NEW ZEALAND ECONOMICS
ANZ MARKET FOCUS

12 April 2010

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HOLDING A TRUMP CARD?

ECONOMIC OVERVIEW

We continue to be encouraged by general trends (Greece and sovereign risk concerns aside), with commodity price developments adding support to our very positive view of NZ growth prospects for 2011. Data outturns this week are expected to go somewhat against this improving grain, highlighting a domestic economy where activity remains lack-lustre. Ironically, we'll find such outturns as even more reason to be optimistic about 2011.

MONTHLY INFLATION GAUGE

Following a solid increase over February, the monthly inflation gauge fell 0.1 percent in the month of March. Lower alcohol prices and domestic airfares offset higher prices in a number of other components. The gauge suggests quarterly non-tradable CPI inflation firmed in the March quarter to around 0.8 percent. As yet, we have not seen enough evidence to be sure that inflationary pressures are intensifying (although the January and February reads put us on alert). We will continue to monitor the gauge and be on the lookout for any signs of firmer domestically generated inflationary pressure which may be emerging.

INTEREST RATE STRATEGY

The NZ market brushed off domestic developments and was influenced by offshore events. We expect this week to be no different. Yields may drift higher as global rates unwind some of last week's rally on the back of the Greece rescue package. But NZ yields will be capped by ongoing receiving interest, especially at the 4.3 percent level in the 2-year.

CURRENCY STRATEGY

Risk remains on the table after the weekend rescue package for Greece by the European Union and the IMF. The NZD led the charge on Friday evening with many playing catch up in early trading. The NZDAUD cross has bounced off the recent lows as market positioning sees a scramble accentuating the rise this morning. We think the NZD will struggle to move higher to take out topside resistance, but we appear set for a higher trading range in the near term.

EFFECTIVE EXCHANGE RATE UPDATE

Half of the eight industry groups experienced a more enhancing exchange rate in March. This largely reflected higher commodity prices. Conditions remain in "restrictive" territory for half of the groups, although dairy and meat exporters continue to benefit from an "enhancing" effective exchange rate.

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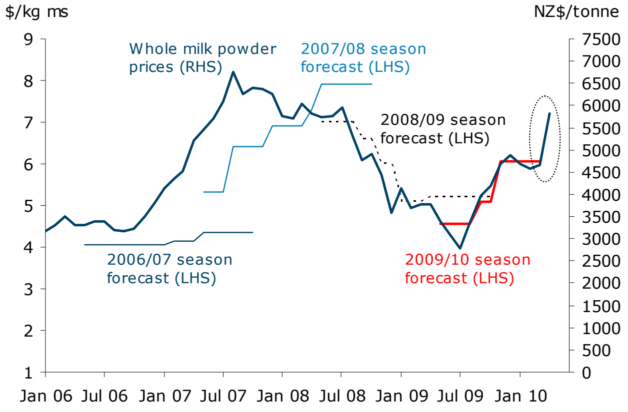
THE WEEK AHEAD

- **Electronic Card Transaction - March (Tuesday 13 April, 10:45am NZST).** Improving consumer sentiment is expected to translate into a small increase. However, this follows a decline in the previous month.
- **SNZ Retail Trade Survey - February (Wednesday 14 April, 10:45am NZST)**. Small declines in Electronic Card Transaction spending and Credit Card Billings suggest a flat month for retail spending. We are expecting a 0.1 percent fall in headline retail sales, with core sales rising a modest 0.2 percent.
- **REINZ Residential data - March (Friday 16 April, 10:00am NZST).** With market activity low, the softening trend in prices is likely to continue.

WHAT'S THE VIEW?

Last week saw some good news for the New Zealand economy. The ANZ Commodity Price Index reached its highest level since the mid 1980s. Leading the climb in New Zealand's commodity prices over the last few years has been dairying. More recently, however, and encouragingly for the breadth of the export-led recovery, the firming of commodity prices has become more generalised across a number of sectors, most notably forestry and meat. Supply-side issues may have played a role, but the key driver for commodity price increases is undoubtedly firmer trading partner demand – and in particular strong Asian growth.

More good news arrived, with last week's Fonterra online auction showing a 21 percent lift in whole milk powder prices to just under US$4,000/tonne, the highest in almost two years in USD and local currency terms. This has possibly come too late into the season to affect the current season's payout of $6.05/kg ms. But these sorts of prices (and strong bidding on future dairy price contracts such as December 2010) certainly make a $6 plus figure for 2010/11 look easily achievable.



Sources: ANZ, Fonterra, Bloomberg

This is being tempered somewhat by dry weather in parts of the country that is leading to reduced production (i.e. dairy herds being dried off early in some instances). According to NIWA, a significant El Niño event in the Tropical Pacific has contributed to severe soil moisture deficits in Northland, parts of Auckland, Northland, Marlborough, Canterbury and Otago. Other parts of the country are holding up, and NIWA expect conditions to improve over the coming months. However, agricultural production is unlikely to emerge unscathed and will drag on H1 GDP with dairy production likely to be down a couple of percent on last year. Prospects for limited stock (production) over the coming months will be one factor supporting near-term price trends.

