NEW ZEALAND ECONOMICS
ANZ MARKET FOCUS

19 April 2010

INSIDE

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THEORIES ABOUND

ECONOMIC OVERVIEW

Economic outturns continue to be influenced by an array of forces, including deleveraging (subdued retailing), a global and inventory-induced recovery (manufacturing), and uncertainty over pending structural changes (housing). Electronic Card Transaction (ECT) data was stronger for March but was it an early Easter effect or the start of some "beat-the-GST-rise" spending? We continue to expect such dichotomies to be apparent for another three to six months, and for patchiness to weigh on prospects for investment and employment – the missing legs of the recovery.

Tomorrow's March quarter CPI inflation outturn takes centre stage. While non-tradable inflation will increase after the previous quarter's soft read, we do not expect it will alter our Q3 rate view. It would take a very strong result and the emergence of clear broad-based pricing pressure to spook us, and such an outcome would carry worrying implications about the supply-side capacity of the economy.

DROUGHT SITUATION

The length and timing of the drought is getting severe. Production on individual dairy farms in drought regions is up to 20 percent lower. Sheep and beef are similarly affected. The implications are an ongoing restraint on discretionary expenditure by farmers and a slower rate of debt reduction than many may have budgeted for.

Lower agriculture production will act as a drag on GDP over the first half of this year, though we do not expect it to be as severe as the 2008 drought. Ironically, the drought may well hold the dairy commodity price at elevated levels for the next six months, and suggests the milk price for 2010/11 may be over $6/kilogram milk solids.

INTEREST RATE STRATEGY

NZ rates have been range bound over the last few weeks, with weak local data offset by upbeat Australian data and RBA hikes. Local and offshore influences are likely to tug in opposite directions again this week. However, their roles will likely be reversed, with the market wary of this week's CPI. We expect this to be countered by flight to safety overtones in global markets following the US SEC's decision to charge an investment bank with fraud.

CURRENCY STRATEGY

The debate continues as the market oscillates between risk-on and risk-off themes. Chinese overheating is going to demand some sort of policy response, including CNY revaluation, but the timing is uncertain. Given the surprise US SEC charges against Goldman Sachs, the market is now happy to take profit and wait and see. This will see the NZD continue to trade in tight ranges with 0.6950 and 0.7200 both looking out of reach.

ECONOMIC OVERVIEW

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THE WEEK AHEAD

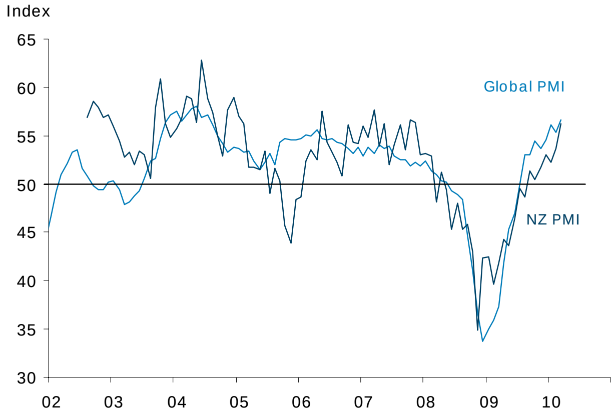
- **SNZ Consumers Price Index – March quarter (Tuesday 20 April, 10:45am NZST).** We expect CPI to rise by 0.5 percent in the quarter, taking annual inflation to 2.2 percent. Core measures are expected to rise, but following volatility over previous quarters (e.g. strong core reads in Q3 2009, weak in Q4 2009), it would take a very strong upward trend across various core measures to spook us.
- **ANZ Roy Morgan Consumer Confidence – March (Thursday 22 April, 3:00pm NZST).**
- **SNZ External Migration – March (Friday 23 April, 10:45am NZST).** We expect the rising trend in Permanent and Long-term (PLT) departures, especially to Australia, to contribute to a declining annual net inflow. Visitor arrivals will continue to be underpinned by Australian tourists.

WHAT'S THE VIEW?

Last week's data confirmed the two-speed nature of the current recovery.

Improving global sentiment in manufacturing appears to be rubbing off on the New Zealand economy, with the local Performance of Manufacturing Index (PMI) lifting. Strictly speaking, we do not believe that there is anything new here. The PMI tends to follow the National Bank *Business Outlook* survey's manufacturing gauge, which has been moving strongly higher. Nonetheless, it adds credence to the view that a mild inventory fillip is adding to momentum, following a couple of years best forgotten. The NZD is also at supportive levels against the AUD and the Australian economy in good shape, which bodes well for a further strengthening in manufacturing sector activity. The recent run of dry weather may temporarily weigh on primary manufacturing production (see our rural update on page 5), but prospects in other sectors look good.

NZ vs Global PMI



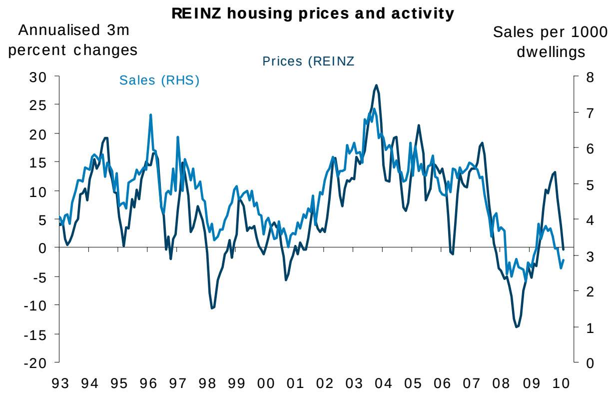
Sources: ANZ, National Bank, Bloomberg, Business NZ

While prospects for manufacturing are improving, the economic recovery remains patchy. Retailing for February was weak, and core retailing from November to February was down 2.8 percent. Lower spending was particularly widespread, with declines in discretionary spending evident. The implications for retail volumes may not be as bad, as food prices were lower and there were anecdotes of widespread discounting taking place. Moreover, the surge in March ECT spending suggests a retail rebound is possible. Whether this reflects the timing of Easter in early April (and hence adding to purchasing in late March) or reputedly aggressive discounting remains to be seen. Even if we assume a pretty sizeable bounce in actual retailing, consumption for the quarter still looks weak. Whatever the case, we are unlikely to see a strong boost to Q1 GDP from consumption, and drought conditions will also play a suppressing role. With construction activity flat, much will depend on continued impetus from manufacturing and inventory rebuilding.

