

NEW ZEALAND ECONOMICS ANZ MARKET FOCUS

28 March 2011

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FALLOUT

ECONOMIC OVERVIEW

With the door now closed on 2010 data (post the notoriously lagging GDP) commentators can rightly be focused on where the economy is heading, rather than looking in the rear vision mirror. Seismic events will continue to make interpretation of data very difficult over the next few months, with this week's March business confidence readings likely to be a case in point. Key to the survey will be what has happened to confidence outside of the Canterbury region. We continue to pay close attention to the pending fiscal policy response, and the potential speed of the rebuild. Regular aftershocks around Christchurch continue to suggest caution in regard to the speed of the rebuild, though there are signs of progress.

FINANCIAL CONDITIONS UPDATE

Since the February 22 earthquake, financial conditions in NZ have eased further, due to a lower currency and interest rate cuts by the RBNZ. Such a response shows the strength of NZ's macroeconomic framework. While we expect GDP growth to deviate from our financial conditions index over the next couple of quarters as the earthquake impact flows through, the groundwork for a material rebound from H2 2011 is being laid. This springboard effect from a weak base could result in a much stronger rebound in economic activity than what the RBNZ is forecasting, especially if reconstruction activity gets going much sooner than expected.

INTEREST RATE STRATEGY

Interest rates and the shape of the yield curve have been in range-trading mode of late, and last week's GDP data barely caused a stir. While roll and carry remain provocative, and will keep a lid on interest rates, the market is fearful of wanting to get too long at low levels. For now, steepeners are the order of the day – not only are they intuitive given opposing local and global interest rate pressures, but they also enjoy positive roll and carry. However, we are mindful of how steep the yield curve is getting relative to other markets, which could slow progress.

CURRENCY STRATEGY

The NZD has shrugged off the remaining effects of the earthquake and now looks set to recover all the ground lost following the event. Local data is expected to question this, but with the AUD trading to a new post-float high it seems the antipodean currencies will be the FX market darlings this week. However, angry protests in London, a voter backlash in Germany, and continued sovereign debt risk all serve to undermine the EUR this week. So any topside NZD specific pushes is likely to face EURUSD directional resistance.

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SUMMARY

With the door now closed on 2010 data (post the notoriously lagging GDP) commentators can rightly be focused on where the economy is heading, rather than looking in the rear vision mirror. Seismic events will continue to make interpretation of data very difficult over the next few months, with this week's March business confidence readings likely to be a case in point. Key to the survey will be what has happened to confidence outside of the Canterbury region. We continue to pay close attention to the pending fiscal policy response, and the potential speed of the rebuild. Regular aftershocks around Christchurch continue to suggest caution in regard to the speed of the rebuild, though there are signs of progress.

THIS WEEK'S EVENTS

- **SNZ Overseas Merchandise Trade – February** (Tuesday, March 29, 10:45am). We expect a monthly trade surplus of \$180m, with an annual surplus of \$715m.
- **SNZ Building Consents – February** (Wednesday, March 30, 10:45am). We expect a 2 percent fall in residential consent numbers. Non-residential consent issuance of around \$300m is expected.
- **National Bank Business Outlook – March** (Thursday, March 31, 3:00pm).
- **RBNZ Credit Aggregates – February** (Thursday, March 31, 3:00pm). Ongoing deleveraging is expected to contribute to low rates of agricultural sector and household annual credit growth. We will be looking for further signs of recovering business credit.
- **SNZ Economic Survey of Manufacturing – 2010Q4** (Friday, April 1, 10:45am). This is being released a week after the Q4 GDP, which showed a 2.5 percent rise in manufacturing volumes.
- **SNZ Wholesale Trade Survey – 2010Q4** (Friday, April 1, 10:45am). The Q4 GDP release showed a 2.7 percent fall in wholesale trade volumes.

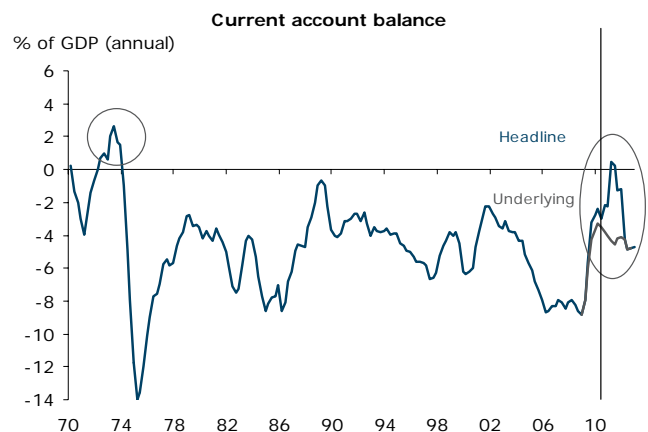
The data below has been delayed due to the Christchurch earthquake and may be released this week:

- **SNZ International Travel and Migration – February**. We expect a smaller net permanent and long term inflow of 200 persons for February, with visitor arrival numbers to fall one to two percent.