The flow-on from strong commodity prices are significant. Now, you never want to get overly-excited by monthly commodity price trends. But commodity price developments for NZ.Inc are more than noise. They have been moving up strongly since 2004, interrupted by the global financial crisis where they dropped sharply in late 2008/early 2009, but have continued to rise sharply since then. We see five implications from current commodity price trends:

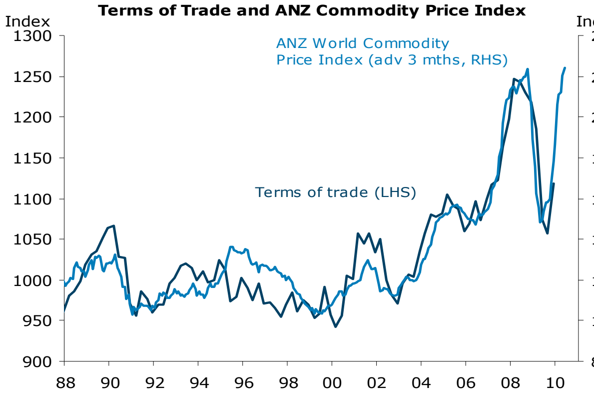
- There is roughly a four to six quarter lag between changes in commodity prices and when it starts to filter through into the broader economy. Hence, **recent commodity price trends support our optimistic view for growth over 2011.** Annual average growth figures mask the performance of the economy on a quarterly basis, and unfortunately this is what is often cited. The Consensus growth forecast for New Zealand is currently 3.2 percent for calendar 2011. We prefer annual movements (i.e. year-on-year changes) and we have growth reaching 5 percent on this

ECONOMIC OVERVIEW

measure sometime in late 2011. In a perfect world, this would of course bring monetary policy immediately into the game. But we do not live in a world of perfect foresight. There are still a lot of preconditions to be met before 5 percent year-on-year growth can be reached. One of which is monetary policy support remaining in place for a while yet.

- **It cements the strongly positive medium-term story for NZ.Inc,** courtesy of strong terms of trade movements. Our modelling work suggests a one percent change in the terms of trade has corresponded to about a 0.15 percent change in GDP over the past fifty years. Note that the initial effect was a drag on GDP as the terms of trade was in a trend decline over the early part of that period. At present, we have potential growth for NZ.Inc at around 2 percent, but the more quickly terms of trade gains accrue to the economy, the more its potential growth rate could be lifted (and likewise our view of the neutral OCR, which is currently at 5 percent).

Terms of Trade and ANZ Commodity Price Index

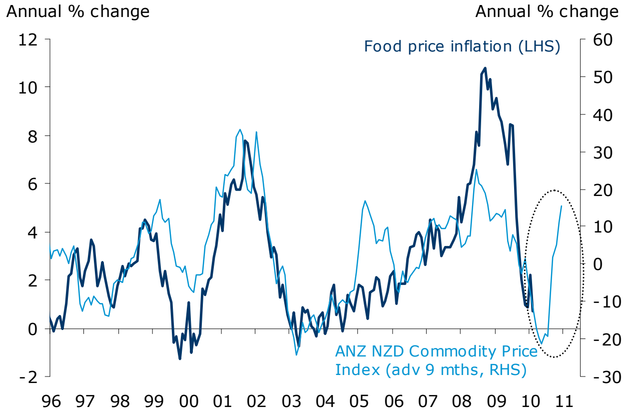


Sources: ANZ, National Bank, Statistics NZ

- **Stronger commodity prices will strongly assist the deleveraging dynamic across the rural sector**, resulting in an "orderly" adjustment process. Rural land prices remain under significant pressure but stronger incomes (commodity prices) are helping the sector deleverage. Not necessarily by paying down debt but by getting incomes up relative to the stock of debt so that the debt-to-income ratio falls. We expect any upside to rural cashflows to by-and-large be used to improve balance sheets over 2010. But the bottom line is that while strong commodity prices are a huge plus, they must be read in conjunction with an economy that had already capitalised the story into asset (i.e. farm) prices.

- **We must remain wary of the inflationary consequences**. Higher commodity prices will ultimately result in higher food prices, which will temporarily boost inflation. Based on where commodity prices are at present, food price inflation could accelerate from under 1 percent currently towards 5 percent by the end of this year. This would add around 0.9 percentage points to headline CPI inflation. More importantly for medium-term inflation will be the impact on spending within the economy from higher rural incomes. But the near-term consequences should not be overlooked, particularly as they will come when there are a host of other "blips" on the inflation front (i.e. ACC charges, Emissions Trading Scheme related charges and possible GST increase).

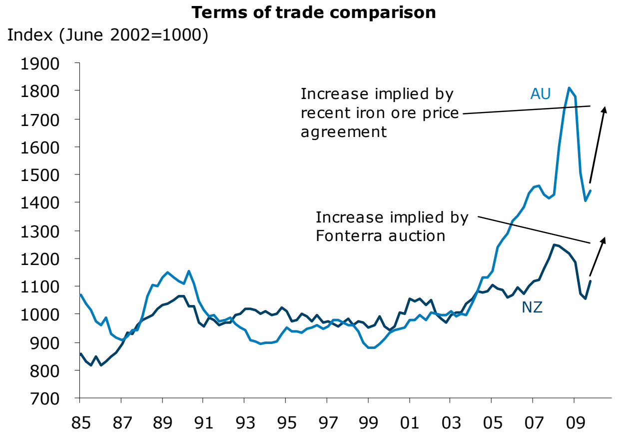
Food price inflation vs commodity prices



