

# NEW ZEALAND ECONOMICS ANZ MARKET FOCUS

16 August 2010

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## IN A FIX

### ECONOMIC OVERVIEW

Last week's data was a mixed bag. We're continuing to muse over whether the RBNZ goes in September or not. Technically, a September hike is still our core view. However, the case for a pause is persuasive. But if we do jump ship and opt for a September pause, it'll be accompanied by an expected re-start to the tightening cycle in December, with the greater probability of a 50 basis point move at some stage. Considering 50 basis point hikes in the current environment may seem odd, but monetary policy is about working the yield curve. If we see a more cautious stance in September (i.e. a pause), the RBNZ is going to face challenges getting the yield curve back into place once (if) things settle down. Data this week may provide further insights on a key support to retail spending and the willingness of consumers to spend.

### THE MORTGAGE CURVE FLATTENING CONUNDRUM

The NZ mortgage curve has flattened lately, with floating rates rising in step with the OCR increase, but fixed rates falling in line with the decline in wholesale swap rates. With the spread between the floating and 2-year fixed rate narrowing to as low as 51 basis points for one lender, it is becoming more attractive for borrowers to start fixing mortgage rates. This will add an additional layer of complication for the RBNZ, whose central scenario of normalising policy in 25 basis point increments was partially contingent on a yield curve working in their favour.

### INTEREST RATE STRATEGY

Interest rates have fallen significantly over the past week, driven by lower US rates and another round of weaker than expected local data. The market is now pricing in 50/50 odds of a September OCR hike, with only 25bps priced in by December. NZ long end rates are now well below where they should be given the economic outlook, and are reliant on global factors to remain at or below these levels. But these global forces may get more powerful yet, particularly if the US Fed pursues further quantitative easing (QE).

### CURRENCY STRATEGY

The NZD finally succumbed to the pull of gravity, though the trigger was not the domestic dataflow, which ended the week on a positive note for a change. Instead, the NZD's retracement was due to a recovery in the greenback as market positioning against the USD started to get to an extreme level. This led to net long positions in the NZD getting unwound, partly on profit taking following a decent run. Expect further unwinding of long NZD positions this week in the absence of any significant domestic or offshore events.

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### THIS WEEK'S EVENTS

- **SNZ Capital Goods Price Index and Producer Price Indexes – Q2** (Thursday 19 August, 10:45am). Producer prices are expected to be heavily influenced by commodity export prices. Input prices are anticipated to increase by 0.7 percent, whereas output prices will increase by 1.5 percent. In contrast, capital goods prices are expected to be broadly unchanged from March.
- **ANZ Roy Morgan Consumer Sentiment - August** (Thursday 19 August, 3:00pm).
- **SNZ External Migration – July** (Friday 20 August, 10:45am). We expect net permanent and long-term immigration of around zero persons, though a net outflows number cannot be ruled out. A small monthly increase in visitor arrivals is forecast.
- **RBNZ Credit Card Spending - July** (Friday 20 August, 3:00pm). Recent readings for credit card spending have shown more vigour than retail Electronic Card Transactions. We expect a small monthly increase.

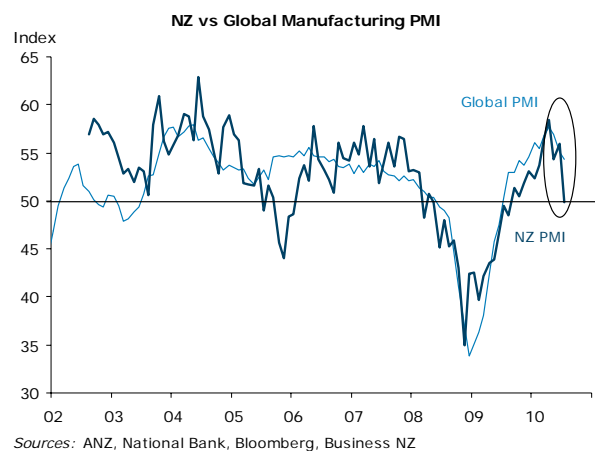
### WHAT'S THE VIEW?

**Global events continue to shape the New Zealand outlook.** Last week's US Federal Reserve statement affirmed that all is not well with the US recovery, with the August Inflation Report by the Bank of England of a similar spirit. So far the most tangible signs of potential impact on the real economy have been evident in an easing trajectory for export commodity prices. Dairy prices, in particular, are around one quarter off their April peaks according to the Fonterra *globalDairyTrade* Auction. But we must remember that the peak was

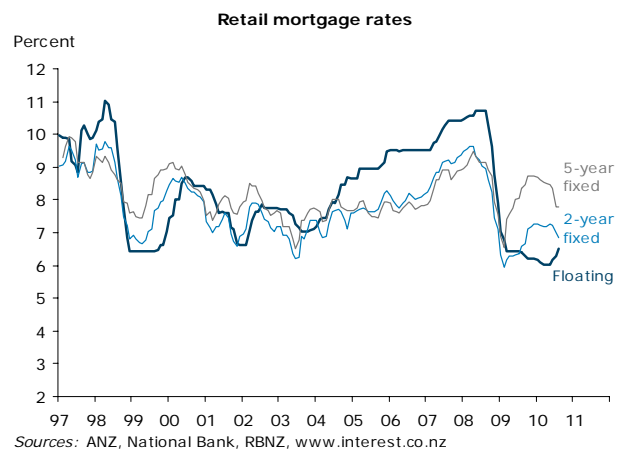
somewhat lofty in the first place. For sure, Asia - centric stuff continues to surprise, but the spirit globally is one of weakening momentum.

**When we pull together the "spirit" of last week's data, there was something for everyone.**

Food prices jumped up, and retailing showed surprising strength. At the other end of the spectrum housing activity is poor and probably the most significant development was the rapid decline in the Business NZ PMI gauge. This is a sector the RBNZ pointed to a mere 3 weeks ago in their OCR Review press release as performing well.