WHAT'S THE VIEW?

First, the good news. Last week's GDP data confirmed the economy managed to avoid a technical recession last year. Manufacturing sector activity bounced back strongly from the weakness in the middle of last year. Increases were broad-based, with metal product and machinery equipment category, chemicals, and food and beverage manufacturing categories all posting increases. Business investment looks to be in recovery mode. Construction sector activity picked up and will be going gangbusters later this year, with the earthquake reconstruction work. As we noted in last week's *Market Focus*, however, accommodating the rebuilding work will involve other projects being delayed and some reprioritisation of government spending.

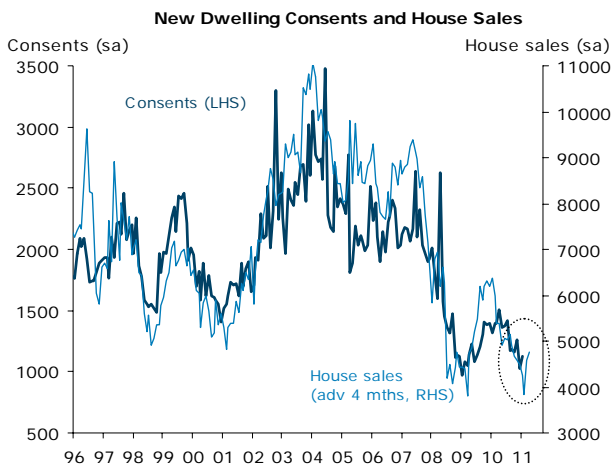
Some progress was being made in rebalancing the economy. Households continue to keep a close eye on spending and are rebuilding saving, with residential building still the casualty from housing market weakness. It seems somewhat cruel, but anaemic growth in 2010 was actually a good thing in so far as improving the economy's underlying structural position and balance sheet. Agricultural and forestry exports are performing well. Our internal anecdotes suggest that the first few months have been positive for agricultural production. Indeed, with Fonterra confident production this year will be about 1 percent higher than last season, a \$10b plus dairy season for 2010/11 is in prospect. Manufacturing export volumes showed some pockets of strength. While net exports made another large negative contribution to growth, much of the strength in imports was for investment which is a positive for future capacity building. And **net external liabilities as a share of GDP have fallen to 81.7 percent of GDP – the lowest since early 2006.**



However, with the earthquake reconstruction most likely to see a shifting of resources away from

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economic rebalancing, **the starting position for our external outlook remains troubling.** One-offs from structured tax transactions and reinsurance inflows have tended to mask a persistent underlying problem. **An underlying current account deficit of 4.1 percent of GDP and a worsening fiscal trajectory** does not provide much room to manoeuvre. So while the headline current account deficit is expected to briefly return to surplus in early 2012 due to reinsurance flows, the underlying position doesn't look that flash. This will not be lost on ratings agencies and will ensure there will be continued pressure on the Government to reprioritise spending in the May 19 Budget.

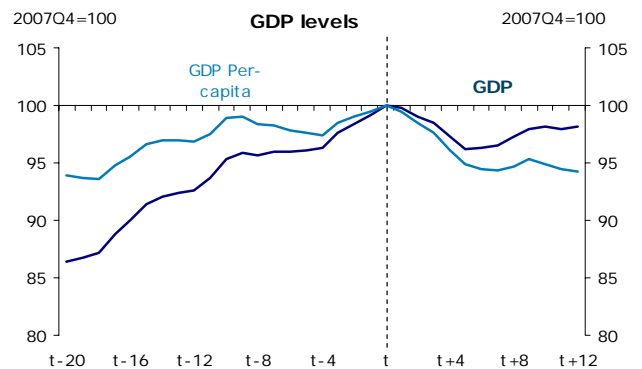


Sources: ANZ, National Bank, Statistics NZ, REINZ

Looking forward, seismic events will reduce the information value of data releases. For what it is worth we expect a slide in February residential consent numbers of around 2 percent. We know that reconstruction work will provide a much needed fill-up for the sector from later this year but uncertainty surrounds the exact timing. The same applies to non-residential related work. Another series of jolts around Christchurch over the last few days suggests a long drawn-out process in terms of the speed of the rebuild. This seems to be the consensus at present, but we would not lose sight of two dynamics:

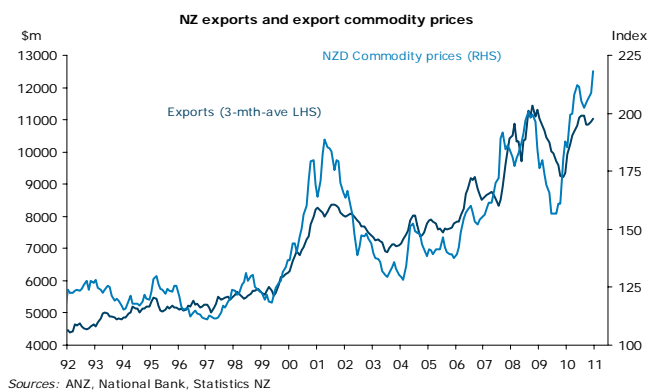
- Fiscal policy is taking active steps. The past week has seen a further \$6.85 million business assistance package announced and progress insofar as housing is concerned is underway. Bank support packages have emerged.
- It is not going to take much to nudge an economy up that has seen real per capita GDP decline by 5.8 percent over the past 3 years. Considering the destruction to nationwide wealth, GDP will continue to tell only part of the story.

At present people are fixated with the rebuilding of Christchurch itself. We concur that this will take time. **But in the meantime a massive amount of clean-up work, the provision of short-term accommodation and the relocation of business premises will create a flurry of activity.** When the rebuild starts in earnest, it will not be like a light suddenly turned on: construction resources will be working feverishly through 2011 in Christchurch.



Source: ANZ, National Bank, Statistics New Zealand

Merchandise trade data for February is expected to show a monthly surplus of \$180m. High export commodity prices provide a key source of economic support. We estimate that if commodity export prices and the NZD/USD were at post 1990 averages, monthly export incomes would be roughly \$600-\$700m lower. However, with rural chequebooks remaining shut, the flow-through into spending in the provinces has been somewhat muted.



Sources: ANZ, National Bank, Statistics NZ

One of the benefits of the high terms of trade is that it has supported the NZD, thus preventing an even more sizeable increase in import prices. Petrol prices have risen by more than a quarter since September 2010 and at \$2.19 per litre of unleaded 91 Octane are back towards mid 2008 peaks. They would be around \$2.75 if the NZD/USD was at historical averages and USD denominated oil prices were unchanged (heroic we admit, given generalised USD weakness is a key

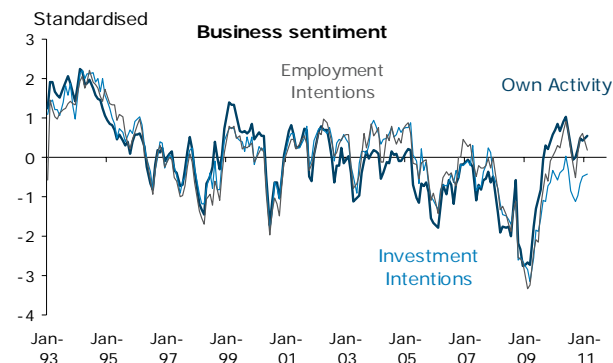
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factor underpinning USD-denominated commodity prices). That would really hurt. But this may be cold comfort: petrol prices alone look set to add 0.5 percentage points to the Q1 CPI result.

The RBNZ February credit aggregates are expected to show continued signs of household caution. Subdued housing related activity is expected to see household borrowing up a meagre 0.1 percent in the month and 1.5 percent over the prior year. We expect agricultural borrowing to remain static.

We will be looking for signs of continuing resurgence in business credit growth – the one positive factor out of generally weak credit numbers. We need to be realistic here, things are changing very quickly. The January numbers showed business sector credit was down 2.2 percent on the year prior. But over the latter part of 2010 and into January business sector credit has increased 2.9 percent (s.a.) over 4 months – and this certainly ties in with the strength we saw in Q4 business investment GDP numbers.

Looking forward we need to see more of the same. The low level of plant and machinery investment will limit the durability of the strong expansion that we see emerging from the second half of this year. Low labour productivity and rising inflation from resource bottlenecks will be the result. **So our attention in regard to lead indicators will not be on the headline confidence figures, rather what businesses actually plan to be doing on the investment front.** The concern at this juncture is that fear and caution towards the economy become self-fulfilling prophecies.