Sources: ANZ, National Bank, Statistics NZ

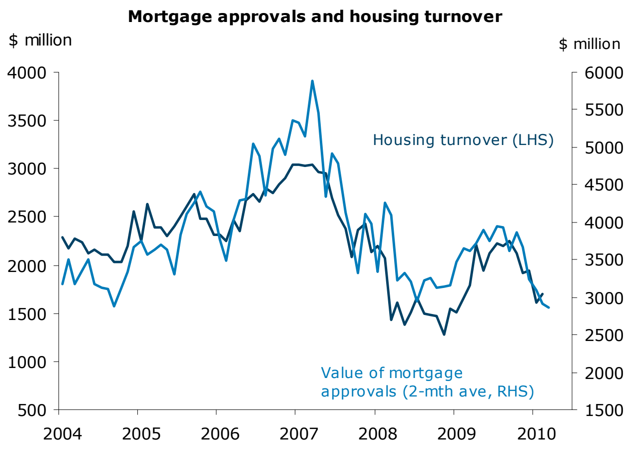
- **We are closely watching the Australian experience,** where strong commodity prices (terms of trade) have massively outstripped even the most optimistic assessments over the past few years. While Australia is obviously the first derivative beneficiary of the Asian growth story, New Zealand (via demand for soft commodities) stands to benefit hugely from the second derivative, namely Asia's shift towards greater consumerism. We have this story accruing over a decade, but obviously there is the potential for it to emerge earlier. However, in the near-term this is somewhat countered by challenges (and risks) faced by China in trying to tame inflation and cool an overheated property market.

ECONOMIC OVERVIEW



Sources: ANZ National, Statistics NZ, ABS

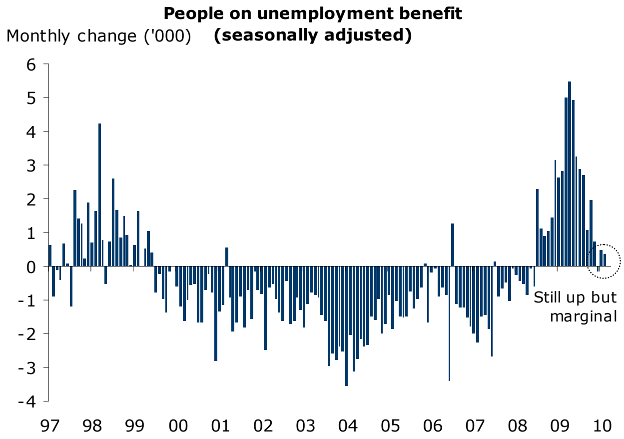
Turning to the New Zealand dataflow this week, it is expected to go against the grain of the positive medium-term story, and reinforce the near-term challenges that the economy still faces. Electronic card transaction data for March is expected to increase slightly, given the improving trend in consumer sentiment. But the trend is expected to remain subdued. We are expecting a fairly soft February month for retail sales, as the value of credit card billings and electronic card transactions both dipped. Monthly retail figures can be notoriously volatile and we have been a bit suspicious of weakness in food retailing which has dragged down core sales of late. But even abstracting from that, we doubt the trend movement in core or aggregate retailing will shift too much from one of flatness.



Sources: ANZ, National Bank, RBNZ, REINZ

The REINZ report on housing market activity is expected to be weak. RBNZ mortgage approvals and Barfoot and Thompson sales data suggest a fairly flat month. Volumes (seasonally adjusted) may well bounce off truly terrible levels in February. But we suspect the average days to sell figure will provide the true indication of a market which at present is plagued by a combination of uncertainty (over tax changes), weak credit growth (deleveraging) and acceptance that interest rates will move higher. We expect average days to sell to keep moving up, which should see prices flat at best.

We will also be on the lookout for the latest numbers of people receiving the unemployment benefit in March, for a sign of whether the labour market is starting to turn. This is certainly occurring when we look at job creation. Employment intentions are up, and so too are job ads and Trade Me job listings. However, these are off extreme lows. We do not believe there is sufficient strength yet in employment to absorb new entrants to the labour force. **House prices are under downward pressure (and commercial and rural land prices the same), and along with insufficient labour demand to mop up supply (i.e. the unemployment rate in Q1 still tracked up slightly), we still prefer Q3 over Q2 for the first hike.**



Sources: ANZ, National Bank, MSD

RECENT LOCAL DATA

- **NZIER Quarterly Survey Of Business Opinion – Q1.** The general business situation improved to +36 (from +20), with domestic trading activity at -5 (previously -10).
- **ANZ Commodity Price Index – March.** The world price index increased by 1.8 percent to a record high. The NZD index increased by 0.4 percent, also to a new record high.
- **Fonterra Online Auction.** Wholemilk powder prices rose 21 percent to US$3,969/tonne.

MONTHLY INFLATION GAUGE

SUMMARY

Following a solid increase over February, the monthly inflation gauge fell 0.1 percent in the month of March. Lower alcohol prices and domestic airfares offset higher prices in a number of other components. The gauge suggests quarterly non-tradable CPI inflation firmed in the March quarter to around 0.8 percent. As yet, we have not seen enough evidence to be sure that inflationary pressures are intensifying (although the January and February reads put us on alert). We will continue to monitor the gauge and be on the lookout for any signs of firmer domestically generated inflationary pressure which may be emerging.