The housing market continues to tread water. Various price measures and median days to sell all improved to some degree in March. However, the housing market is considerably less buoyant than it was six months ago. On a more reliable 3-month basis, house prices are down. With less support

ECONOMIC OVERVIEW

from the housing market, low earnings growth within the economy and ongoing deleveraging, it does not point to a strong first half of the year for consumer spending.



Sources: ANZ, National

It is at this juncture that we expect to see all manner of theories. Some will point to deleveraging. Others will say it is merely timing, pointing to ECT data as the more up to date barometer of the consumer. Medium-term fundamentals such as commodity price trends look very positive. Pending tax changes will undoubtedly be having an influence on housing (although clearly higher fixed mortgage interest rates are too). **But whatever the theory, it's hard to go against one simple observation: there is still patchiness across data outturns.** And it does not support the RBNZ's forecast of the economy expanding at a rate of one percent per quarter. We expect the data to show ongoing patchiness in economic activity for another three to six months, which will weigh on prospects for investment and employment – the missing legs of the recovery.

Turning to international developments, there were two key ones that caught our eye, both of which we expect to be very influential over the coming years.

First, the Chinese economy remains hot, recording 11.9 percent annual growth in the March quarter. There is a lot of speculation about whether a bubble exists or not. Whatever your view, one point is clear: authorities are not standing idly by. With risks of a property bubble emerging, China's state council has announced measures specifically designed to rein in property speculation, including higher deposit requirements and higher mortgage loan rates for second home purchases. This follows the increases to bank reserve requirements early this year. As yet they have resisted using conventional measures (i.e. raising official interest rates). And there is obviously continued pressure to let the Chinese currency rise. We won't dwell on what should be done, but will leave readers with one simply observation: **the steps being taken by Chinese officials are another clear example of policymakers using regulatory and prudential policy to influence the business cycle.** This is a global trend which we expect to intensify over the coming years, as re-regulation plays a growing role in the global economy. Hence, credit aggregates are becoming an increasingly important economic barometer to monitor.

Second, the US Securities and Exchange Commission (SEC) has laid charges against Goldman Sachs (GS). Now, it is certainly not our place to comment on the charges per se or on GS. We won't. Our attention is clearly on the bigger picture. In our eyes, the SEC charges are partially reflective of the global financial crisis entering what we call Stage 3. Stage 1 was the financial crisis itself. Stage 2 was the economic consequences that ensued. Stage 3 is the socialisation of the crisis, or what could commonly be referred to as an element of payback. There are feedback effects across all three stages. Economic weakness exacerbates pressure on the financial sector. The socialisation of economic problems risks a heavy-handed regulatory response which could kill the golden goose (the process of credit facilitation and creation). We hope that sensible heads will prevail and the natural laws of justice will win out. But our point is simple: **there are going to be lingering after-effects from the global financial crisis, and a more prominent role for regulators is one of them.**

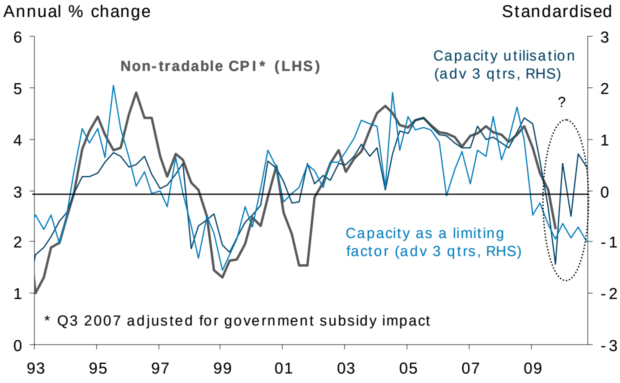
Turning back to local considerations, the release of the Q1 Consumers Price Index tomorrow dominates local events over the coming week. We expect a 0.5 percent quarterly increase, taking the annual rate of inflation to 2.2 percent. **Key for the RBNZ will be the implications for medium-term inflation, which means the Q1 HLFS data and the Government's Budget, both out in May, are probably of more importance.** Given volatility in recent quarterly readings and evidence of the patchiness of the recovery, a strong CPI result may not be enough to cement in a June hike by the RBNZ. We do not doubt that the inflation trajectory will be increasing as the recovery gathers pace. The recent climb in export commodity prices is just starting to flow through into higher food prices, and the higher terms of trade is expected to provide a considerable boost to the economy later this year.

ECONOMIC OVERVIEW

For now, however, the recovery is lacking some conviction and there is time for the RBNZ to wait.

For now, trends in domestically generated inflation appear contained. Recent readings from our Monthly Inflation Gauge do not yet point to a firming in inflationary pressure, although we remain mindful of spikes in the earlier months of this year. Survey readings do not conclusively point to an intensification of inflationary pressure.

