year	↔/↑	Fed inaction and supply have spooked the market.
NZ swap curve	↔/↑	To remain steep as global yields rise, OCR on hold.
Flow	↔/↓	Pay flow on fears of a June hike misguided.
Technicals	↔/↑	Will the 2yr break of the downtrend see rates rise?.

MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 29-Apr-10	+4	+4
Thu 10-Jun-10	+19	+15
Thu 29-Jul-10	+41	+47
Thu 16-Sep-10	+72	+71
Thu 28-Oct-10	+94	+95
Thu 9-Dec-10	+112	+122
Thu 27-Jan-11	+151	+149

TRADING THEMES WE FAVOUR AT PRESENT

Any spill-over from higher Australian rates only adds to opportunities to get long the NZ short end. Excellent trades include receiving 9mth OIS at 2.99%, which is consistent with the market pricing in five back-to-back hikes by December. We continue to expect NZ short end rates to out-perform their Australian counterparts, particularly if the RBA raise rates next week, as we expect.

CURRENCY STRATEGY

SUMMARY

Risk is back on following a string of better than expected US data. Hard commodities continue to perform well while soft commodities struggle, and this has left the NZD sidelined and missing out on the risk rally. The NZDAUD cross is again near its lows with the RBA decision today. We expect the RBA to hike and a break of the NZDAUD 0.7620 support to occur. Our target still remains 0.7300.

MARKET THEMES

- NZD trading around 200 day moving average
- Non-farm payrolls and ISM prices paid suggest US recovery gathering pace and inflation is near
- Greece is yesterday's news?
- RBA expected to hike today. Is the yield differential to large to ignore?

REVIEW AND OUTLOOK

The NZD has lost momentum and continues to be buffered by cross flows and offshore events. The range is well formed with 0.6850 the base and 0.7180 the top. With the QSBO now out of the way, there is little major data out until Q1 CPI on 20 April. Partial indicators in between will no doubt continue to show housing market weakness and still subdued consumer spending trends. **The NZD will continue to trade off yield differentials**, which have narrowed versus the USD courtesy of a selloff in US rates following a string of better than expected data.

The AUD has struggled to make ground since November but with the 1 year forward giving a 395 point pick up versus the USD, **the reasons to be long AUD are compelling.** Especially if the RBA increases the cash rate by 25bps this afternoon as we expect. A break of 0.9230 should see AUD appreciate above 0.9500. This will be the main driver in the NZDAUD's move lower as the NZD maintains its current range.

The Japanese year end repatriation flows have now been completed and with both oil and gold breaking topside resistances, **it is hard to see anything but a weaker yen versus commodity currencies.** The talk of a Yuan revaluation would support the Yen and with Chinese President Hu Jintao's trip to Washington finalised for mid April, there is a chance that revaluation is sooner rather than later.

Greece has fallen from the headlines as comparisons with California (justified or not) showed that it is not only Europe that has fiscal problems. The German data was strong last week and IMM positioning data suggests the market is still very short euros. This raises the possibility of a near-term corrective short squeeze.

The NZD appears to be stuck at present, failing to capitalise on the global risk rally. With the RBNZ quite possibly lagging behind other central banks in raising rates, yield will increasingly count against the NZD.

NZD VS AUD: MONTHLY DIRECTIONAL GAUGES

GAUGE	DIRECTION	COMMENT
Fair value	↔/↑	Undervalued.
Yield	↓	Yield still favouring Australia.
Commodities	↓	Hards doing better than softs.
Partial indicators	↔/↓	Australian data still better.
Technicals	↔	Support at 0.7620. Resistance at 0.78.
Sentiment	↔	Depends on RBA decision today.
Other	↔/↓	World improving which will support AUD more.
On balance	↔/↓	**Yield and growth story too hard to ignore.**