MONTHLY INFLATION DOWN SLIGHTLY

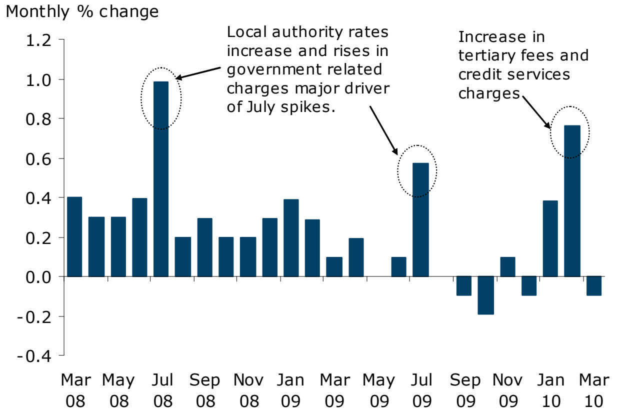
Following a 0.4 percent increase in January and a 0.8 percent increase in Febriary, **the March monthly inflation gauge registered a 0.1 percent decline. The March result masked some offsetting price movements.** Four of the eight groups within the gauge recorded monthly increases, most notably housing. Apart from a solid increase in construction costs and professional services, the monthly increases that were recorded were fairly mild. Offsetting this was a sizeable fall in beer prices, which retraced some of the large increases seen over the previous two months. Domestic airfares also recorded a small fall in the month.

Partly on account of seasonality, monthly readings of the gauge tend to be variable. **Averaging the monthly gauge over the March quarter gives us a 0.8 percent rise, following a 0.2 percent decline over the December quarter.** This is slightly higher than our 0.7 percent pick and the RBNZ's 0.6 percent forecast for quarterly non-tradable CPI. We were on alert following the January and February reads from our gauge, that despite the appearance that one-offs were prevalent, these may have been masking an underlying trend. We have taken some encouragement from the slight dip in March. But coming on the heels of the prior month's rises, we are still very much in data-watch mode. **At this stage it does not appear that price pressures are becoming more broad based and intense. It certainly does not suggest that we are at an inflationary turning point.** But we continue to watch our gauge closely.

So far, the performance of the gauge has been encouraging. While it is not perfectly matching quarterly non-tradable inflation rates, it has proved to be a good predictor of inflationary trends and potential turning points in inflation. It has correctly picked the easing in domestically generated inflation over mid-2009, and is now suggesting a step-up in quarterly non-tradables inflation in early 2010. Next week's CPI outturn will provide confirmation. We will watch with interest to check whether the March quarter spike is more transitory or the start of a firming trend.

	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Feb-08	1000			
Mar-08	1004	0.4		1.1
Apr-08	1007	0.3		
May-08	1010	0.3		
Jun-08	1014	0.4	0.9	0.9
Jul-08	1024	1.0		
Aug-08	1026	0.2		
Sep-08	1029	0.3	1.6	1.3
Oct-08	1031	0.2		
Nov-08	1033	0.2		
Dec-08	1036	0.3	0.7	0.8
Jan-09	1040	0.4		
Feb-09	1043	0.3		
Mar-09	1044	0.1	0.9	0.7
Apr-09	1046	0.2		
May-09	1046	0.0		
Jun-09	1047	0.1	0.4	0.5
Jul-09	1053	0.6		
Aug-09	1053	0.0		
Sep-09	1052	-0.1	0.6	1.0
Oct-09	1050	-0.2		
Nov-09	1051	0.1		
Dec-09	1050	-0.1	-0.2	0.1
Jan-10	1054	0.4		
Feb-10	1062	0.8		
Mar-10	1061	-0.1	0.8	

Monthly Inflation Gauge



Source: ANZ

INTEREST RATE STRATEGY

SUMMARY

The NZ market brushed off domestic developments and was influenced by offshore events. We expect this week to be no different. Yields may drift higher as global rates unwind some of last week's rally on the back of the Greece rescue package. But NZ yields will be capped by ongoing receiving interest, especially at the 4.3 percent level in the 2-year.

MARKET THEMES

- Surging NZ commodity prices failed to spark a selloff in rates as focus remains on offshore.
- RBA hikes as expected and still on track to take rates towards average levels.
- Sovereign risk concerns see global rates rally, though the Greece rescue package should see some of that unwind this week.

REVIEW AND OUTLOOK

The NZ rates market failed to selloff despite the QSBO showing an improvement in expected domestic trading activity and a big surge in dairy prices from the Fonterra auction. The NZ market also did not see much flow-on from the RBA decision as well, in which the cash rate was lifted 25bps to 4.25 percent, nor did a reasonable Australian employment report elicit much reaction. **It was sovereign risk concerns that ended up dominating the week**, causing a global rally in rates. The Greek rescue package out over the weekend should see some of the rally unwind as safe haven demand wanes. But we expect ongoing concerns to linger for some time, as all the package does is buy time.