Non-tradable Inflation vs NZIER Capacity measures

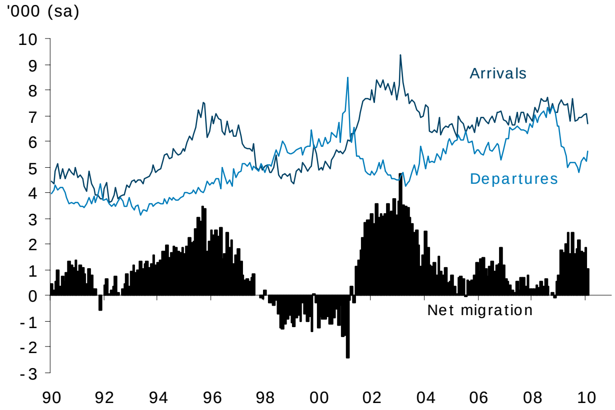


Sources: ANZ, National Bank, Statistics NZ, NZIER

Still, we don't doubt that the RBNZ has a tricky balancing act to juggle. A further complicating factor for the RBNZ will be in distinguishing genuine pricing pressures from those that are more related to wider government policy initiatives. From July, higher vehicle registration fees and the entry of petrol and electricity into the Emissions Trading Scheme will have a temporary inflationary impact. There is also the prospective impact of higher GST to consider.

This week's international travel and migration data will provide an update on a key support to the New Zealand economy. With PLT departures on a rising trend, the net size of population inflow is starting to wane. A stronger pick-up in departures remains a key risk given that the Australian economy is in considerably better shape. An important requirement for the rebalancing of the economy is an increase in income generated from tourism. Despite strong visitor arrivals from the Australian market, the weakening in arrivals from the higher spending European and Asian (especially Japan) markets have contributed to an overall easing in visitor arrivals in recent months. A recovery in the higher spending markets would be a welcome development, but we don't see this eventuating just yet considering the headwinds currently being faced by their respective economies.

Permanent and long-term migration



Sources: ANZ, National Bank, Statistics NZ

RECENT LOCAL DATA

- **Electronic Card Transaction - March.** The value of total retail related transactions increased by 2.1 percent. Core transactions (which exclude fuel and vehicle related purchases) increased by 2.2 percent.
- **SNZ Retail Trade Survey – February.** Headline retail sales declined by 0.6 percent in the month, while core retail sales declined by 0.9 percent.
- **BNZ Business NZ PMI – March.** The seasonally adjusted PMI climbed to 56.3, the highest level of overall activity since November 2007. New orders, finished stocks, and deliveries all rose above 50.
- **REINZ Housing Market Data – March.** Sales rose 1.5 percent to 4,961 dwellings in seasonally adjusted terms. The REINZ house price index rose by a seasonally adjusted 0.3 percent to be 6.8 percent up on a year ago. Days to sell eased to 38 from 39 in February in seasonally adjusted terms.

DROUGHT SITUATION

SUMMARY

The length and timing of the drought is getting severe. Production on individual dairy farms in drought regions is up to 20 percent lower. Sheep and beef are similarly affected. The implications are an ongoing restraint on discretionary expenditure by farmers and a slower rate of debt reduction than many may have budgeted for.

Lower agriculture production will act as a drag on GDP over the first half of this year, though we do not expect it to be as severe as the 2008 drought. Ironically, the drought may well hold the dairy commodity price at elevated levels for the next six months, and suggests a milk price for 2010/11 may be over $6/kilogram milk solids.

SITUATION

Drought conditions apply to a significant part of pastoral New Zealand. The worst regions are in the north of the North Island and Central Otago. Sheep and beef, and dairy farms are impacted. Being dry so late in the growing season exacerbates the production and financial impact in the 2010/11 season.

The magnitude of the gap between the estimated available soil moisture and average for this time of the year is a relative measure of the seriousness of the situation at the locations shown. South Otago and Southland are at the other end of the scale having experienced a very favourable summer and autumn.

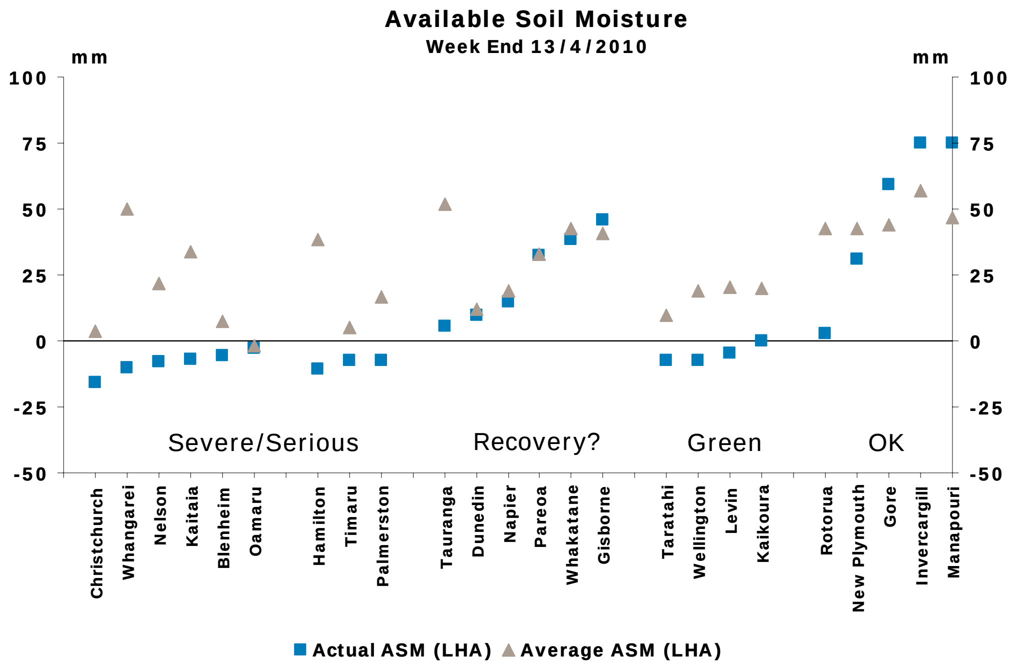
BACKGROUND

A drought (drouth in earlier speak) is a sustained period of low rainfall resulting in soil moisture being insufficient for plant growth. The Australian definition recognises that drought is a relative term. In Australia, a drought is when the rain over a three month period is in the lowest decile recorded in a three month period for the region.