**With longer-term global interest rates lower and short-term domestic rates on the way up, we are seeing a "flattening" of the mortgage yield curve.** All the major NZ banks have finally moved following the RBNZ's decision to lift the OCR by 25bps on July 29. Floating rates have risen by around 25bps, but 2 to 5-year fixed rates have fallen as wholesale swap rates have eased. This caused the mortgage curve to "flatten", with the spread between the floating and 2-year rate narrowing to as low as 51bps for one lender.



## ECONOMIC OVERVIEW

The market has naturally “responded” to such cloudiness, and has moved to price in a meagre 55 basis points of OCR rises in the coming 9 months. This probably reflects the risk-return profile at this juncture. But we also suspect it’s another case of the NZ curve doing what it always does. It can often swing massively in either direction, and over-reactions are common.

This picture still has us mulling our view on whether the RBNZ goes in September. We’re still on the fence, but have a 25 basis point hike as our default play. The anecdotes we’re receiving (information we consider more valuable than lagging hard data) are shifting us towards the no-change camp, but we’ll resist a formal change at this stage.

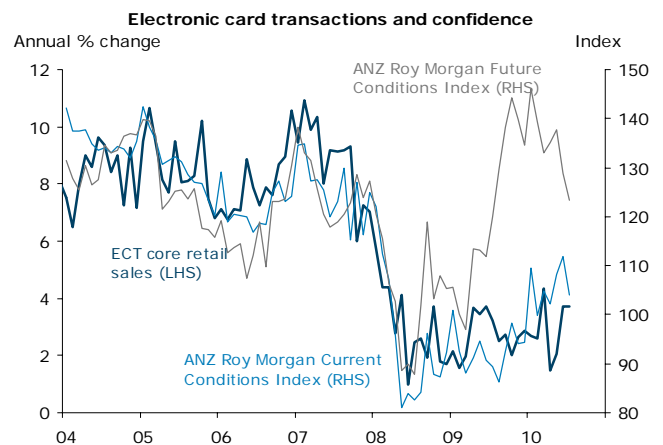
One thing we are closely watching at present is the mortgage interest rate curve. At one level, the massive rally in long-term interest rates and flattening of the yield curve has given scope for fixed rates to fall, which is a sign of a well functioning framework. But on another level, the flattening in the mortgage borrowing curve (there is only a 60 basis point gap, on average, between the floating and 2 year rate) may also encourage more borrowers to lengthen their duration. At present around 70 percent of mortgage debt is either on a variable rate or fixed for one year or less. So while the curve flattening is welcome on one level, it has the potential to throw a few curve-balls at the RBNZ. Quite often people forget that monetary policy is not just tinkering with the OCR, it’s about manipulating the yield curve as well.

When we eye the potential communication options surrounding September, none seem very palatable. Does the RBNZ hike and publish a dovish statement? This will only accentuate the pickle above. What about backing up a hike with a hawkish statement? This could be seen as being out of synch with economic reality (although not inflation reality). What about pausing in September but accompanying this with a hawkish statement? Why bother pausing. Finally, the RBNZ could pause and note the weaker growth outlook. What about the inflation trajectory: the RBNZ are inflation targeters after all.

We’re not going to get overly cute about how this unfolds. Suffice to say at this juncture, that if the RBNZ does acknowledge the scratchiness of the recovery and pause this early in the cycle, we are likely to see further flattening in the borrowing curve. In this instance we think there is a greater probability we’ll see a 50 basis point move in the next 12 months. We’d also expect the tightening cycle to restart in

December – a longer gap would imply a double-dip global recession and that’s not our central scenario. Our reason for putting some weight behind this scenario is simple: **if you are prepared to take a more cautious stance early in the cycle, then you must be prepared to take decisive action when the time is right.** Previously, the upward slope of the yield curve provided the RBNZ with the luxury of being able to gradually normalise policy settings via a series of 25 basis point hikes. But as we said earlier, we are still opting for a hike in September. However, we are cognisant that the case for a September pause is persuasive and our readers should not be overly surprised if we change our view.

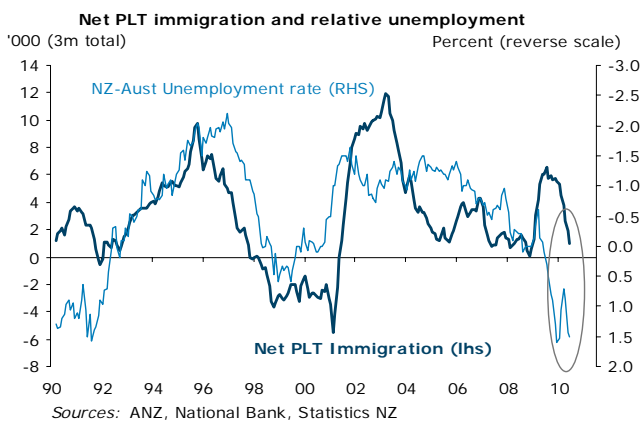
This week sees the release of the ANZ Roy Morgan Consumer Confidence Survey. Last week’s data suggested some promising signs for the retail sector with the increase in July core Electronic Card (ECT) spending complementing a strong Q2 outturn for retail sales volumes. Largely due to a June pick-up in sales and more aggressive retail discounting, retail volumes managed a respectable increase in Q2. The continued rise in retail stocks (up 3.2 percent in the year to June) and falls in the retail sales deflator for Q2 (down 0.8 percent for total retail and 0.4 percent for core retail) suggests that retailers are discounting to push through sales, and are likely to continue doing so. Whether retail growth will be maintained will hinge on developments in the income generating part of the economy and on the willingness of consumers to spend.



Producer prices and capital goods prices are expected to highlight different influences. We expect high export commodity prices to underpin solid increases in both input and output prices. Capital goods prices are expected to register a small increase reflecting the subdued demand environment.