In terms of flow, there has been no move for mortgage holders to start paying fix. With some banks offering conditional specials in the variable market, it will be interesting to see if more competition is generated in this area. If so it will just be another reason for mortgage holders to avoid paying fixed, which should limit selloffs in the swap market. **The payside in the market does appear to be continuing to unwind short Aussie/long kiwi positions**, so on any further Australian selloff, payside in NZ should be ongoing. It seems that there is strong receiving interest in the 2-yr swap above the 4.30 percent level and decent payside around 4.20-4.23 percent for the meantime. With a lack of payside from the mortgage market and expected Uridashi issuance later in the month, the 2-yr should be capped at around the 4.30 percent mark. The cost of carry remain prohibitive and should contain any payside pressure.

PREFERRED BORROWING STRATEGIES

No change to our view. Delay hedge decision if possible, in anticipation of swap rates edging lower over the next month. Bank bill futures still have the 90-day rate rising 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 current rate of 4.25%. 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	↔/↓	QSBO a mixed bag. Commodity prices strong. Data this week to be weak.
Fed Funds / front end	↔/↓	Fed still comfortable with rates where they are.
RBA	↔/↑	RBA likely to pause in May but their work is not done.
US 10 year	↔/↑	Failed to break the 4% handle but trading at a higher range now.
NZ swap curve	↔/↑	Scope for curve to steepen, eyeing potential for 100 level in 2s5s to break.
Flow	↔/↓	Lack of mortgage paying. Expect Uridashi issuance to emerge later this month.
Technicals	↔/↑	2-year swap yield capped at 4.3%.

MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 29-Apr-10	+4	+2
Thu 10-Jun-10	+15	+18
Thu 29-Jul-10	+47	+34
Thu 16-Sep-10	+71	+72
Thu 28-Oct-10	+95	+91
Thu 9-Dec-10	+122	+115
Thu 27-Jan-11	+149	+139

TRADING THEMES WE FAVOUR AT PRESENT

The expected rate hike by the RBA did not see any material spill-over to the NZ curve. With the RBA still on track to take rates there towards average levels, which imply more hikes to come, we continue to expect NZ short end rates to out-perform their Australian counterparts.

CURRENCY STRATEGY

SUMMARY

Risk remains on the table after the weekend rescue package for Greece by the European Union and the IMF. The NZD led the charge on Friday evening with many playing catch up in early trading. The NZDAUD cross has bounced off the recent lows as market positioning sees a scramble accentuating the rise this morning. We think the NZD will struggle to move higher to take out topside resistance, but we appear set for a higher trading range in the near term.

MARKET THEMES

- NZD potentially to threaten a test of the medium-term down channel (0.7244)
- Light economic data release week will see focus on Greece developments once again
- Increased market chatter about a CNY revaluation sees Asian currencies higher

REVIEW AND OUTLOOK

The NZD importantly survived yet another dip below 0.70USD last week. This could be a crucial development should the EUR move extend further. Topside levels were initially capped around 0.7090. However momentum and NZDAUD position reversals meant it was taken out at the close of last week. Markets are still waiting on major local data, including Q1 CPI on 20 April, but by this time the topside of the recent down channel may be under threat of breaking.

The AUD has held firm above 0.92USD throughout the whole week which meant a solid base for attacking the topside was built. It has now entered a very tough technical zone (0.9333 – 0.9475) that will not be easy to take out. But it will be very significant once left behind. Yield remains an underlying supportive reason. However the commodity story is not finished either.

Japanese Yen weakness failed to see it fall through the key 94.65 technical level against the USD. The subsequent reversal has more room to play out but it may not alter the cross against the NZD too significantly as higher levels on this cross are hard to come by currently. The talk of a Yuan revaluation would add further support to the Yen and with Chinese President Hu Jintao's trip to Washington this week may see some movement on this front.

Greece is never far from the headline and the rescue package at the end of last week was responsible for a 150 point move in the EUR. This may indicate a significant double bottom for the EUR but a move through 1.3833 would be needed to confirm this.

While the NZD remains within a medium term down channel, the topside could be under threat at some point this week. Anticipation by some that the RBNZ may stick to its "middle of 2010" gun could accelerate any topside moves although re-entry into the 0.73USD zone would not be easy until such a move takes place.

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 the EUR 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	↔/↓	Narrowing given recent moves in US rates.
Commodities	↑	NZ commodity prices improving strongly.
Risk aversion	↔/↑	Improved on Greek rescue package.
Partial indicators	↔/↓	US data improving faster than NZ's.
Technicals	↔	Upside bias with support at 0.7094 currently.
AUD	↔	Resistance at 0.9417 will be very important.
Sentiment	↔	NZD just following offshore moves.
Other	↔/↓	Yield differentials still matter.
On balance	↔	**Still in medium-term down channel but will range trade at higher level in near term.**

EFFECTIVE EXCHANGE RATE UPDATE

SUMMARY

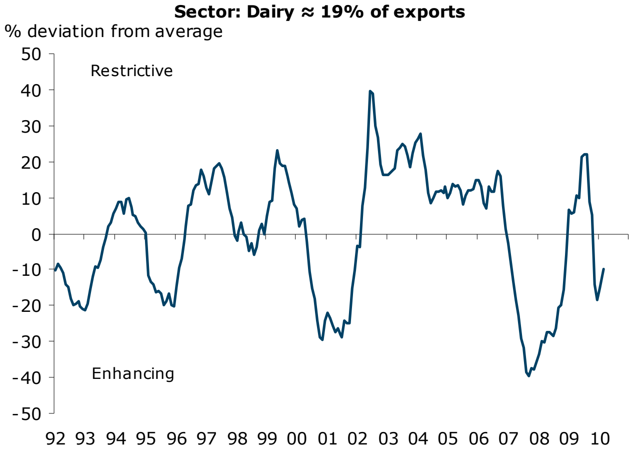
We present an update of our real effective exchange rate measures across New Zealand's main export industries. These measures take into account the world prices of our exports (commodity prices in the case of commodity exporters), adjusted for currency movements based on their main destinations.