NZD VS USD: MONTHLY DIRECTIONAL GAUGES

GAUGE	DIRECTION	COMMENT
Fair value – long-term	↔/↓	Above long-term average.
Fair value – short-term	↔	In line with cyclical fair value.
Yield	↔/↓	US data causing US rates to selloff.
Commodities	↔	NZ's soft related commodities underperforming.
Risk aversion	↔/↑	Improved on the back of better US data.
Partial indicators	↔/↓	US data improving faster than NZ's.
Technicals	↔	Range trade 0.6850-0.7180.
AUD	↔	Resistance at 0.9230 important. May break today.
Sentiment	↔	NZD still sidelined.
Other	↔/↓	Yield differentials starting to come into focus.
On balance	↔/↓	**Still range-bound but with a negative bias.**

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	TIME (NZDT)
6 Apr	US	ISM Non-manufacturing - Mar	+53.8	+53.0	02:00
	US	Pending Home Sales – m/m - Feb	-0.2%	-7.6%	02:00
	NZ	**ANZ Commodity Price Index – m/m - Mar**	**-**	**3.8%**	**15:00**
	AU	RBA interest rate decision	4.00%	4.00%	16:30
	JP	Leading Index - Feb	+97.8	+96.7	17:00
	UK	PMI Construction – Mar	+48.7	+48.5	20:30
	EC	Sentix Index – Apr	-5.2	-7.5	21:30
7 Apr	US	Minutes of FOMC Meeting	-	-	06:00
	NZ	**Fonterra Online Auction – April**	**-**	**0.8%**	**06:00**
	US	ABC Consumer Confidence – Apr 5	-44	-45	09:00
	JP	BOJ interest rate decision	0.1%	0.1%	
	NZ	Fonterra announcement on trading among farmers share proposal	-	-	13:00
	AU	Foreign Reserves – Mar	-	$44.3b	18:30
	EC	Services PMI – Mar	+53.7	+53.7	20:00
	EC	PMI Composite – Mar	+55.5	+55.5	20:00
	UK	PMI Services - Mar	+58.0	58.4	20:30
	EC	Euro-zone GDP – q/q – Q4F	0.1%	0.1%	21:00
	EC	Producer Prices y/y – Feb	-0.4%	-1.0%	22:00
	GE	Industrial Orders – m/m – Feb	-0.5%	+4.3%	23:00
8 Apr	US	Bernanke speech at Dallas luncheon	-	-	05:00
	US	FOMC's Hoenig to speak on US outlook	-	-	06:00
	US	Consumer credit -Feb	$1.3bn	$5.0bn	07:00
	JP	Current Account Balance – Feb (bn yen)	1248.7b	1712.8b	11:50
	JP	Machinery Orders – m/m- Feb	3.7%	-3.7%	11:50
	AU	Employment – Mar	20k	+400	13:30
	AU	Unemployment rate - Mar	5.3%	5.3%	13:30
	UK	Manufacturing Production – m/m - Feb	0.6%	-0.9%	20:30
	EC	Retail Sales – m/m – Feb	-0.4%	-0.3%	21:00
	GE	Industrial Production – m/m – Feb	1.0%	+0.6%	22:00
	UK	BOE Interest Rate Announcement	0.5%	0.5%	23:00
	EC	ECB interest rate decision	1.00%	1.00%	23:45
9 Apr	US	Initial Jobless Claims - April 4	435k	439k	00:30
	US	Continuing Claims – Mar 28	4630k	4662k	00:30
	EC	Trichet speaks at monthly ECB news conference	-	-	00:30
	NZ	**Govt financial statements for 8 months ended February**	**-**	**-**	**10:00**

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	TIME (NZDT)
9 Apr	GE	Trade Balance – Feb (bn euro)	11.4b	8.0b	18:00
	GE	Current Account – Feb (bn euro)	7.0b	3.6b	18:00
	UK	PPI Output – y/y - Mar	4.4%	4.1%	20:30
	UK	PPI Input – y/y – Mar	7.1%	6.9%	20:30
10/04	US	Wholesale Inventories – m/m – Feb	0.4%	-0.2%	02:00
	EC	ECB Trichet speech in Italy	-	-	03:30

Key: AU: Australia, EC: Euro-zone, GE: Germany, JP: Japan, CH: China, NZ: New Zealand, UK: United Kingdom, US: United States.