Source: ANZ, National Bank, Roy Morgan, Westpac McDermott Miller

With this in mind, Thursday afternoon is the release of the March National Bank Business Outlook survey. This is the first NBBO survey that was taken after the February 22 earthquake. While we will not comment on the details, be prepared for some seismic impacts, if the March decline in

consumer confidence is anything to go by. But there are some key aspects we'll draw people's attention to. First, to what degree has confidence taken a hit, both in regional and nation-wide dimensions? A regional impact seems inevitable, but the impact on nation-wide confidence would be the real litmus test. We can analyse the survey responses by region, which can help answer that question. Second, the starting position matters. Confidence was pretty good over the prior months, which gives a base to absorb any negative consequences of the quake. Finally, it is not headline confidence that matters but what businesses are actually planning on doing. So look more closely at firms' own activity expectations, employment and investment intentions.

During the week we will also see the delayed Q4 manufacturing and wholesale trade data being released. Given that these follow last week's Q4 GDP release, markets interest will be considerably diminished. Provisional estimates of these data were used in the Q4 calculation, but we doubt we'll see substantive revision. The upshot of this is that those thinking the Q4 GDP rise was a mirage and manufacturing "imputed" driven are likely to be disappointed. In fact Statistics NZ said the same in a release late last week.

Most attention remains with the real side of the economy. Seismic events will clearly reduce the information content of sentiment data over the next few months, and for the hard activity data until well into the second half of 2011. Until then we are in an information vacuum, relying on anecdotes. The feedback we get from our extensive travels and own balance sheet will be key barometers. Beyond that we stress again the importance of watching fiscal policy developments as a bellwether of the reconstruction process. **We continue to take a more optimistic view of H2 2011 and beyond.** Support provided by stimulatory financial conditions, strong commodity prices, the Rugby World Cup and earthquake reconstruction will prove to be influential.

We would not underestimate the base effect either. It is far easier to surprise on the upside when you are recoiling from lows, which NZ will be. This is not to downplay the significance of seismic events. Rather it reflects what a poor indicator GDP can be when looking at value added and balance sheet concepts. Of course Christchurch events will influence the traditional value added measure – and for some time as we suspect it will extend the structural nature of the rebuilding in household saving. But we'll remind readers again of the Chilean experience (refer to our March 14 *Market Focus*), where a deep downturn was following by sharp

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rebound. There are material differences between Christchurch and Chile, but they are not that big.

We would also remind our readers to keep an eye on the pricing side of the economy. Inflation concerns were notably absent from the RBNZ's March MPS policy assessment, but it is unlikely to go unnoticed for long with the headline inflation rate set to push through 5 percent. In that regard, we note that our February Monthly Inflation Gauge showed a 0.5 percent monthly increase, with quarterly inflation in the non-tradable part of the CPI regimen running at 1.2 percent. Prospective increases for petrol, electricity, rents and food look set to push consumer prices higher. The key for the RBNZ will be the extent to which these increases have an impact on price and wage setting throughout the New Zealand economy. Readings from inflation expectation measures will be crucial. All are relatively well contained at present. But you have to wonder for how long, once people see the realities of a 5 percent plus inflation rate. **We sense some very difficult decisions for the RBNZ lie ahead.**

RECENT LOCAL DATA

- **RBNZ Credit Card Billings – February.** The value of billings fell by a seasonally adjusted 0.3 percent (+5.3 percent y/y), with the value of spending on overseas cards declining 1.3 percent and a 0.3 percent fall on domestic card spending in New Zealand.
- **SNZ Balance of Payments – 2010Q4.** There was a quarterly deficit of \$3.52b, with the annual deficit rising to \$4,381m (2.3 percent of GDP). Net international liabilities were \$159b (81.7 percent of GDP) at 31 December 2010, \$1.3b less than at 30 September 2010.
- **SNZ Gross Domestic Product – 2010Q4.** The production-based measure increased a seasonally adjusted 0.2 percent (0.8 percent y/y). The expenditure based measure increased 0.4 percent (1.4 percent y/y). Nominal GDP rose by 2.6 percent in the December quarter (4.8 percent y/y).