## ECONOMIC OVERVIEW

**External migration data for July is expected to show a zero net inflow.** Last month we got very close with net PLT immigration of just 70 persons in June. Moving from an annualised net inflow of around 0.5 percent of resident population to no net inflow in the space of six months has no doubt had a negative impact on the housing market and domestic spending. Driving the decline in net immigration has been a trending up in PLT departures. With the unemployment rate in Australia 1½ percent below New Zealand's and with considerably higher wages on offer, the temptation to cross the Tasman remains very real.



**July visitor arrivals in New Zealand are forecast to climb by around one percent.** Last month's seasonally adjusted surge in Australian visitor numbers appears related to the good ski season and we expect Australian visitor numbers to remain high over the winter months. Visitor arrivals from other destinations are expected to bounce back from the close to 5 percent drop in June.

**Rounding off the week is the release of the RBNZ credit card data for the July month.** We expect a small monthly increase for July. For the last couple of months the credit card data have been providing firmer readings than the retail Electronic Card Transaction data, with the former closer to the mark for June retail values.

### RECENT LOCAL DATA

- **SNZ Electronic Card Transactions – July.** Retail Card Spending fell by 0.1 percent, largely due to a 3.1 percent fall in fuel spending,. Core retail spending rose by 0.7 percent, underpinned by higher spending on consumables (up 2.1 percent), durables (up 0.8 percent) and hospitality (up 0.8 percent).
- **BNZ Business NZ Performance of Manufacturing Index – July.** The Headline PMI fell 6 points to 49.9. All sub-components fell, with

large falls for new orders and deliveries pushing these subcomponents below 50.

- **SNZ Food Price Index – July.** Food prices increased by 1.6 percent in the July month, underpinned by a 8.7 percent increase in fruit and vegetable prices and a 1.2 percent monthly increase in grocery food.
- **REINZ Housing Market Statistics – July.** In seasonally adjusted terms the number of sales eased by 0.1 percent to 4,738. Prices fell by 1.0 percent (+1.9 percent y/y), with the median days to sell climbing to 45 from 44.
- **SNZ Retail Trade Survey – Q2.** Total retail sales increased by 0.9 percent in June, with core retail sales (ex-vehicle and fuel related) increasing by 1.5 percent. Total retail volumes climbed by 1.3 percent in Q2, whereas core retail volumes increased by 0.9 percent.

# THE MORTGAGE CURVE FLATTENING CONUNDRUM

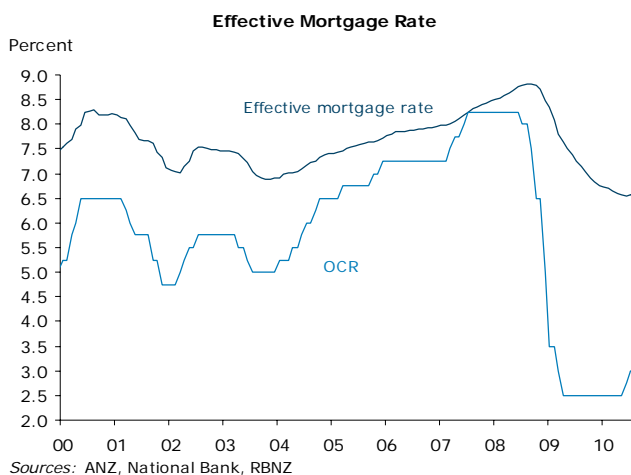
## SUMMARY

The NZ mortgage curve has flattened lately, with floating rates rising in step with the OCR increase, but fixed rates falling in line with the decline in wholesale swap rates. With the spread between the floating and 2-year fixed rate narrowing to as low as 51 basis points for one lender, it is becoming more attractive for borrowers to start fixing mortgage rates. This will add an additional layer of complication for the RBNZ, whose central scenario of normalising policy in 25 basis point increments was partially contingent on a yield curve working in their favour.

## GETTING READY TO JUMP INTO FIXED?

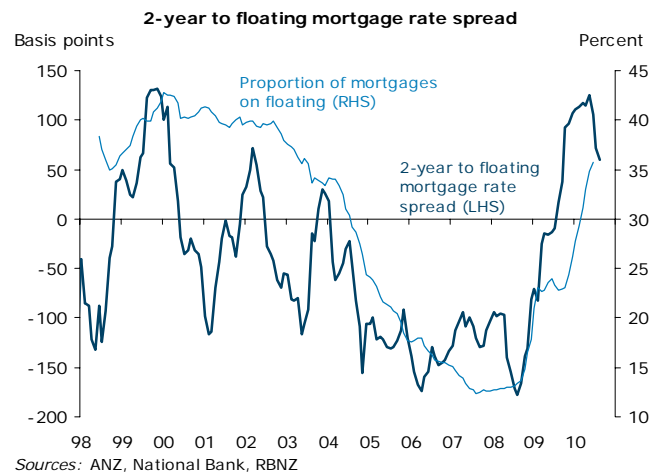
**The proportion of mortgages on floating rates continues to rise.** As at the end of June, close to 36 percent of the value of mortgages are on floating, the highest since June 2003. In dollar terms, this is around \$58.5bn. In addition, there is a further 35 percent on fixed rates that are due to mature in less than 12 months.

**This gives monetary policy more traction compared to the last tightening cycle.** In 2007, when the proportion on floating rates was at its lowest at 12.4 percent, a 25 basis point increase in the OCR only translated through into an immediate 3 basis point increase in the effective mortgage rate. This time, a 25 basis point increase will add 9 basis points to the effective mortgage rate immediately. Hence, given the 50 basis point hikes delivered by the RBNZ so far, this means that the effective mortgage rate (EMR) has troughed in June at 6.55 percent, and will start to rise. The trough in the EMR at 6.55 percent compares to the previous bottom at the end of 2003 of 6.88 percent, a difference of only 33 basis points, even though the OCR bottomed at 5 percent then compared to 2.5 percent in the current cycle.



**The recent popularity of being on floating rates is understandable given the steep mortgage curve.** With floating rates offering the cheapest part of the curve, and a large premium to be paid in order to fix for 2-years (over 100bps over the first half of this year), any other result would have defied logic.