Sources: Dow Jones, Reuters, Bloomberg, ANZ, National Bank. All $ values in local currency. (Note: all surveys are preliminary and subject to change).

NEW ZEALAND DATA WATCH

Key focus over the next four weeks: Leading up to the April OCR the focus will be on the March CPI result (we expect a considerably higher quarterly print than the 0.3 percent forecast in the March MPS) and whether momentum in economic activity has been maintained into 2010. Data readings for early 2010 are expected to confirm the patchiness of the recovery.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 6 Apr (3:00pm)	ANZ Commodity Price Index (Mar)	Firm	Will non-dairy commodity prices continue their improving trend?
Tue 13 Apr (10:00am)	REINZ Residential data (Mar)	Stabilisation	Will provide an opportunity to see the impact (if any) of the PM's February speech.
Tue 13 Apr (10.45am)	Electronic Card Transactions (Mar)	Lifting	Recent outturns have been soft and a big month is overdue.
Wed 14 Apr (10.45am)	Retail Trade Survey (Feb)	Soggy	ECT data suggests a flat outturn.
Tue 20 Apr (10:45am)	Consumers Price Index (Mar qtr)	Firming	Rising tertiary education fees and higher prices for food, and petrol will contribute towards an expected 0.6 percent quarterly increase.
Tue 20 Apr (10:45am)	Food Price Index (Mar)	Up	Expect the firming of food commodity prices over the last few months to start filtering through.
Thur 22 Apr (3.00pm)	ANZ Roy Morgan Consumer Confidence (April)	Up or down	After last month's bounce we may see some easing in confidence. Don't bet the house on it, though.
Fri 23 Apr (10:45am)	International Travel and Migration (Mar)	Easing	We expect the lifting trend in PLT departures to contribute to a declining annual net inflow.
Wed 28 Apr (3:00pm)	National Bank Business Outlook (Apr)	Stable	After easing last month, we expect signs of stabilisation. Will the improvement in investment intentions continue?
Thur 29 Apr (9:00am)	RBNZ OCR announcement	Steady	We expect the OCR to be held at 2.5 percent.
Thur 29 Apr (10:45am)	Overseas Merchandise Trade (Mar)	Surplus	Firming commodity prices are expected to lift export values, after last month's decline. We will closely watch capital imports for signs of recovery.
Thur 29 Apr (3:00pm)	RBNZ monetary and credit aggregates (Mar)	Low	Households, farms and firms to remain in deleveraging mode.
Fri 30 Apr (10:45am)	Building Consents (Mar)	Stable	After last month's climb we expect some levelling off in residential consent issuance.
On Balance		**Improving but not racing away**	**Recovery still on track but patchy.**