Droughts are an irregular but recurring weather event. They occur when slow moving high pressure conditions in the atmosphere prevent movement of oceanic air masses with higher moisture content crossing land. The relative position of the Southern Oscillation Index (El Nino or La Nina) is often used as an indicator of the likelihood of a drought.

Three features of droughts are important. They are the frequency of occurrence, the duration, and timing within the farming season.

Pastoral livestock farming systems are primarily set up to match rainfall as that highly influences pasture growth. Dairying has a high feed requirement for nine months of the year and is established in higher and reliable rainfall areas (or those with irrigation). It only takes a short period of time before lack of grass growth at any time during the milk season impacts on production.



DROUGHT SITUATION

Lower rainfall districts have more sheep with a shorter period of high demand and a natural de-stocking requirement in the usual drier period after Christmas. Sheep farming in these districts can stand a period of summer drought but not for an extended period. Spring and late autumn droughts are most serious.

One good rainfall does not finish a drought. It requires follow up rains and about three weeks before pastures start to re grow. Temperature and sunlight hours subsequent to the first rain are critical. The longer the duration of the drought, the slower the rate of pasture recovery.

The current situation for drought districts is that we are past the middle of April. Air temperatures and sunshine hours are falling. The rate of pasture growth is slowing quite sharply.

Many farmers will need a mild winter and kind spring to maintain stock condition and production. The alternative is to buy feed but reserves are now lower in drought districts (i.e. the cost of available feed will be up).

IMPACT

The impact of a drought at the national level may appear to be small. Milk production for the 2009/10 season is likely to be down one percent. The numbers of livestock processed will be little changed. That understates the position at the farm gate. A drought creeps up on a farm business and the implications take even longer to dissipate depending on:

- the farming system;
- the three characteristics of drought as discussed above: and
- the decisions and timing of action by the farmer.

Mitigation measures vary. First movers on sheep and beef sell livestock earlier than intended – either into another district or to the meat processors at lighter weights. A best case scenario has capital stock maintained and cash looking okay but less than budgeted.

A more prolonged drought may require a reduction in capital livestock, impacting on next year's income. Damage to pasture also increases, requiring reseeding and resulting in a double whammy of lower income and higher costs.

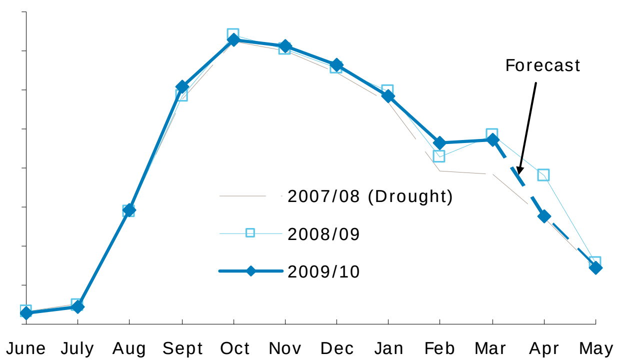
Early decisions on a dairy farm usually include using feed conserved for use later in the year (if available) and then to start buying feed in. Production is maintained but at a cost. The next steps include culling cows early and finally stopping milking sooner than intended. This results in a production loss and extra cost. The majority of costs on a dairy farm are incurred by early February. The cream of the annual profit (pardon the pun) is obtained in the autumn so less production here exacerbates the drought effect on profit.

A prolonged autumn drought exacerbates negative cash flows and pushes a greater effect into next season. Low pasture covers and cow condition are less than optimal requiring sale of capital livestock, buying expensive grazing or more feed.

IMPLICATIONS FOR FARM GATE

Milk production in the far north is down 10 to 20 percent and five to ten percent in the greater Waikato/Bay of Plenty.

New Zealand Milk Production



Sources: ANZ, National Bank, Fonterra

Cash flows are tight with only $4.68 received to date of the estimated total season payout of $6.00 to $6.10/kilogram of milk solids. The difference is trickled out between now and October. Bare breakevens and cash losses for year end May 2010 will be more prevalent than expected in December 2009 when production was looking reasonable and the prospect of a higher payout had been announced.

While the recent higher Fonterra auction price for dairy commodities is a positive, the net effect on payout is diluted. The auction was for a small volume and nine months of sales is already in place. Volumes left to sell by the end of July (Fonterra's financial year) are reported to be tight. Foreign exchange gains or losses, International Financial Reporting Standard Adjustments and the valuation of inventory also have to be taken into account before a payout can be finalised.

DROUGHT SITUATION

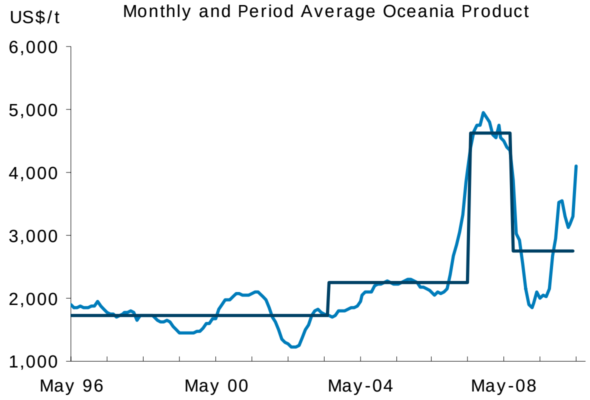
Discretionary expenditure by farmers in drought and drought recovery areas will remain constrained. Regional differences will be wide. There will be a slower rate of debt reduction than many may have budgeted for and in some instances a (another) increase.

The forecast payout and the prospects of a reasonable season reduced (but did not eliminate) the financial pressure on high debt farmers and the land market. That pressure looks like being reasserted.