Half of the eight industry groups experienced a more enhancing exchange rate in March. This largely reflected higher commodity prices. Conditions remain in "restrictive" territory for half of the groups, although dairy and meat exporters continue to benefit from an "enhancing" effective exchange rate.

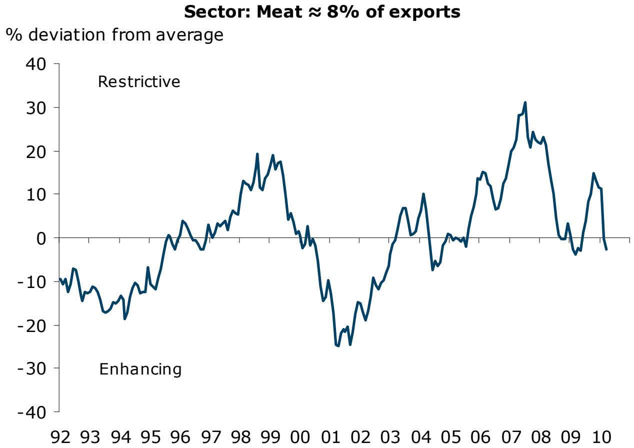
IMPROVING CONDITIONS FOR SOME

Half of the eight industry groups experienced an improvement in their effective exchange rates over March. Changes in effective exchange rates largely reflected commodity price movements, with higher forestry, meat, crude and seafood prices improving the effective exchange rate for those sectors. Currency movements were relatively small over the month, with the NZD strengthening slightly against the USD, JPY, EUR, and GBP, but weakening against the AUD.

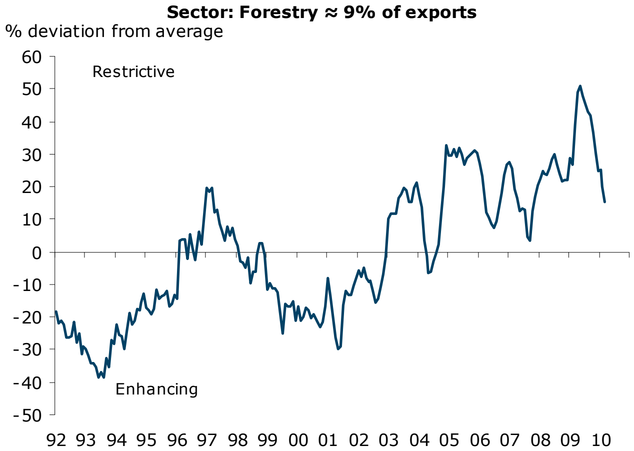
Overall, however, conditions remain in restrictive territory for four of the eight groups. Effective exchange rates have been restrictive for at least nine months for forestry, crude, services and horticultural exporters. By contrast, dairy and meat exporters are benefiting from an "enhancing" effective exchange rate. Effective exchange rates for seafood and manufacturers are around historical averages.



Sources: ANZ, Bloomberg, Statistics NZ



Sources: ANZ, Bloomberg, Statistics NZ



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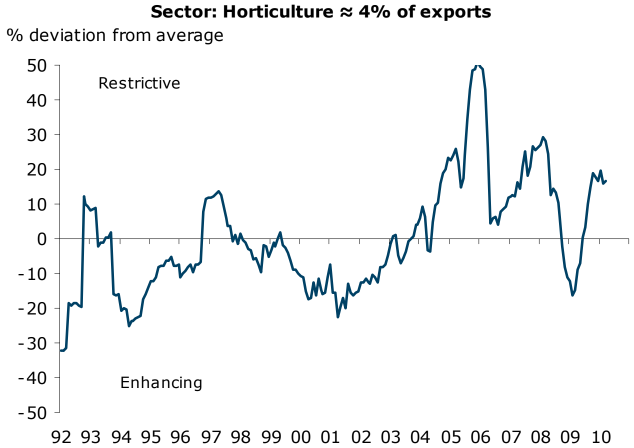
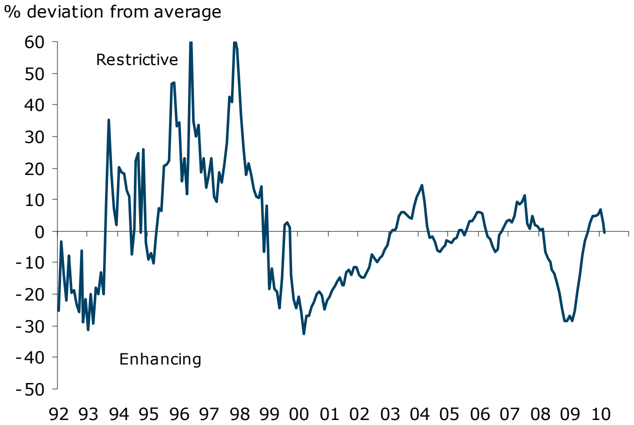