**However, we have seen the mortgage curve flatten last week with the spread between the floating and 2-year fixed rate falling to as low as 51 basis points for one lender.** The flattening came courtesy of a rise in the floating rate in step with the 25 basis point increase in the OCR by the RBNZ at their July *Review*, and a fall in the 2 to 5 year fixed rates due to the decline in wholesale swap rates.



**The big question is whether we will start to see borrowers rush into fixed rates.** We note that:

- Based on current rates, fixing beyond 2-years remains fairly unattractive and will only suit those wanting and willing to pay a large premium for certainty.
- We estimate those with fixed rates maturing in the coming months are coming off a weighted average rate of 6.8 percent, so rolling into a 2 year fixed rate is broadly neutral cashflow wise. However, the impact is vastly different depending on when you fixed. Those who fixed for one year a year ago will be coming off rates of between 5.7 and 6.1 percent, so they will be facing higher repayments regardless. However, those who fixed for 2 years back in 2008 will be coming off rates in excess of 8 percent, so stand to receive some cashflow relief. Obviously behaviour is going to have a huge say but as a generalisation we would expect anyone coming off a lower rate to still seek the cash-flow advantage (or minimise the cost). Conversely, we see anyone coming off a high rate as probably being somewhat more

## THE MORTGAGE CURVE FLATTENING CONUNDRUM

inclined to opt for another round of certainty. We think the split is something around one third who are coming off a rate at or below the current 2 year rate, and two thirds above it over the next four months.

- We are unlikely to see the same extent of mortgage fixing stampede which we saw in March last year. Back then, the mortgage curve was not only flat, but the 2-year rate was at an all time low at 5.9 percent, and the 5-year rate was not that far above.

down the track. Ironically, the more the market prices in a demure economic outcome via a very sedate tightening profile over the coming year (which is a risk as opposed to a certainty), the greater the probability that policy may need to be normalised more aggressively down the track (assuming the risk does not become reality).

	OUTSTANDING MORTGAGE (\$M) *	WEIGHTED AVERAGE RATE (%)		RATE NOW (%) ^	POST OCR AVG. (%)
Floating	58,477	5.8	Floating	6.2	8.1
<1-yr	56,775	6.8	6-mth	6.3	7.4
1<2-yr	33,390	7.0	1-year	6.5	7.5
2<3-yr	8,479	8.0	2-year	6.8	7.7
3<4-yr	5,243	6.8	3-year	7.2	7.9
4<5-yr	488	8.0	4-year	7.5	8.0
5-yr +	150	7.1	5-year	7.8	8.1

\* As at June 2010

^ Average headline mortgage rates of the major banks.

Sources: ANZ, National Bank, RBNZ, [www.interest.co.nz](http://www.interest.co.nz)

**On balance, we do expect to see more people opt to fix, and for the proportion of floating to decline slightly.** The extent that people decide to gravitate towards fixed rate mortgages will largely depend on their view of how soon and for how long the RBNZ will pause.

**For the RBNZ, how borrowers behave will be an important consideration in their policy deliberations.** A large shift towards fixing will deliver more immediate monetary policy tightening, moving up the EMR. But this will also blunt the monetary policy transmission channel down the track as well.

**In our view, the RBNZ would want to keep the mortgage curve steep.** The difficulty though, is that while it has control over the short end of the curve, this influence fades for longer-term borrowing. Longer-term interest rate swap yields in New Zealand are currently being driven by sharply lower global interest rates, particularly in the US. With the FOMC and other major central banks around the world affirming their commitment to continue providing monetary stimulus and with more of the quantitative easing being directed at purchasing US Treasuries, longer-term interest rates overseas are likely to remain low. This poses quite a conundrum for the RBNZ who at present are weighing up contrasting near-term growth and inflation (spike) issues, but must be cognisant of how effective policy will be

# INTEREST RATE STRATEGY

## SUMMARY

Interest rates have fallen significantly over the past week, driven by lower US rates and another round of weaker than expected local data. The market is now pricing in 50/50 odds of a September OCR hike, with only 25bps priced in by December. NZ long end rates are now well below where they should be given the economic outlook, and are reliant on global factors to remain at or below these levels. But these global forces may get more powerful yet, particularly if the US Fed pursues further quantitative easing (QE).

## MARKET THEMES

- Expectations of rate hikes have been pared back significantly, but look reasonable given recent developments. With only 25bps priced in by December, any further gains will be limited.
- The hurdle for further QE in the US is still reasonably high. But with US Core CPI running at its slowest annual pace since 1961, most believe it's a case of when, rather than if.
- But while recent data has us questioning the near term outlook, we always expected this recovery to be bumpy, and if the Fed do adopt QE, that's undoubtedly a positive for the long term outlook.

## REVIEW AND OUTLOOK

**Last week's NZ data was something of a mixed bag.** REINZ data were weaker than expected, echoing a now familiar tone, but the real surprise was a slump in the Business NZ PMI to contractionary levels. But June Retail Sales bucked the trend, and were one of the few data releases to beat expectations since the RBNZ started raising rates in June. Nonetheless, **interest rate price action was dominated by events in the US** – specifically the FOMC Statement, where the Fed announced that it would re-invest the proceeds of maturing bonds into US Treasuries. While this was expected, and is well short of further QE, it has been well received by the market, and has seen US 10yr bond yields fall 16bps in the past week, to their lowest level since March last year.

**Despite the subdued global environment, and a market that is keen to entertain the possibility of more QE, we need to be mindful not to get caught up in the moment.** The domestic recovery may be delayed, but it's not dead. Moreover, there's a limit to the impact additional liquidity will have on derivative interest rates (i.e. swaps). As such we are extremely mindful not to get too bearish at the bottom. NZ rates may move lower yet, but by clinging to global forces, they are trading on borrowed time.