ECONOMIC FORECASTS AND INDICATORS

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
GDP (% qoq)	-0.8	0.2	0.3	0.8	**0.3**	**0.4**	**0.5**	**0.9**	**1.1**	**1.1**
GDP (% yoy)	-3.1	-2.3	-1.4	0.5	**1.6**	**1.8**	**2.0**	**2.1**	**2.9**	**3.7**
CPI (% qoq)	0.3	0.6	1.3	-0.2	**0.6**	**0.7**	**0.9**	**0.8**	**0.5**	**1.0**
CPI (% yoy)	3.0	1.9	1.7	2.0	**2.3**	**2.5**	**2.1**	**3.1**	**3.0**	**3.2**
Employment (% qoq)	-1.1	-0.5	-0.8	-0.1	**0.1**	**0.3**	**0.4**	**0.6**	**0.6**	**0.7**
Employment (% yoy)	0.8	-0.9	-1.8	-2.4	**-1.2**	**-0.5**	**0.7**	**1.4**	**1.9**	**2.3**
Unemployment Rate (% sa)	5.0	6.0	6.5	7.3	**7.5**	**7.4**	**7.2**	**6.8**	**6.5**	**6.2**
Current Account (% GDP)	-7.9	-5.6	-3.2	-2.9	**-3.2**	**-4.2**	**-5.4**	**-4.7**	**-4.4**	**-4.2**
Terms of Trade (% qoq)	-2.7	-9.4	-1.6	5.8	**1.9**	**3.8**	**4.0**	**0.2**	**-0.2**	**-0.8**
Terms of Trade (% yoy)	-5.0	-13.5	-14.1	-8.2	**-3.9**	**10.1**	**16.3**	**10.2**	**8.0**	**3.2**

	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
Retail Sales (% mom)	0.1	-0.5	1.2	0.2	0.1	0.9	-0.4	0.8	..	..
Retail Sales (% yoy)	-1.1	-1.4	-1.1	-0.5	-0.2	2.4	2.0	2.3	..	..
Credit Card Billings (% mom)	0.2	0.1	1.3	-0.7	0.2	0.8	-1.2	1.4	-0.3	..
Credit Card Billings (% yoy)	-2.0	-2.1	0.1	-2.3	-0.3	1.6	1.9	2.6	0.0	..
Car Registrations (% mom)	6.1	7.1	-2.9	7.9	0.3	2.2	6.2	-0.5	-0.7	..
Car Registrations (% yoy)	-29.6	-16.4	-18.3	-16.8	-16.8	2.4	0.3	15.9	31.4	..
Building Consents (% mom)	-9.4	5.3	2.3	5.4	12.1	0.4	-3.6	-2.8	5.9	..
Building Consents (% yoy)	-24.4	-16.5	-9.0	-11.8	26.7	20.3	22.8	35.2	29.9	..
REINZ House Price (% yoy)	0.0	0.0	5.1	6.1	6.0	5.2	9.6	7.7	6.1	..
Household Lending Growth (% mom)	0.1	0.3	0.3	0.3	0.3	0.0	0.2	0.2	0.1	..
Household Lending Growth (% yoy)	2.4	2.4	2.4	2.4	2.6	2.7	2.7	2.7	2.7	..
ANZ-Roy Morgan Consumer Confidence	103.4	107.8	112.3	120.0	125.9	121.5	118.6	131.4	123.6	121.8
NBNZ Business Confidence	5.5	18.7	34.2	49.1	48.2	43.4	38.5	..	50.1	42.5
NBNZ Own Activity Outlook	8.3	12.6	26.0	32.2	30.5	33.7	36.9	..	41.9	38.6
Trade Balance ($m)	-331.1	-177.6	-716.6	-561.5	-501.5	-280.4	-28.4	263.1	320.9	..
Trade Balance ($m annual)	-3110	-2491	-2360	-1669	-1176	-863	-551	-186	-347	..
ANZ World Commodity Price Index (% mom)	0.2	1.0	4.4	6.8	4.7	10.5	2.6	0.4	3.8	..
ANZ World Commodity Price Index (% yoy)	-27.9	-28.5	-22.7	-13.0	-1.5	17.4	30.0	36.5	48.6	..
Net Migration (sa)	1620	2460	1620	1840	2150	1720	1680	1850	1060	..
Net Migration (annual)	12515	14488	15642	17043	18560	20021	21253	22588	21618	..