IMPLICATIONS FOR MILK PRICE 2010/11

The shortfall in milk production in New Zealand and Australia and static or falling milk production in the US and the EU may help hold the price of dairy commodities at elevated levels, at least for the next six months. But the EU uncommitted 200,000 tonne stock pile of skim milk powder and the price point of consumer resistance has to be kept in mind.

Whole Milk Powder
Monthly and Period Average Oceania Product



Sources: ANZ, National Bank, USDA, Fonterra

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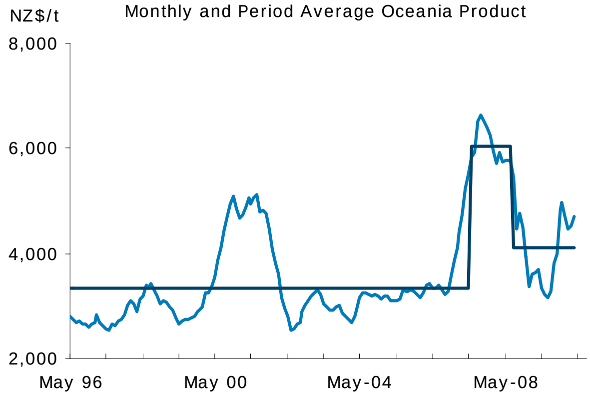

Sources: ANZ, National Bank, USDA, Fonterra

The 20 percent increase in the Fonterra April auction price (in USD terms) for whole milk powder (WMP) was unexpected. The price is now well above long run averages and well above the "step change" talked about in 2006 and 2007.

However, note that the step change between 2003 and 2007 was largely due to a weaker USD. There was no step change during this period in NZD terms.

The world economic outlook was significantly better in May 2007 when the USD price of WMP first broke US$4,000/tonne than the outlook in April 2010. Buyers may be able to pay a high price for small quantities of product just to top up a supply shortfall as the impact on their annual average cost of purchase is small. But increases to boom prices meant that buyers were left with high cost inventory in early 2008 just when consumer resistance reduced the sales volume of end use products. The global financial crisis added to the subsequent crash in the base dairy commodity price.

The price of WMP might be expected to oscillate between US$3,000 and 4,000/tonne for the next three to six months until additional supply becomes available. The EU new season is just starting and the new Southern Hemisphere season starts in August. Prices might then settle closer to $3,000/tonne. That does suggest the milk price for 2010/11 may be over $6/kg milk solids.

IMPLICATIONS FOR NEW ZEALAND GDP

Agriculture production (including primary food manufacturing) makes up around 8 percent of GDP. But its effect on the quarterly growth rate is larger given the volatility in agriculture production. If you factor in the multiplier effects to other production sectors, the impact is greater. Lower production from the drought is expected to act as a drag on GDP growth over the first half of this year. However, we do not expect the effects to be as large as the 2008 drought, where agriculture production and primary food manufacturing shaved 0.3 percentage points off growth over the first half of that year. But the drought impact will contribute to the volatility in GDP, with a higher dairy price only partially offsetting it somewhat.

INTEREST RATE STRATEGY

SUMMARY

NZ rates have been range bound over the last few weeks, with weak local data offset by upbeat Australian data and RBA hikes. Local and offshore influences are likely to tug in opposite directions again this week. However, their roles will likely be reversed, with the market wary of this week's CPI. We expect this to be countered by flight to safety overtones in global markets following the US SEC's decision to charge an investment bank with fraud.

MARKET THEMES

- The consensus continues to look towards a June rate hike. However weaker data has seen the market hedge its bets between June and July.
- The onus is now on the data to justify a June hike, and we still consider the data to remain patchy, although commodity price trends are very constructive for 2011. The CPI could be a test of the RBNZ's patience.
- Global influences have been dominated by RBA policy until now. However, US SEC actions, and the re-emergence of Greece mean global influences on rates are likely to be downward.

REVIEW AND OUTLOOK

The market is pricing in at least one rate hike by July, with around 50% odds that it may be sooner, in June. Soft data has helped lower the odds, but the market remains deeply fearful that the RBNZ will hike sooner rather than later. By contrast, we see no hurry for the RBNZ to raise rates. Rates are extremely low, and are clearly helping bolster confidence. However, there has been a frustrating lack of follow through from confidence to actual activity, as evidenced by soft retail sales and anaemic credit growth. The yield curve remains steep, and retail deposit interest rates continue to grind higher, taking pressure off the RBNZ. Are there risks to this view? Of course there are – Q1 CPI data is the most immediate risk. And while that may change the risks around our view in terms of the timing of the first hike, it doesn't change the spirit, which remains one of an economy that is still adjusting, and some way away from posting sustainable above-trend growth.

Global influences should also help drive rates lower, with a trio of forces at play. The first is news that the SEC had charged an investment bank with fraud. Whether this is the start of a flurry of actions or an isolated incident is unsure, but the market remains wary. Second, the issue of Greece has not gone away. Now that a package has been arranged, markets are now focussing on the impact it will have on wider EU sovereign finances. Finally, while the RBA is raising rates, they are nearing neutral, and the pace of hikes is set to slow down.

PREFERRED BORROWING STRATEGIES

Borrowers face a tricky "conundrum", and the choice between historically attractive fixed rates and super-low floating rates is not an easy one. The broad thrust of our thinking has not changed. We favour keeping hedge ratios low, and those who need to fix to satisfy policy should consider forward starting swaps if possible. These provide protection against rising rates, but have no cashflow considerations in the near term. Moreover, aggressive rate hike expectations over the next year make forwards cheaper than they would be if those expectations were more muted. For those that need short term cover (and who share some wariness towards the Q1 CPI result), we favour vanilla option strategies like caps and cap spreads. Such strategies should deliver superior outcomes if rates rise more slowly than what's priced in.