## PREFERRED BORROWING STRATEGIES

We do harbour some concerns in relation to the lack of momentum behind the recovery, which has us questioning the odds of a September hike. Ironically though, a pause in September raises the odds of larger or more aggressive hikes later. While local data has been weak and has helped drive rates lower, falls in global interest rates have been a bigger driver, particularly more recently. And while US bond rates would fall significantly if the Fed adopts further QE, there's a limit to the impact this would have on NZ swap (not bond) rates. Indeed, if more QE does eventuate, we would regard that as a significant positive for long term global growth (in that at least the Fed is taking action). And while the flood of liquidity will drive bond yields lower, swaps will be left behind. It is thus worth considering adding to hedges at current extreme swap rates.

## GAUGES FOR NZ INTEREST RATES

GAUGE	DIRECTION	COMMENT
RBNZ / OCR	↔/↑	Expectations have gone a long way. Just 25bp by Dec.
NZ data	↓	Retail sales surprised to the upside, other data weak.
Fed Funds / front end	↓	FOMC statement paves way for more QE later on.
RBA	↔	Not in focus.
US 10 year	↔/↓	US 10yr yield at 15mth low.
NZ swap curve	↔/↑	Getting stretched despite global developments.
Flow	↔/↑	Risk of mortgage paying.
Technicals	↔/↓	10yr breach of 5% beckons.

## MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 16-Sep-10	+16	+13
Thu 28-Oct-10	+28	+19
Thu 9-Dec-10	+34	+25
Thu 27-Jan-11	+42	+32
Thu 10-Mar-11	+47	+37
Thu 28-Apr-11	+59	+47
Thu 9-Jun-11	+69	+55

## TRADING THEMES WE FAVOUR AT PRESENT

We noted last week that we liked being long NZD 12mth OIS against AUD. This has performed well and we believe it has run its course. Question markets still hang over whether we see a RBNZ hike in September, but with just 55bps of hikes priced in by June 2011, the market looks to have undershot the mark. We also like swap spread wideners at the long end. Swap spreads are only negative because bonds have lagged swap in the rally, but this is now correcting. Furthermore, if we do see more QE in the US, physical assets will outperform derivatives

# CURRENCY STRATEGY

## SUMMARY

The NZD finally succumbed to the pull of gravity, though the trigger was not the domestic dataflow, which ended the week on a positive note for a change. Instead, the NZD's retracement was due to a recovery in the greenback as market positioning against the USD started to get to an extreme level. This led to net long positions in the NZD getting unwound, partly on profit taking following a decent run. Expect further unwinding of long NZD positions this week in the absence of any significant domestic or offshore events.

## MARKET THEMES

- Equities driving commodity currencies again.
- US dollar index survives brush with 200 day moving average.
- Focus on US growth concerns has switched to the divergence in growth performance in the eurozone.
- The NZD/AUD cross has support at 0.7820.

## REVIEW AND OUTLOOK

**We finally got the downward move in the NZD last week, and it is starting this week on the backfoot.** Perhaps it is fitting that, as the NZD was appreciating over the past few weeks on negative data, it fell on Friday despite stronger than expected retail sales data. The reality is that the NZD has been largely trading off wider USD movements of late, as opposed to domestic developments. Equity market moves have also been very influential for the NZD's near term directional moves. The speculative community has been going increasingly long on the NZD since late June, and we could be in for a bout of position unwinding in the weeks ahead.

**How the greenback fares will have an important bearing on the NZD.** The US dollar index (DXY) faked many model accounts into entering short USD positions at poor levels. The false break of the 200 day moving average on the 8<sup>th</sup> and 9<sup>th</sup> of August saw aggressive USD selling from speculative accounts. This saw the speculative community going net short against the USD to the tune of US\$18.7bn, the biggest net short position since December 2009, which incidentally was also when the DXY last bottomed out. While the FOMC statement initially saw a bit more USD weakness, this did not last and growth concerns led to the greenback recovering. The ongoing appreciation of the USD late last week would have a lot to do with the squaring up of out of the money short positions. The USD index's

0.382 percent retracement target and horizontal resistance arrives around the 83.35 level, which suggests further scope for near term strength.

**The NZD is now backing in the middle of a very familiar range for 2010.** Short term support should encourage a move towards the 200 day moving average level of 0.7105. But equities look to be the main driver of the NZD/USD. The triangle formation on the NZD/EUR is approaching its apex. The support band is now above 0.5460 with resistance at 0.5570. We have been short this cross for the past few weeks and are lowering our stop/loss to 0.5580 to ensure a profit is booked.

### NZD VS AUD: MONTHLY DIRECTIONAL GAUGES

GAUGE	DIRECTION	COMMENT
Fair value	↔	Not that far off fair value.
Yield	↔	RBA on hold, RBNZ the same too?
Commodities	↓	Finally sniffing deflation.
Partial indicators	↓	Australian data outperforming NZ's.
Technicals	↓	Good support at 0.7820, 0.8000 resistance.
Sentiment	↔	Equities and China still influential.
Other	↔	Election this week – does anyone care?
<b>On balance</b>	↔	<b>Range trade 0.78-0.83.</b>

### NZD VS USD: MONTHLY DIRECTIONAL GAUGES

GAUGE	DIRECTION	COMMENT
Fair value – long-term	↔/↓	Above structural fair value of 0.67.
Fair value – short-term	↔/↓	Still above our cyclical fair value estimates.
Yield	↑	FOMC to hold long end down.
Commodities	↔/↓	Early signs of NZ commodities correcting?
Risk aversion	↓	CDS spreads widening again.
Partial indicators	↔/↓	NZ data still largely disappointing.
Technicals	↔/↓	NZD to stay close to its 200 day MA at 0.7100.
AUD	↔	Election to see AUD sidelined.
Sentiment	↔/↓	Speculative community long and wrong on DXY break.
Other	↔/↓	Equities, equities, equities.
<b>On balance</b>	↔/↓	<b>Medium term top in place at 0.73 but medium term bottom at 0.66?</b>