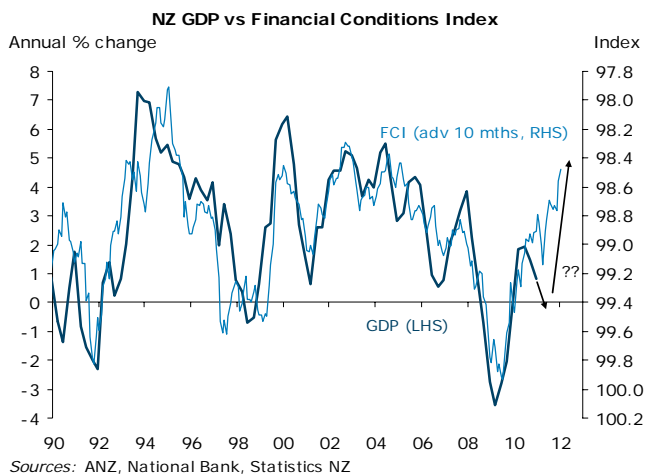
FINANCIAL CONDITIONS UPDATE

SUMMARY

Since the February 22 earthquake, financial conditions in NZ have eased further, due to a lower currency and interest rate cuts by the RBNZ. Such a response shows the strength of NZ's macroeconomic framework. While we expect GDP growth to deviate from our financial conditions index over the next couple of quarters as the earthquake impact flows through, the groundwork for a material rebound from H2 2011 is being laid. This springboard effect from a weak base could result in a much stronger rebound in economic activity than what the RBNZ is forecasting, especially if reconstruction activity gets going much sooner than expected.

LOOSENING UP

Our proprietary Financial Conditions Index¹ (FCI) for NZ is the most stimulatory it has been since 2004. The easing in financial conditions of late, first in response to weak economic data that started to appear late last year, and more recently after the February 22 earthquake, is laying the groundwork for a recovery down the track. The responsiveness of financial conditions shows that NZ's macroeconomic framework, while not perfect, has largely served the economy well over the years.



The easing in financial conditions has mostly come via a lower NZ dollar and reductions in interest rates. Despite the NZDUSD recovering back above 0.75 late last week, this is still around 1.6 percent lower than where it traded just before the earthquake. On a trade weighted basis – which is

¹ A financial conditions index summarises a range of financial variables into a single series that can be used to predict the future path of the economy. Where available, our FCI includes the currency adjusted for commodity prices or terms of trade movements, interest rates, asset prices, credit growth and proxies for the cost and availability of credit.

what we use in our FCI calculations – it is 3.3 percent below pre-earthquake levels. Record high commodity prices are also acting to keep financial conditions stimulatory. The RBNZ's 50bp cut to the OCR at their March assessment saw floating mortgage rates fall by the same amount, easing conditions further.

Not all indicators have led to an easing in financial conditions. The credit default swap spreads for the big four Australian banks, which we use as a proxy for the cost of credit, has risen slightly. House prices are still largely coming under downward pressure. However, NZ equity prices have improved, largely on the back of a recovery in global markets with risk being put back on the table. And the latest Fed Senior Loan Officer Survey, which we use as a proxy for the availability of credit in NZ, has eased up. Overall, those variables we use in our FCI that have tightened up are fairly small, whereas those that have loosened have seen material changes.

The level of our FCI at present suggests year-on-year GDP growth could rebound towards 4½ to 5 percent by early 2012. Of course, there will be a divergence between GDP growth and our FCI over the next couple of quarters due to the impact of the earthquake. Our FCI is not able to pick-up the negative near-term effects of such a supply shock. But what we do know is that the other parts of the country that are not too negatively impacted by the earthquake will benefit from easing financial conditions. It will take time to flow through, but it will eventually.

In addition, the Rugby World Cup will provide a boost to activity over H2 2011, and earthquake reconstruction related activity, once it gets going, will also add to growth. Both of these will not get picked up by our FCI, but they are substantial. The RBNZ estimates that the Rugby World Cup will add around NZ\$700m during the duration of the tournament (from September 9 to October 23). The build-up to reconstruction work is likely to start from Q3/Q4.

The groundwork for a material rebound in economic activity over the second half of the year is being laid. The springboard effect from a weak H1 2011 could result in much stronger growth over the second half of the year and into early next year. This is especially so, if reconstruction activity can get going much sooner than expected. If so, this could get the RBNZ to remove their March 50bps insurance rate cut sooner than what the market is pricing in. We still think December is likely for that.

INTEREST RATE STRATEGY

SUMMARY

Interest rates and the shape of the yield curve have been in range-trading mode of late, and last week's GDP data barely caused a stir. While roll and carry remain provocative, and will keep a lid on interest rates, the market is fearful of wanting to get too long at low levels. For now, steepeners are the order of the day – not only are they intuitive given opposing local and global interest rate pressures, but they also enjoy positive roll and carry. However, we are mindful of how steep the yield curve is getting relative to other markets, which could slow progress.