GAUGES FOR NZ INTEREST RATES

GAUGE	DIRECTION	COMMENT
RBNZ / OCR	↔	June hike still unlikely. RBNZ in data watch mode.
NZ data	↔/↑	Higher Q1 CPI could give the market a fright.
Fed Funds / front end	↔	Fed in no hurry to raise rates. SEC action against a bank has unsettled market.
RBA	↔/↑	RBA not done yet, but pace of hikes will slow from here.
US 10 year	↔/↓	Flight to safety bid coming back again. China wild card.
NZ swap curve	↔	Neutral. Flight to safety bid could see long end rally in step with short end.
Flow	↔	Receivers likely to emerge, but much depends on CPI.
Technicals	↔	Range trading.

MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 29-Apr-10	+2	+3
Thu 10-Jun-10	+18	+13
Thu 29-Jul-10	+34	+29
Thu 16-Sep-10	+72	+64
Thu 28-Oct-10	+91	+92
Thu 9-Dec-10	+115	+116
Thu 27-Jan-11	+139	+129

TRADING THEMES WE FAVOUR AT PRESENT

We remain bullish the short end, but acknowledge that the risks to CPI are to the upside, and our forecast is higher than the RBNZ's. We would thus view any negative reaction to data as an opportunity to extend longs, both outright and against the Australian market.

CURRENCY STRATEGY

SUMMARY

The debate continues as the market oscillates between risk-on and risk-off themes. Chinese overheating is going to demand some sort of policy response, including CNY revaluation, but the timing is uncertain. Given the surprise US SEC charges against Goldman Sachs, the market is now happy to take profit and wait and see. This will see the NZD continue to trade in tight ranges with 0.6950 and 0.7200 both looking out of reach.

MARKET THEMES

- US Securities and Exchange Commission (SEC) targets those who profited during the global financial crisis.
- China is overheating, especially their property market, and policymakers are doing something about it.
- Risk appetite remains fickle. Do the NZD and AUD get sold hard if risk is further reduced? They certainly don't deserve to be.

REVIEW AND OUTLOOK

The NZD is being affected more by offshore sentiment than local factors. The local dataflow has been mixed, with positive news (strong commodity prices, PMI and March electronic card transactions) offset by negative ones (extremely weak February retail sales and housing market still at depressed levels). We are getting close to the RBNZ's "middle of 2010" tightening period, and tomorrow's Q1 CPI print could prove to be the swing factor to the Bank sticking with June or delaying it further. However, domestic developments continue to play second fiddle to offshore ones. The focus remains on when the Chinese will revalue the CNY and by how much, the earnings reporting season in the US, and the never ending Greece saga. Throw into that mix the surprise announcement by the US SEC that they will be charging Goldman Sachs for fraud, and this will ensure that the market will continue to trade randomly in a defensive range.

The AUD has trend support at 0.9180 and rising. Failure above the 0.9330 break out last week suggests the market will consolidate in the recent range. Yield remains an underlying supportive reason with a 1-year forward near 400 points. Market positioning is the main concern for the AUD with the speculative community positioned very long. Fickle risk and any concerns over Chinese policymakers further tightening policy (as they did with changes to loan requirements last week) could see a squeeze lower.

On the face of it, there does not seem to be any reason to sell high yielding commodity currencies. Yet, the NZD and AUD failed to press on. Clearly other concerns are weighing and currency markets are always the most liquid and timeliest manifestation of this. The NZD has started the week near all its moving averages, with a lack of any momentum in either direction. Offshore developments again hold the key.

NZD VS AUD: MONTHLY DIRECTIONAL GAUGES

GAUGE	DIRECTION	COMMENT
Fair value	↔/↑	Undervalued.
Yield	↓	Yield further in favour of Australia.
Commodities	↔	Softs now following on the hard's footsteps.
Partial indicators	↔/↓	Australian data still better, especially their labour market.
Technicals	↔	Support at 0.7620 Resistance at 0.7800
Sentiment	↔	All about China effect on AUD this week.
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	↔/↑	Rally in US rates has seen it widen again.
Commodities	↑	NZ commodity prices improving strongly.
Risk aversion	↔/↓	SEC charges thrown a spanner in the works.
Partial indicators	↔/↓	US data improving faster than NZ's.
Technicals	↔	Upside bias with support at 0.7050 currently.
AUD	↔	Support at 0.9180 will be very important.
Sentiment	↔	NZD just following offshore moves.
Other	↔/↓	Yield differentials still matter.
On balance	↔	**Range trade**