## DATA EVENT CALENDAR

ATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
16-Aug	NZ	Performance Services Index - JUL	50.5	55.1R	10:30
	UK	Rightmove House Prices (MoM) - AUG	-	-0.60%	11:01
	UK	Rightmove House Prices (YoY) - AUG	-	3.70%	11:01
	JN	Tertiary Industry Index (MoM) - JUN	-0.10%	-0.90%	11:50
	JN	Gross Domestic Product (QoQ) - 2Q P	0.60%	1.20%	11:50
	JN	GDP Annualized - 2Q P	2.30%	5.00%	11:50
	JN	Nominal GDP (QoQ) - 2Q P	-0.30%	1.30%	11:50
	JN	GDP Deflator YoY - 2Q P	-1.80%	-2.80%	11:50
	AU	New Motor Vehicle Sales MoM - JUL	-	-1.20%	13:30
	EC	Euro-Zone CPI (MoM) - JUL	-0.40%	0.00%	21:00
	EC	Euro-Zone CPI (YoY) - JUL F	1.70%	1.40%	21:00
	EC	Euro-Zone CPI - Core (YoY) - JUL	1.00%	0.90%	21:00
17-Aug	US	Empire Manufacturing - AUG	8.3	5.08	
	US	Net Long-term TIC Flows - JUN	\$45.7B	\$35.4B	
	US	Total Net TIC Flows - JUN	\$40.0B	\$17.5B	01:00
	US	NAHB Housing Market Index - AUG	15	14	02:00
	AU	Reserve Bank's Board August Minutes - AUG			13:30
	EC	ECB Euro-Zone Current Account SA - JUN	-	-5.8B	20:00
	EC	Euro-Zone Current Account nsa - JUN	-	-16.7B	20:00
	UK	CPI (MoM) - JUL	-0.20%	0.10%	20:30
	UK	CPI (YoY) - JUL	3.10%	3.20%	20:30
	UK	Core CPI YOY - JUL	3.00%	3.10%	20:30
	EC	ZEW Survey (Econ. Sentiment) - AUG	9.3	10.7	21:00
	GE	ZEW Survey (Econ. Sentiment) - AUG	20	21.2	21:00
	GE	Zew Survey (Current Situation) - AUG	24	14.6	21:00
18-Aug	US	Producer Price Index (MoM) - JUL	0.20%	-0.50%	00:30
	US	PPI Ex Food & Energy (MoM) - JUL	0.20%	0.10%	00:30
	US	Producer Price Index (YoY) - JUL	4.20%	2.80%	00:30
	US	PPI Ex Food & Energy (YoY) - JUL	1.30%	1.10%	00:30
	US	Housing Starts - JUL	560K	549K	00:30
	US	Housing Starts MOM% - JUL	2.00%	-5.00%	00:30
	US	Building Permits - JUL	579K	586K	00:30
	US	Building Permits MOM% - JUL	-0.70%	2.10%	00:30
	US	Industrial Production - JUL	0.50%	0.10%	01:15
	US	Capacity Utilization - JUL	74.50%	74.10%	01:15
	AU	Westpac Leading Index (MoM) - JUN	-	0.20%	12:30
	AU	DEWR Skilled Vacancies MoM - AUG	-	0.30%	13:00
	AU	CBAHIA House Affordability - 2Q	-	118.8	13:00
	AU	Wage Cost Index QoQ - 2Q	0.90%	0.90%	13:30
	AU	Wage Cost Index YoY - 2Q	3.10%	3.00%	13:30
	JN	Leading Index CI - JUN F	-	98.9	17:00
	UK	Bank of England Minutes - AUG			20:30
	US	MBA Mortgage Applications - 41487	-	0.60%	23:00
19-Aug	NZ	Producer Prices- Outputs (QoQ) - 2Q	-	1.80%	10:45
	NZ	Producer Prices- Inputs (QoQ) - 2Q	-	1.30%	10:45
	AU	RBA Foreign Exchange Transactn - JUL	-	1229M	13:30
	AU	Average Weekly Wages (QoQ) - MAY	1.20%	1.10%	13:30
	AU	Average Weekly Wages (YoY) - MAY	5.60%	5.80%	13:30

Continued on following page

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
19-Aug	GE	Producer Prices (MoM) - JUL	0.10%	0.60%	18:00
	GE	Producer Prices (YoY) - JUL	3.30%	1.70%	18:00
	UK	Retail Sales Ex Auto Fuel(MoM) - JUL	0.20%	1.00%	20:30
	UK	Retail Sales w/Auto Fuel (MoM) - JUL	0.30%	0.70%	20:30
	UK	Public Finances (PSNCR) - JUL	0.9B	20.9B	20:30
	UK	Public Sector Net Borrowing - JUL	4.8B	14.5B	20:30
	UK	M4 Money Supply (YoY) - JUL P	2.00%	3.00%	20:30
	UK	Major Banks Mortgage Approvals - JUL	- -	48K	20:30
20-Aug	US	Initial Jobless Claims - 14 AUG	478K	484K	00:30
	US	Continuing Claims - 7 AUG	4465K	4452K	00:30
	US	Philadelphia Fed. - AUG	7	5.1	02:00
	US	Leading Indicators - JUL	0.10%	-0.20%	02:00
	<b>NZ</b>	<b>New Zealand Net Migration SA - JUL</b>	- -	<b>70</b>	<b>10:45</b>
	<b>NZ</b>	<b>Credit Card Spending (YoY) - JUL</b>	- -	<b>4.50%</b>	<b>15:00</b>
	<b>NZ</b>	<b>Credit Card Spending SA (MoM) - JUL</b>	- -	<b>1.00%</b>	<b>15:00</b>