MARKET THEMES

- Last week's GDP data was the last piece of the Q4 data puzzle, and the market will look forward from here on in. This won't offer any clarity, and is suggestive of range-trading.
- US Treasury yields have backed up substantially, with the 10 year yield up 30bps the past 10 days.

REVIEW AND OUTLOOK

"It feels like we've been here before", as a colleague quipped this morning. And indeed we have – it has been almost 5 weeks now since the February 22nd earthquake, and **now that the final piece of the Q4 jigsaw (i.e. GDP) is behind us, the market will now turn to current and forward-looking data, in which the quake will feature heavily. Given it is early days, the market will inevitably discount data, particularly weak data,** so in a sense, we will be flying blind for a few weeks. Although this has the potential to lead to volatility, we tend to think it is more likely to lead to more range-trading, with volatility more likely to emerge from offshore events.

The RBNZ have certainly made a point of highlighting that it's too soon to get an accurate handle on how things are evolving in Christchurch, and until that changes, **we expect the market to trade sideways, at least until the Budget,** which is 7 weeks away. Taken at face value, this would tend to support playing the market from the long side (or for borrowers – holding off paying). This is simply **because roll and carry are so provocative that it's either too tempting not to be long** (especially forward trades like the 1yr/1yr forward), or conversely, **it's just too expensive to be short.**

But if it's volatility you want, look offshore. US bonds yields are now on the rise, almost to the point that the onus is now on the data to deliver a good story. With the NZ curve at an extreme, it will take a lot to see the curve steepen, but we wouldn't rule it out.

PREFERRED BORROWING STRATEGIES

Broadly speaking, we remain cautious and see no urgency to add to hedges until we see more clarity on how the business environment will adapt to post earthquake conditions. Term rates are low, and thus appear attractive, but so too is the floating rate. In fact, the curve has become even steeper, raising the opportunity cost of fixing. Restructuring hedges to revert back to floating for the next year or two in return for a higher hedge ratio later on may be attractive. Cancellable swaps are also attractive, and with the curve this steep, and give the borrower the ability to walk away from the swap for the final year (or years).

GAUGES FOR NZ INTEREST RATES

GAUGE	GAUGE	GAUGE
RBNZ / OCR	↔	On hold till the end of the year, with the Budget the next focus for policy.
NZ data	↔	GDP data on expectations, Biz Conf this week will give a vital post-quake pulse.
Fed Funds / front end	↑	Hawkish mumblings have continued after the FOMC.
RBA	↔/↑	Difficult to see expectations of cuts being satisfied.
US 10 year	↔/↑	US bond starting to unwind geopolitical premium.
NZ swap curve	↔/↑	Positive carry and opposing short and long end views supports steepeners.
Flow	↔	Lacklustre flow.
Technicals	↔	All eyes on US Treasuries.

MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 28-Apr-11	-1	-1
Thu 9-Jun-11	-3	-1
Thu 28-Jul-11	-7	-6
Thu 15-Sep-11	-2	+1
Thu 27-Oct-11	-1	+6
Thu 8-Dec-11	+5	+13
Thu 26-Jan-12	+12	+23

TRADING THEMES WE FAVOUR AT PRESENT

Roll and carry (R+C) remain extremely seductive, and will continue to be a significant driver of investment decisions. Although markets like the US have better R+C statistics, the main difference is that whereas the Fed is upping the tempo, with inflation clearly in its sights, the RBNZ have just cut rates, and policy is set to be on hold for some time. Consider switching existing 2-5yr steepeners into 2-10yr steepeners (which is better value and has better R+C). With 3/19s still being tendered and 5/21 tranche at target size, relative scarcity and less negative asset swap spreads favour switching out of 3/19s and into 5/21s. Also look for NZ/AU 1yr/1yr spread to "widen" as the Aussie market prices out cuts and the NZ market brings rate hikes forward and pares back the pace of 2012 hikes.

CURRENCY STRATEGY

SUMMARY

The NZD has shrugged off the remaining effects of the earthquake and now looks set to recover all the ground lost following the event. Local data is expected to question this, but with the AUD trading to a new post-float high it seems the antipodean currencies will be the FX market darlings this week. However, angry protests in London, a voter backlash in Germany, and continued sovereign debt risk all serve to undermine the EUR this week. So any topside NZD specific pushes is likely to face EURUSD directional resistance.