Sources: ANZ, Bloomberg, Statistics NZ

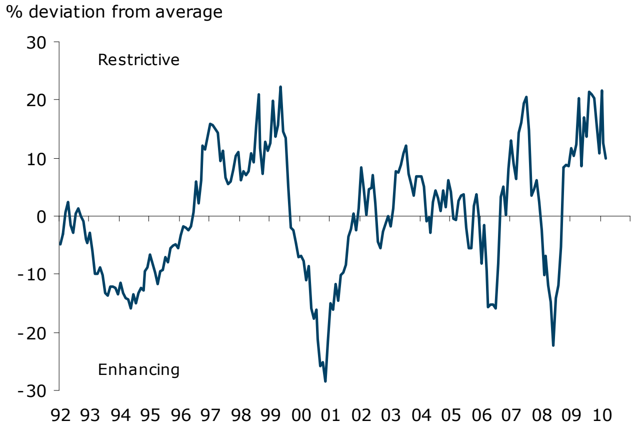
EFFECTIVE EXCHANGE RATE UPDATE

Sector: Seafood ≈ 3% of exports



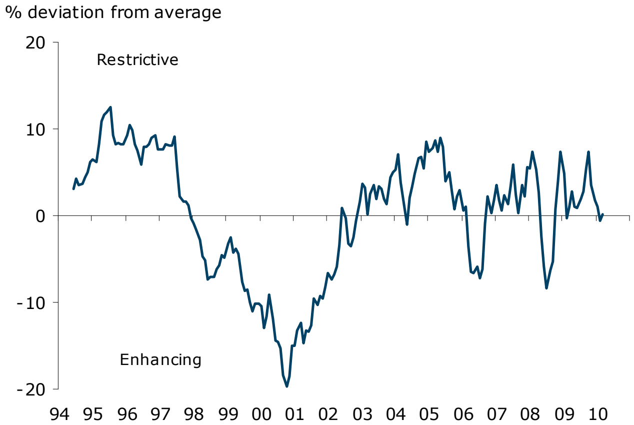
Sources: ANZ, Bloomberg, Statistics NZ

Sector: Crude ≈ 5% of exports



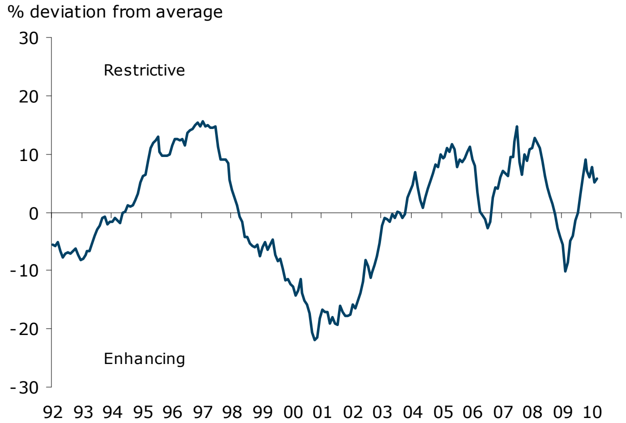
Sources: ANZ, Bloomberg, Statistics NZ

Sector: Manufacturing ≈ 20% of exports



Sources: ANZ, Bloomberg, Statistics NZ

Sector: Services ≈ 21% of exports



Sources: ANZ, Bloomberg, Statistics NZ

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	TIME (NZDT)
12 Apr	JP	BOJ Monetary Policy Minutes- March	-	-	11:50
	JP	M3 – y/y - Mar	2.0%	2.0%	11:50
	AU	Value of housing loans – m/m - Feb	-1.0%	-7.9%	13:30
13 Apr	US	Monthly Budget Statement - Mar	-$62.0bn	-$191.6bn	06:00
	NZ	**Electronic Card Transactions – m/m - Mar**	**-**	**-0.4%**	**10:45**
	UK	RICS House Price Balance - Mar	19%	17%	11:01
	AU	NAB Business Confidence - Mar	-	+19	13:30
	GE	Consumer Price Index – y/y – Mar F	1.1%	1.1%	18:00
	UK	Total Trade Balance – Feb	-£3.00bn	-£3.77bn	20:30
14 Apr	US	Trade Balance - Feb	-$38.5bn	-$37.3bn	00:30
	US	Import Price Index - y/y - Mar	11.7%	11.2%	00:30
	US	ABC Consumer Confidence – Apr 12	-	-43	09:00
	NZ	**Retail Sales - m/m - Feb**	**+0.2%**	**+0.8%**	**10:45**
	NZ	**Retail Sales (ex-auto) – m/m - Feb**	**+0.4%**	**+0.3%**	**10:45**
	US	Bernanke speech on financial literacy	-	-	11:00
	US	Fed's Lacker speech on US economic outlook	-	-	11:15
	NZ	**Non-resident bond holdings - Mar**	**-**	**64.2%**	**15:00**
15 Apr	US	Consumer Price Index – y/y - Mar	+2.4%	+2.1%	00:30
	US	Core CPI – y/y - Mar	+1.2%	+1.3%	00:30
	US	Advance retail sales – Mar	+1.2%	+0.3%	00:30
	US	Business Inventories - Feb	+0.4%	0.0%	02:00
	US	Bernanke Testimony before Joint Economic Committee of Congress	-	-	02:00
	US	Fed's Beige Book	-	-	06:00
	NZ	**Business NZ PMI - Mar**	**-**	**+53.3**	**10:30**
	JP	Industrial Production – m/m – Feb F	-	+0.9%	16:30
	EC	ECB April Monthly Report	-	-	20:00
	EC	Trade Balance - Feb	-€0.5bn	-€8.9bn	21:00
16 Apr	US	Initial Jobless Claims – Apr 11	440k	460k	00:30
	US	Continuing Claims – Apr 4	4600k	4550k	00:30
	US	Empire Manufacturing - Apr	+24.0	+22.9	00:30
	US	Net Long-term TIC flows - Feb	$48.0bn	-$33.4bn	01:00
	US	Industrial Production – m/m - Mar	+0.7%	+0.1%	01:15
	US	Capacity Utilisation - Mar	73.3%	72.7%	01:15
	US	Philadelphia Fed - Apr	20.0	18.9	02:00
	US	Fed Lacker Speech	-	-	02:30
	US	Fed's Bullard Speech on financial risks	-	-	04:15