Key: AU: Australia, EC: Euro-zone, GE: Germany, JN: Japan, 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:** Last week's data was a mixed bag. There were signs of vigour in the retail sector but the housing market remains in the doldrums and headwinds affecting global manufacturing are starting to be felt here. This week sees the release of August data for consumer sentiment and July data for migration and visitor arrivals, as well as RBNZ credit card data. We expect data readings for Q3 to highlight moderate expansion, and we will closely watch the soft gauges for signs of direction beyond that.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Thur 19 Aug (10:45am)	SNZ Capital Goods Price and Producer Price Indexes – Q2	Pressure	High export commodity prices will continue to boost producer prices. Capital goods prices are expected to be broadly unchanged.
Thur 19 Aug (3:00pm)	ANZ – Roy Morgan Consumer Confidence – Aug	- -	- -
Fri 20 Aug (10:45am)	SNZ – External Migration – Jul	Waning	We expect net PLT migration of around zero persons, although there is a risk of a net PLT outflow if departures retain their strengthening trend. Visitor arrivals are expected to recover in seasonally adjusted terms as volcanic ash disruptions recede.
Fri 20 Aug (3:00pm)	RBNZ Credit Card Spending – Jul	Rising	Recent readings for credit card spending have shown more vigour than retail Electronic Card Transactions. We expect a small monthly increase.
Tue 24 Aug (3:00pm)	RBNZ Survey of Expectations – Q3	Up, down	The Q2 survey was conducted before the hike in GST was announced so we may see an impact on CPI forecasts. Growth expectations are expected to be scaled back.
Mon 30 Aug (10:45am)	SNZ – Overseas Merchandise Trade – Jul	Narrowing	We expect the monthly trade balance to slip back into a deficit of around \$120m. The higher NDW will lower NZD denominated export returns, whereas the usual seasonal influences will boost imports. An annual trade surplus of around \$700m is forecast.
Mon 30 Aug (3:00pm)	National Bank Business Outlook – Aug	- -	- -
Tue 31 Aug (10:45am)	SNZ - Building Consents - Jul	Residential rising but non-residential sideways	Residential consent issuance is expected to post a modest increase from historically low levels - close to a 40 percent rise is needed to return consents to historical norms as a portion of the dwelling stock. The value of non-residential consents is expected to remain low.
Wed 1 Sep (3:00pm)	ANZ Commodity Price Index - Aug	- -	- -
Tue 7 Sep (10:45am)	SNZ Wholesale Trade Survey – Q2	Improving	Rising motor vehicle registrations and higher Q2 retail sales suggest a further climb in wholesale sales. Wholesale stocks are expected to continue climbing from their mid-2009 nadir.
Wed 8 Sep (10:45am)	SNZ Value of Work put in place -Q2	Heading down	Residential work put in place volumes are expected to register a further small increase. Reflecting low consent issuance, non-residential work is expected to contract by around 5 percent.
Wed 8 Sep (10:45am)	SNZ Economic Survey of Manufacturing – Q2	Dry weather effect	We expect around a 1 to 1.5 percent increase in ex-primary volumes. Primary manufacturing volumes are anticipated to be weighed down by lower dairy production.
Thur 9 Sep (10:45am)	SNZ Electronic Card Transactions - Aug	Rising	Stronger July core spending suggests retailing is finding its feet, although the weakness in fuel retailing is suspicious. Still waiting for a tangible Rugby World Cup effect.
Fri 10 Sep (10:45am)	Overseas Trade Indexes – Q2	Still on the up	The terms of trade are expected to continue their upward march, courtesy of climbing export commodity prices. Lower primary food production is expected to weigh down on export volumes whilst recovering domestic demand should boost imports.
<b>On Balance</b>		<b>Building</b>	<b>Recovery continuing but signs of momentum easing.</b>

# ECONOMIC FORECASTS AND INDICATORS

	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
GDP (% qoq)	0.3	0.9	0.6	<b>0.7</b>	<b>1.5</b>	<b>-0.1</b>	<b>1.1</b>	<b>1.3</b>	<b>1.6</b>	<b>0.5</b>
GDP (% yoy)	-1.5	0.5	1.9	<b>2.5</b>	<b>3.7</b>	<b>2.7</b>	<b>3.2</b>	<b>3.9</b>	<b>4.0</b>	<b>4.6</b>
CPI (% qoq)	1.3	-0.2	0.4	0.3	<b>1.1</b>	<b>2.8</b>	<b>0.6</b>	<b>1.0</b>	<b>0.8</b>	<b>0.5</b>
CPI (% yoy)	1.7	2.0	2.0	1.8	<b>1.6</b>	<b>4.6</b>	<b>4.8</b>	<b>5.6</b>	<b>5.3</b>	<b>3.0</b>
Employment (% qoq)	-0.8	0.0	1.0	-0.3	<b>0.5</b>	<b>0.4</b>	<b>0.6</b>	<b>0.7</b>	<b>0.6</b>	<b>0.4</b>
Employment (% yoy)	-1.8	-2.4	-0.1	0.0	<b>1.3</b>	<b>1.6</b>	<b>1.2</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>
Unemployment Rate (% sa)	6.5	7.1	6.0	6.8	<b>6.6</b>	<b>6.4</b>	<b>6.1</b>	<b>5.7</b>	<b>5.5</b>	<b>5.4</b>
Current Account (% GDP)	-3.2	-2.9	-2.4	<b>-2.9</b>	<b>-3.7</b>	<b>-2.8</b>	<b>-3.0</b>	<b>-3.1</b>	<b>-2.9</b>	<b>-2.9</b>
Terms of Trade (% qoq)	-1.6	5.8	5.8	<b>3.9</b>	<b>2.4</b>	<b>1.0</b>	<b>-0.6</b>	<b>-0.6</b>	<b>0.1</b>	<b>-1.0</b>
Terms of Trade (% yoy)	-14.1	-8.2	-0.2	<b>14.4</b>	<b>19.1</b>	<b>13.7</b>	<b>6.8</b>	<b>2.2</b>	<b>-0.2</b>	<b>-2.0</b>