MARKET THEMES

- Reinsurance flows bring extra support for NZD.
- Social backlashes spread from the Middle East/North Africa to the UK and Germany.
- US data mixed bag continues to confound FX markets.
- European sovereign debt risk should weigh on EUR.
- Inflation risks should see emerging market currencies continue appreciation.

REVIEW AND OUTLOOK

The NZD is recovering as reinsurance flows begin and we can expect more in the coming weeks. The combination of the reinsurance flows and continued strong terms of trade has seen the NZD recovered well from the post earthquake sell-off. With GDP emerging on the right side of zero (albeit narrowly) the FX market decided there was no cause for alarm. With construction and confidence data this week, can the NZD remain the darling? Local data and seismic events say no, but currencies are funny beasts! Technically, NZD looks set to continue this move with a target around .7725 and initial resistance at .7570.

The AUD continues to be supported as the market continually gets caught short. Despite a lack of AUD specific news the AUD managed to trade to a new post float high of 1.0294 against the USD. The last time the AUD was at this level was June 1982. Despite looking very fully priced, international events and domestic yields are likely to see the AUD remain supported for now.

The protests in London and the voter backlash in weekend regional elections have elevated EUR and GBP risk. And with sovereign debt risk fears still very alive the hurdles for EUR to push through the November 2010 highs are increasing. In Germany the regional elections have seen the incumbents dumped in favour of the Greens. With the negative news piling up, the EUR is struggling to

hold its ground and we can expect this to continue this week. This is expected to continue the EURUSD directional jostle and cap the magnitude of NZD specific recovery pushes.

Inflation, particularly for emerging markets (EM), is still a big concern and EM authorities seem to be gradually responding through currency appreciation. In particular, China continues to allow appreciation to quietly creep through. This seems the path of least resistance when you consider the alternatives to asset price inflation, namely restricting capital flows or raising interest rates more aggressively.

NZD VS AUD: MONTHLY DIRECTIONAL GAUGES

GAUGE	DIRECTION	COMMENT
Fair value	↑	Below fair value.
Yield	↔/↓	Yields less supportive as NZ growth prospects soften.
Commodities	↔	Soft commodities topping out?
Partial indicators	↓	Post earthquake uncertainty continues.
Technicals	↔	Support .7300.
Sentiment	↑	Reinsurance flows support.
Other	↑	Terms of trade continue to support.
On balance	↔	Are 20 year lows really justified?

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	↓	Higher US bond yields whereas NZ's turn lower.
Commodities	↑	Soft commodities driving more exporter hedging.
Risk aversion	↔	Risk gauges turning higher.
Partial indicators	↔	Data remains mixed on all fronts.
Technicals	↑	Enroute to .7725. Resistance at .7570 & .7665
AUD	↑	Short-covering supporting AUD
Sentiment	↑	Reinsurance flows support.
Other	↑	Terms of trade support.
On balance	↑	Reinsurance adds to Terms of trade as key drivers but EURUSD sentiment critical