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
19-Apr	UK	Rightmove House Prices (MoM) – Apr	-	0.1%	11:01
	UK	Rightmove House Prices (YoY) – Apr	-	5.30%	11:01
	JN	Consumer Confidence – Mar	-	40	17:00
	EC	Construction Output SA MoM – Feb	-	-2.20%	21:00
	EC	Construction Output WDA YoY - Feb	-	-12.50%	21:00
20-Apr	US	Leading Indicators - Mar	1.00%	0.10%	02:00
	NZ	Food Prices (MoM) - Mar	-	-1.30%	10:45
	NZ	Consumer Prices (QoQ) - 1Q	0.60%	-0.20%	10:45
	NZ	Consumer Prices (YoY) - 1Q	2.30%	2.00%	10:45
	AU	Reserve Bank's Board April Minutes - Apr 20	-	-	13:30
	JN	Machine Tool Orders (YoY) - Mar F	-	262.10%	18:00
	GE	Producer Prices (MoM) - Mar	0.40%	0.00%	18:00
	GE	Producer Prices (YoY) - Mar	-1.80%	-2.90%	18:00
	EC	ECB Euro-Zone Current Account SA - Feb	-	-8.1B	20:00
	EC	Euro-Zone Current Account nsa - Feb	-	-16.7B	20:00
	UK	CPI (YoY) - Mar	3.20%	3.00%	20:30
	EC	ZEW Survey (Econ. Sentiment) - Apr	-	37.9	21:00
	GE	ZEW Survey (Econ. Sentiment) - Apr	46.3	44.5	21:00
	GE	Zew Survey (Current Situation) - Apr	-45.5	-51.9	21:00
21-Apr	AU	DEWR Skilled Vacancies MoM - Apr	-	2.40%	13:00
	JN	Leading Index CI - Feb F	-	97.9	17:00
	JN	Coincident Index CI - Feb F	-	100.7	17:00
	UK	Bank of England Minutes - Apr 21	-	-	20:30
	UK	Claimant Count Rate - Mar	4.90%	4.90%	20:30
	UK	Jobless Claims Change - Mar	-8.8K	-32.3K	20:30
	UK	Average Weekly Earnings 3M/YoY - Feb	2.50%	0.90%	20:30
	UK	Weekly Earnings exBonus 3M/YoY - Feb	1.60%	1.40%	20:30
	UK	ILO Unemployment Rate (3mths) - Feb	7.80%	7.80%	20:30
22-Apr	JN	Merchnds Trade Balance Total - Mar	-	¥651.0B	11:50
	AU	New Motor Vehicle Sales MoM - Mar	-	-1.90%	13:30
	NZ	ANZ Consumer Confidence Index - Apr	-	121.8	15:00
	GE	PMI Services - Apr A	55	54.9	19:30
	GE	PMI Manufacturing - Apr A	59.8	60.2	19:30
	EC	Euro-Zone Govt Debt/GDP Ratio - Jan 2010	-	69.30%	20:00
	EC	PMI Services - Apr A	54.4	54.1	20:00
	EC	PMI Manufacturing - Apr A	56.4	56.6	20:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA / EVENT	MKT.	LAST	NZ TIME
	UK	Retail Sales Ex Auto Fuel(MoM) - Mar	-	1.60%	20:30
	UK	Retail Sales Ex Auto Fuel(YoY) - Mar	-	5.40%	20:30
	UK	Public Sector Net Borrowing - Mar	27.5B	12.4B	20:30
	UK	M4 Money Supply (YoY) - Mar P	-	3.90%	20:30
	UK	Major Banks Mortgage Approvals - Mar	-	48K	20:30
23-Apr	US	Producer Price Index (MoM) - Mar	0.50%	-0.60%	00:30
	US	PPI Ex Food & Energy (MoM) - Mar	0.10%	0.10%	00:30
	US	Producer Price Index (YoY) - Mar	6.10%	4.40%	00:30
	US	PPI Ex Food & Energy (YoY) - Mar	0.90%	1.00%	00:30
	US	Initial Jobless Claims - Apr 18	450K	484K	00:30
	US	Continuing Claims - Apr 11	-	4639K	00:30
	US	House Price Index MoM - Feb	-0.10%	-0.60%	02:00
	US	Existing Home Sales MoM - Mar	5.60%	-0.60%	02:00
	EC	Euro-Zone Consumer Confidence - Apr A	-17	-17	02:00
	NZ	Visitor Arrivals - Mar	-	-1.90%	10:45
	AU	Import price index (QoQ) - 1Q	-1.50%	-4.30%	13:30
	AU	Export price index (QoQ) - 1Q	3.70%	-1.70%	13:30
	NZ	Credit Card Spending SA (MoM) - Mar	-	-0.30%	15:00
	NZ	Credit Card Spending (YoY) - Mar	-	1.10%	15:00
	JN	All Industry Activity Index (MoM) - Feb	-	3.80%	16:30
	GE	IFO - Business Climate - Apr	98.9	98.1	20:00
	GE	IFO - Current Assessment - Apr	95.1	94.4	20:00
	GE	IFO - Expectations - Apr	102.3	101.9	20:00
	UK	GDP (QoQ) - 1Q A	0.40%	0.40%	20:30
	UK	GDP (YoY) - 1Q A	-0.30%	-3.10%	20:30
	EC	Industrial New Orders SA (MoM) - Feb	0.70%	-2.00%	21:00
	EC	Industrial New Orders SA (YoY) - Feb	11.20%	7.00%	21:00
24-Apr	US	Durable Goods Orders - Mar	0.10%	0.50%	00:30
	US	Durables Ex Transportation – Mar	0.50%	0.90%	00:30
	US	New Home Sales MoM – Mar	4.60%	-2.20%	02:00
26-Apr	UK	Hometrack Housing Survey (MoM) – Apr	-	0.30%	11:01
	UK	Hometrack Housing Survey (YoY) - Apr	-	1.30%	11:01