	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Retail Sales (% mom)	0.2	0.7	-0.5	0.7	-0.6	0.5	-0.3	0.4	0.9	..
Retail Sales (% yoy)	-0.2	2.4	2.0	2.3	2.4	4.4	2.7	1.9	3.4	..
Credit Card Billings (% mom)	0.4	0.8	-1.2	1.6	-0.2	0.7	-1.6	2.0	1.0	..
Credit Card Billings (% yoy)	-0.3	1.6	1.9	2.6	1.1	5.3	0.8	3.4	4.5	..
Car Registrations (% mom)	0.5	2.1	6.8	-0.7	0.4	5.0	3.0	-3.7	5.8	-6.0
Car Registrations (% yoy)	-16.8	2.4	0.3	15.9	31.4	31.7	40.5	30.5	35.8	16.0
Building Consents (% mom)	11.0	0.6	-3.8	-2.6	6.1	-0.2	8.6	-9.5	3.5	..
Building Consents (% yoy)	26.5	20.4	22.7	35.2	29.9	33.5	32.2	11.2	27.7	..
REINZ House Price (% yoy)	6.0	5.2	9.6	7.7	6.1	7.6	4.7	3.7	3.7	2.6
Household Lending Growth (% mom)	0.4	0.0	0.2	0.2	0.1	0.1	0.2	0.2	0.2	..
Household Lending Growth (% yoy)	2.6	2.7	2.7	2.7	2.7	2.8	2.7	2.5	2.5	..
ANZ-Roy Morgan Consumer Confidence	125.9	121.5	118.6	131.4	123.6	121.8	121.9	126.0	122.0	115.6
NBNZ Business Confidence	48.2	43.4	38.5	..	50.1	42.5	49.5	48.2	40.2	27.9
NBNZ Own Activity Outlook	30.5	33.7	36.9	..	41.9	38.6	43.0	45.3	38.5	32.4
Trade Balance (\$m)	-501.5	-280.4	-26.4	271.1	327.8	607.5	651.9	768.4	276.2	..
Trade Balance (\$m annual)	-1176	-863	-549	-176	-330	-160	169	32	639	..
ANZ World Commodity Price Index (% mom)	4.8	11.0	2.5	0.3	3.7	1.8	5.1	1.2	-1.6	-0.8
ANZ World Commodity Price Index (% yoy)	-1.7	17.8	30.4	36.7	48.6	49.5	53.2	51.8	50.1	47.2
Net Migration (sa)	2140	1740	1690	1850	1000	950	720	230	70	..
Net Migration (annual)	18560	20021	21253	22588	21618	20973	19954	17967	16504	..

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	Jun-10	Jul-10	Today	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
NZD/USD	0.685	0.726	0.707	0.700	0.710	0.720	0.730	0.730	0.720	0.710
NZD/AUD	0.815	0.802	0.791	0.795	0.789	0.783	0.777	0.777	0.783	0.789
NZD/EUR	0.560	0.556	0.554	0.579	0.602	0.632	0.652	0.652	0.643	0.634
NZD/JPY	60.54	62.78	60.95	66.50	68.16	69.84	71.54	73.00	72.00	71.71
NZD/GBP	0.458	0.463	0.453	0.479	0.486	0.483	0.480	0.474	0.462	0.449
NZ\$ TWI	66.6	67.5	66.3	68.1	69.3	70.7	71.7	71.8	71.1	70.5
INTEREST RATES	Jun-10	Jul-10	Today	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12
NZ OCR	2.75	3.00	3.00	3.25	3.25	3.50	4.00	4.50	5.00	5.50
NZ 90 day bill	3.13	3.27	3.28	3.50	3.50	3.90	4.40	4.90	5.40	5.80
NZ 10-yr bond	5.34	5.33	5.19	5.40	5.40	5.60	5.80	6.20	6.20	6.10
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75	1.25
US 3-mth	0.53	0.45	0.37	0.40	0.35	0.35	0.35	0.60	0.85	1.35
AU Cash Rate	4.50	4.50	4.50	4.50	5.00	5.25	5.50	5.75	6.00	6.00
AU 3-mth	4.92	4.78	4.75	4.90	5.30	5.60	6.00	6.00	6.20	6.10

	13 Jul	9 Aug	10 Aug	11 Aug	12 Aug	13 Aug
Official Cash Rate	2.75	3.00	3.00	3.00	3.00	3.00
90 day bank bill	3.21	3.27	3.29	3.29	3.28	3.25
NZGB 11/11	3.78	3.60	3.66	3.64	3.56	3.55
NZGB 04/13	4.28	4.10	4.16	4.13	4.05	3.99
NZGB 12/17	5.18	5.02	5.07	5.04	4.97	4.91
NZGB 05/21	5.43	5.33	5.38	5.35	5.28	5.22
2 year swap	4.24	3.92	3.97	3.94	3.85	3.85
5 year swap	4.88	4.50	4.54	4.51	4.42	4.42
RBNZ TWI	67.7	67.2	66.9	66.6	66.4	66.7
NZD/USD	0.7122	0.7317	0.7236	0.7199	0.7116	0.7142
NZD/AUD	0.8151	0.7974	0.7937	0.7928	0.7960	0.7929
NZD/JPY	63.09	62.52	62.10	61.40	60.54	61.47
NZD/GBP	0.4739	0.4581	0.4578	0.4552	0.4540	0.4570
NZD/EUR	0.5655	0.5511	0.5503	0.5488	0.5525	0.5555
AUD/USD	0.8738	0.9176	0.9117	0.9081	0.8940	0.9007
EUR/USD	1.2595	1.3276	1.3148	1.3117	1.2880	1.2858
USD/JPY	88.58	85.44	85.82	85.29	85.08	86.07
GBP/USD	1.5029	1.5972	1.5807	1.5815	1.5673	1.5629
Oil (US\$/bbl)	74.93	80.67	81.46	80.24	78.09	75.68
Gold (US\$/oz)	1199.45	1207.20	1200.55	1202.30	1199.35	1215.25
Electricity (Haywards)	8.81	7.59	8.29	8.80	9.53	7.57
Milk futures (US\$/contract)	118	116	116	116	116	116
Baltic Dry Freight Index	1790	2114	2212	2378	2437	2468

# 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:

- Providing cash;

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- 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

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.

Each security (including the principal, interest or other returns of any security) the subject of investment advice given to the investor by the Bank or otherwise, is not guaranteed, secured or underwritten in any way by the Bank or any associated or related party except to the extent expressly agreed in the terms of the relevant security.

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