Figures in bold are forecasts. mom: Month-on-Month qoq: Quarter-on-Quarter yoy: Year-on-Year

KEY MARKET FORECASTS AND RATES

	ACTUAL			FORECAST (END MONTH)						
FX RATES	Feb-10	Mar-10	Today	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
NZD/USD	0.698	0.705	0.703	0.710	0.720	0.700	0.690	0.680	0.660	0.650
NZD/AUD	0.780	0.776	0.765	0.747	0.750	0.745	0.750	0.756	0.750	0.756
NZD/EUR	0.512	0.530	0.523	0.518	0.529	0.526	0.531	0.531	0.524	0.524
NZD/JPY	62.10	65.31	66.26	64.61	66.24	65.80	66.24	66.64	66.00	65.00
NZD/GBP	0.458	0.475	0.461	0.461	0.468	0.458	0.451	0.447	0.434	0.433
NZ$ TWI	64.5	66.0	65.5	64.9	66.0	65.1	65.0	64.9	63.8	63.4
INTEREST RATES	Feb-10	Mar-10	Today	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
NZ OCR	2.50	2.50	2.50	2.50	2.75	3.25	3.50	4.00	4.75	5.25
NZ 90 day bill	2.71	2.66	2.68	2.70	3.20	3.70	3.80	4.60	5.20	5.50
NZ 10-yr bond	5.76	6.00	5.99	5.90	5.90	5.80	5.90	6.10	6.50	6.50
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.75	1.25	1.75	2.00	2.50
US 3-mth	0.25	0.29	0.29	0.30	0.35	0.85	1.35	1.85	2.10	2.60
AU Cash Rate	3.75	4.00	4.00	4.25	4.75	5.00	5.25	5.50	5.75	6.00
AU 3-mth	4.13	4.38	4.47	4.40	4.90	5.20	5.40	5.70	5.90	6.20

	2 Mar	29 Mar	30 Mar	31 Mar	1 Apr	2 Apr
Official Cash Rate	2.50	2.50	2.50	2.50	2.50	..
90 day bank bill	2.68	2.68	2.67	2.64	2.70	..
NZGB 11/11	3.69	3.81	3.80	3.76	3.75	..
NZGB 04/13	4.50	4.63	4.61	4.55	4.53	..
NZGB 12/17	5.48	5.74	5.73	5.70	5.68	..
NZGB 05/21	5.76	6.02	6.02	5.98	5.96	..
2 year swap	4.14	4.31	4.31	4.28	4.25	..
5 year swap	5.12	5.27	5.27	5.24	5.22	..
RBNZ TWI	64.8	65.9	66.0	66.2	65.6	..
NZD/USD	0.6978	0.7065	0.7106	0.7098	0.7052	..
NZD/AUD	0.7752	0.7783	0.7733	0.7754	0.7697	..
NZD/JPY	62.29	65.46	65.50	66.24	65.83	..
NZD/GBP	0.4671	0.4734	0.4740	0.4710	0.4641	..
NZD/EUR	0.5154	0.5257	0.5270	0.5297	0.5222	..
AUD/USD	0.9002	0.9077	0.9189	0.9154	0.9162	..
EUR/USD	1.3538	1.3438	1.3484	1.3400	1.3505	..
USD/JPY	89.27	92.65	92.18	93.32	93.35	..
GBP/USD	1.4940	1.4923	1.4990	1.5069	1.5195	..
Oil (US$/bbl)	78.71	79.75	81.92	82.14	83.45	..
Gold (US$/oz)	1116.07	1106.15	1111.75	1106.05	1112.90	..
Electricity (Haywards)	9.38	14.31	13.72	11.35	11.34	..
Milk futures (US$/contract)	107	109	109	109	109	..
Baltic Dry Freight Index	2792	3021	2982	2998	2991	..

IMPORTANT NOTICE

NEW ZEALAND DISCLOSURE INFORMATION

The Bank (in respect of itself and its principal officers) makes the following investment adviser disclosure to you pursuant to section 41A of the Securities Markets Act 1988.