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	TIME (NZDT)
16 Apr	US	NAHB Housing Market Index - Apr	+16	+15	05:00
	NZ	**REINZ House Sales – y/y - Mar**	**-**	**-3.8%**	**10:00**
	US	Fed's Yellen Speech on US outlook	-	-	13:00
	EC	EU finance chiefs, central bankers hold informal Ecofin	-	-	19:30
	EC	Euro-Zone CPI – y/y - Mar	1.5%	0.9%	21:00
	EC	Euro-Zone core CPI – y/y - Mar	0.9%	0.8%	21:00
17 Apr	US	Housing Starts – Mar	610k	575k	00:30
	US	University of Michigan Consumer Confidence – Apr P	75.0	73.6	01:55
	US	Fed Hoenig Speech on Financial Crisis	-	-	05:00

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 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 momentum in economic activity has been maintained into 2010. Data readings for the first few months of 2010 are expected to confirm the patchiness of the recovery.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
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. We are forecasting a 0.1 percent decline in headline retail sales, and a 0.2 percent increase in core sales.
Fri 16 Apr (10:00am)	REINZ Residential data (Mar)	Flat	Indicators point towards a relatively soft month for sales activity. Days to sell expected to rise, which in turn will put downward pressure on house prices.
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)	Up or down?	Will recent declines in consumer confidence continue? And will the present and future conditions indexes start to converge?
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.
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 last month's 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)	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.
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.
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	-0.5	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	2.7	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	..
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	0.718	0.710	0.720	0.700	0.690	0.680	0.660	0.650
NZD/AUD	0.780	0.776	0.766	0.747	0.750	0.745	0.750	0.756	0.750	0.756
NZD/EUR	0.512	0.530	0.527	0.518	0.529	0.526	0.531	0.531	0.524	0.524
NZD/JPY	62.10	65.31	66.88	64.61	66.24	65.80	66.24	66.64	66.00	65.00
NZD/GBP	0.458	0.475	0.465	0.461	0.468	0.458	0.451	0.447	0.434	0.433
NZ$ TWI	64.5	66.0	66.2	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	2.68	2.70	3.20	3.70	3.80	4.60	5.20	5.50
NZ 10-yr bond	5.76	5.98	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	0.30	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	4.54	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	2.67	..	2.67	2.67	2.68	2.67
NZGB 11/11	3.71	..	3.78	3.78	3.74	3.76
NZGB 04/13	4.47	..	4.57	4.57	4.54	4.55
NZGB 12/17	5.49	..	5.73	5.73	5.70	5.70
NZGB 05/21	5.78	..	6.01	6.01	5.99	5.99
2 year swap	4.13	..	4.29	4.28	4.23	4.25
5 year swap	5.10	..	5.26	5.25	5.20	5.22
RBNZ TWI	64.6	..	65.5	65.7	65.6	65.8
NZD/USD	0.6990	..	0.7026	0.7053	0.7052	0.7076
NZD/AUD	0.7687	..	0.7657	0.7609	0.7600	0.7624
NZD/JPY	62.91	..	66.03	66.44	65.73	66.24
NZD/GBP	0.4655	..	0.4613	0.4623	0.4632	0.4631
NZD/EUR	0.5130	..	0.5230	0.5270	0.5290	0.5296
AUD/USD	0.9093	..	0.9176	0.9269	0.9279	0.9281
EUR/USD	1.3627	..	1.3434	1.3384	1.3330	1.3360
USD/JPY	90.00	..	93.98	94.20	93.21	93.61
GBP/USD	1.5016	..	1.5230	1.5256	1.5223	1.5278
Oil (US$/bbl)	81.85	..	86.36	86.59	85.64	85.17
Gold (US$/oz)	1121.73	..	1128.10	1138.35	1146.05	1152.05
Electricity (Haywards)	11.16	..	9.30	11.33	11.96	11.08
Milk futures (US$/contract)	110	..	111	111	111	111
Baltic Dry Freight Index	3210	..	2981	2947	2922	2913

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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