Key: AU: Australia, EC: Euro-zone, GE: Germany, JN: 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 Review, the focus will be on the March quarter CPI result (we expect a 0.5 percent quarterly print compared to the 0.3 percent forecast in the March MPS) and whether consumer and business confidence readings remain at elevated levels. Data readings for the first few months of 2010 highlight the patchiness of the recovery, and we expect this to continue in the next three to six months.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
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 0.5 percent quarterly increase. Non-tradable CPI is forecast to increase by 0.7 percent.
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 (Apr)	-	-
Fri 23 Apr (10:45am)	International Travel and Migration (Mar)	Easing	We expect the lifting trend in PLT departures, especially to Australia, to contribute to a declining annual net inflow.
Fri 23 Apr (3:00pm)	RBNZ Credit Card Statistics (Mar)	Up	Over the last few months credit card data has proved to be a useful indicator for retail spending. March Electronic Card Transactions suggests a bounce-back in retail spending is due.
Wed 28 Apr (3:00pm)	National Bank Business Outlook (Apr)	-	-
Thur 29 Apr (9:00am)	RBNZ OCR announcement	Steady	We expect the OCR to be held at 2.5 percent, and for the RBNZ to remove explicit references to "middle of 2010".
Thur 29 Apr (10:45am)	Overseas Merchandise Trade (Mar)	Surplus	Firming commodity prices are expected to lift export values, after the previous decline. We will closely watch capital imports for signs of a recovery in business investment.
Thur 29 Apr (3:00pm)	RBNZ monetary and credit aggregates (Mar)	Easing	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.
Tue 4 May (10:45am)	Labour Cost Index (Salary and Wage Rates, Mar qtr)	Near the trough	Past readings have surprised on the downside. We expect another low quarterly print, with annual wage inflation at (or close to) its cyclical trough.
Thur 6 May (10:45am)	Household Labour Force Survey (Mar qtr)	Lagging	We expect that increasing demand for labour will be met by increasing hours for existing employees, with employment broadly flat for the quarter. The unemployment rate is expected to climb to 7.5 percent.
Tue 11 May (10:45am)	Electronic Card Transactions (Apr)	Easing	We may see some pull-back following the 2 percent plus monthly increase in March.
Thur 13 May (10:00am)	BNZ Business NZ PMI (Apr)	Improving	NZ is expected to follow an improving global trend.
Thur 13 May (10:45am)	Food Price Index (Apr)	Rising	High food commodity prices suggest a climb in annual food price inflation.
Fri 14 May (10:45am)	Retail Trade Survey (Mar)	Up	March Electronic Transactions data suggests a strong monthly outturn for retail trade. But this reverses the weakness seen in February.
On Balance		**Still sub-trend**	**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	**0.5**	**0.7**	**0.9**	**0.8**	**0.5**	**1.0**
CPI (% yoy)	3.0	1.9	1.7	2.0	**2.2**	**2.4**	**2.0**	**3.0**	**3.0**	**3.3**
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	**1.8**	**3.9**	**3.9**	**0.2**	**-0.2**	**-0.7**
Terms of Trade (% yoy)	-5.0	-13.5	-14.1	-8.2	**-4.0**	**10.1**	**16.2**	**10.1**	**8.0**	**3.3**

	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	-0.6	1.2	0.3	0.0	0.8	-0.5	0.7	-0.6	..
Retail Sales (% yoy)	-1.1	-1.4	-1.1	-0.5	-0.2	2.4	2.0	2.3	2.4	..
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	2.7	1.1	..
Car Registrations (% mom)	6.0	7.0	-3.6	8.5	0.5	2.2	6.9	-0.8	0.3	5.4
Car Registrations (% yoy)	-29.6	-16.4	-18.3	-16.8	-16.8	2.4	0.3	15.9	31.4	31.7
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	7.6
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	1.8
ANZ World Commodity Price Index (% yoy)	-27.9	-28.5	-22.7	-13.0	-1.5	17.4	30.0	36.5	48.6	49.7
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	0.708	0.710	0.720	0.700	0.690	0.680	0.660	0.650
NZD/AUD	0.780	0.776	0.768	0.747	0.750	0.745	0.750	0.756	0.750	0.756
NZD/EUR	0.512	0.530	0.525	0.518	0.529	0.526	0.531	0.531	0.524	0.524
NZD/JPY	62.10	65.31	65.09	64.61	66.24	65.80	66.24	66.64	66.00	65.00
NZD/GBP	0.458	0.475	0.463	0.461	0.468	0.458	0.451	0.447	0.434	0.433
NZ$ TWI	64.5	66.0	65.6	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	2.67	2.69	2.70	3.20	3.70	3.80	4.60	5.20	5.50
NZ 10-yr bond	5.76	5.98	5.93	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	0.31	0.30	0.35	0.85	1.35	1.85	2.10	2.60
AU Cash Rate	3.75	4.00	4.25	4.25	4.75	5.00	5.25	5.50	5.75	6.00
AU 3-mth	4.13	4.49	4.48	4.40	4.90	5.20	5.40	5.70	5.90	6.20

	16 Mar	12 Apr	13 Apr	14 Apr	15 Apr	16 Apr
Official Cash Rate	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill	2.68	2.69	2.70	2.68	2.68	2.68
NZGB 11/11	3.71	3.80	3.77	3.74	3.74	3.73
NZGB 04/13	4.51	4.59	4.56	4.54	4.54	4.53
NZGB 12/17	5.55	5.72	5.70	5.66	5.66	5.66
NZGB 05/21	5.84	6.00	5.98	5.94	5.94	5.93
2 year swap	4.19	4.28	4.24	4.21	4.23	4.21
5 year swap	5.16	5.24	5.21	5.21	5.23	5.22
RBNZ TWI	65.0	66.0	65.9	65.8	65.8	65.7
NZD/USD	0.7045	0.7160	0.7124	0.7139	0.7139	0.7107
NZD/AUD	0.7705	0.7668	0.7720	0.7643	0.7643	0.7646
NZD/JPY	63.57	66.66	66.00	66.68	66.68	65.90
NZD/GBP	0.4680	0.4630	0.4644	0.4603	0.4603	0.4605
NZD/EUR	0.5147	0.5242	0.5248	0.5232	0.5232	0.5248
AUD/USD	0.9143	0.9337	0.9228	0.9341	0.9341	0.9295
EUR/USD	1.3687	1.3660	1.3574	1.3644	1.3644	1.3543
USD/JPY	90.24	93.10	92.65	93.40	93.40	92.73
GBP/USD	1.5055	1.5466	1.5340	1.5509	1.5509	1.5433
Oil (US$/bbl)	79.79	84.60	84.07	85.62	85.62	85.25
Gold (US$/oz)	1111.70	1165.60	1152.05	1155.73	1155.70	1154.55
Electricity (Haywards)	10.94	8.12	8.33	6.92	7.20	9.06
Milk futures (US$/contract)	109	111	111	111	114	114
Baltic Dry Freight Index	3498	2911	2928	2966	3001	3009

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.
- ING (NZ) Holdings Limited (ING), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ING and its related companies, including ING (NZ) Limited, may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- Direct Broking Limited (DBL), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. DBL 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:

IMPORTANT NOTICE

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

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