The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

Qualifications, experience and professional standing

Experience

The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice on those securities, to customers as a core part of its business for many years, drawing on the extensive research undertaken by the Bank and its related companies and the skills of specialised staff employed by the Bank. The Bank is represented on many bank, finance and investment related organisations and keeps abreast of relevant issues by running seminars and workshops for relevant staff and having its investment adviser staff attend external seminars where appropriate. The Bank subscribes to relevant industry publications and, where appropriate, its investment advisers will monitor the financial markets.

Relevant professional body

The Bank is a member of the following professional bodies relevant to the provision of investment advice:

- New Zealand Bankers Association;
- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

Professional indemnity insurance

The Bank (and its subsidiaries), through its ultimate parent company Australia and New Zealand Banking Group Limited, has professional indemnity insurance which covers its activities including those of investment advisers it employs.

This insurance covers issues (including ‘prior acts’) arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank.

The insurer is ANZcover Insurance Pty Limited.

Dispute resolution facilities

The Bank has a process in place for resolving disputes. Should a problem arise, you can contact any branch of the Bank for more information on the Bank’s procedures or refer to any of the Bank’s websites.

Unresolved complaints may ultimately be referred to the Banking Ombudsman, whose contact address is PO Box 10-573, Wellington.

Criminal convictions

In the five years before the relevant investment advice is given none of the Bank (in its capacity as an investment adviser and where applicable an investment broker) or any principal officer of the Bank has been:

- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- Adjudicated bankrupt;
- Prohibited by an Act or by a court from taking part in the management of a company or a business;
- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

Fees

At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank’s investment advisers on a specific investment.

Other interests and relationships

When a security is sold by the Bank, the Bank may receive a commission, either from the issuer of a security or from an associated person of the Bank. Whether that commission is received and, if received, its value depends on the security sold. At the time of providing this disclosure statement it is not practicable to provide a detailed list of each security that may be advised on, the name of the issuer of that security and the rate of the commission received by the Bank. However, this information will be disclosed to you should you seek advice from one of the Bank’s investment advisers on a specific investment.

In addition to the interest that the Bank has in products of which it is the issuer, the Bank, or an associated person of the Bank, has the following interests or relationships that a reasonable person would find reasonably likely to influence the Bank in providing the investment advice on the securities listed below:

- ANZ Investment Services (New Zealand) Limited (ANZIS), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ANZIS may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- UDC Finance Limited (UDC), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. UDC may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- The Bank has a joint venture relationship with ING (NZ) Holdings Limited (ING). ING and its related companies may receive remuneration from a third party relating to a security sold by the Investment Adviser.

Securities about which investment advice is given

The Bank provides investment advice on the following types of securities:

- Debt securities including term and call deposits, government stock, local authority stock, State-Owned Enterprise bonds, Kiwi bonds and corporate bonds and notes;
- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY

If you wish to pay investment money to the Bank you can do this in several ways such as by:

- Providing cash;
- Providing a cheque payable to the relevant product or service provider and crossed ‘not transferable’; or

IMPORTANT NOTICE

- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

Record Keeping

The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

Auditing

The Bank's systems and operations are internally audited on a regular basis. The financial statements of the Bank and its subsidiaries are audited annually by KPMG. However, this does not involve an external audit of the receipt, holding and disbursement of the money and other property.

Use of Money and Property

Money or property held by the Bank for a specific purpose communicated to the Bank (e.g. the purchase of an interest in a security) may not be used by the Bank for its own purposes and will be applied for your stated purpose. No member of the Bank's staff may use any money or property deposited with the Bank, for their own purposes or for the benefit of any other person. In the absence of such instructions, money deposited with the Bank may be used by the Bank for its own purposes, provided it repays the money to you upon demand (or where applicable, on maturity), together with interest, where payable.

NEW ZEALAND DISCLAIMER

The Bank does not provide investment advice tailored to an investor's personal circumstances. It is the investor's responsibility to understand the nature of the security subscribed for, and the risks associated with that security. To the maximum extent permitted by law, the Bank excludes liability for, and shall not be responsible for, any loss suffered by the investor resulting from the Bank's investment advice.

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