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
28-Mar	GE	Retail Sales (MoM) - FEB	0.40%	1.40%	04:02
	GE	Retail Sales (YoY) - FEB	1.50%	2.60%	04:02
29-Mar	US	PCE Core (MoM) - FEB	0.20%	0.10%	01:30
	US	PCE Core (YoY) - FEB	0.90%	0.80%	01:30
	US	Personal Spending - FEB	0.50%	0.20%	01:30
	US	Personal Income - FEB	0.40%	1.00%	01:30
	US	Pending Home Sales MoM - FEB	0.00%	-2.80%	03:00
	US	Dallas Fed Manf. Activity - MAR	17.6	17.5	03:30
	NZ	Trade Balance - FEB	270M	11M	10:45
	NZ	Exports - FEB	3.50B	3.29B	10:45
	NZ	Imports - FEB	3.30B	3.28B	10:45
	JN	Jobless Rate - FEB	4.90%	4.90%	12:30
	JN	Retail Trade YoY - FEB	-0.50%	0.10%	12:50
	JN	Retail Trade MoM SA - FEB	0.50%	4.10%	12:50
	UK	Total Business Investment(QoQ) - 4Q F	-	-2.50%	21:30
	UK	Total Business Investment(YoY) - 4Q F	-	10.00%	21:30
	UK	Current Account (BP) - 4Q	-10.5B	-9.6B	21:30
	UK	GDP (QoQ) - 4Q F	-0.60%	-0.60%	21:30
	UK	GDP (YoY) - 4Q F	1.50%	1.50%	21:30
	UK	Net Consumer Credit - FEB	-0.1B	-0.3B	21:30
	UK	Mortgage Approvals - FEB	46.0K	45.7K	21:30
	UK	M4 Money Supply (YoY) - FEB	-	-1.70%	21:30
	GE	Consumer Price Index (MoM) - MAR P	0.40%	0.50%	21:30
	GE	Consumer Price Index (YoY) - MAR P	2.20%	2.10%	21:30
30-Mar	US	S&P/CS 20 City MoM% SA - JAN	-0.50%	-0.41%	02:00
	US	S&P/CS Composite-20 YoY - JAN	-3.20%	-2.38%	02:00
	US	Consumer Confidence - MAR	65	70.4	03:00
	NZ	Building Permits MoM - FEB	-1.00%	9.60%	10:45
	JN	Industrial Production (MoM) - FEB P	-0.10%	1.30%	12:50
	JN	Industrial Production YOY% - FEB P	4.00%	3.50%	12:50
	AU	DEWR Skilled Vacancies MoM - MAR	-	-1.20%	13:00
	AU	HIA New Home Sales (MoM) - FEB	-	2.50%	13:00
	AU	Job vacancies - FEB	-	6.70%	13:30
	NZ	Money Supply M3 YoY - FEB	-	4.40%	15:00
	JN	Vehicle Production (YoY) - FEB	-	-6.30%	17:00
	UK	Index of Services (3mth/3mth) - JAN	-0.90%	-0.70%	21:30
	UK	Index of Services (MoM) - JAN	-	-1.30%	21:30
	EC	Business Climate Indicator - MAR	1.42	1.45	22:00
	EC	Euro-Zone Consumer Confidence - MAR F	-10.6	-10.6	22:00
	EC	Euro-Zone Economic Confidence - MAR	107.5	107.8	22:00
	EC	Euro-Zone Indust. Confidence - MAR	6	6.5	22:00
	EC	Euro-zone Services Confidence - MAR	11.5	11.1	22:00
	UK	CBI Reported Sales - MAR	-2	6	23:00
31-Mar	US	ADP Employment Change - MAR	208K	217K	01:15
	UK	GfK Consumer Confidence Survey - MAR	-30	-28	12:01
	UK	Hometrack Housing Survey (MoM) - MAR	-	-0.20%	12:01
	JN	Nomura/JMMA Manufacturing PMI - MAR	-	52.9	12:15
	AU	Building Approvals (MoM) - FEB	4.00%	-15.90%	13:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
31-Mar	AU	Building Approvals (YoY) - FEB	-12.80%	-24.80%	13:30
	AU	Retail Sales s.a. (MoM) - FEB	0.40%	0.40%	13:30
	AU	Private Sector Credit MoM% - FEB	0.30%	0.30%	13:30
	AU	RP Data-Rismark House Px MoM NSA - FEB	-	-0.90%	13:30
	NZ	NBNZ Activity Outlook - MAR	-	36.6	15:00
	NZ	NBNZ Business Confidence - MAR	-	34.5	15:00
	JN	Annualized Housing Starts - FEB	0.849M	0.847M	18:00
	JN	Construction Orders (YoY) - FEB	-	-10.70%	18:00
	UK	Nat'wide House prices sa (MoM) - MAR	0.00%	0.30%	19:00
	UK	Nat'wide House prices nsa(YoY) - MAR	-0.60%	-0.10%	19:00
	GE	Unemployment Change (000's) - MAR	-25K	-52K	20:55
	GE	Unemployment Rate (s.a) - MAR	7.20%	7.30%	20:55
1-Apr	EC	Euro-Zone CPI Estimate (YoY) - MAR	2.40%	2.40%	22:00
	US	Annual Revisions: Jobless Claims -			01:30
	US	Initial Jobless Claims - 26 MAR	380K	382K	01:30
	US	Continuing Claims - 19 MAR	3705K	3721K	01:30
	US	Chicago Purchasing Manager - MAR	69	71.2	02:45
	US	NAPM-Milwaukee - MAR	-	63	03:00
	US	Factory Orders - FEB	0.30%	3.10%	03:00
	NZ	Manufacturing Activity - 4Q	-	1.30%	10:45
	NZ	Manufacturing Activity Volume - 4Q	-	-1.40%	10:45
	AU	AiG Performance of Mfg Index - MAR	-	51.1	11:30
	JN	Tankan Lge Manufacturers Index - 1Q	6	5	12:50
	JN	Tankan Non-Manufacturing - 1Q	2	1	12:50
	JN	Tankan Lge Mfg Outlook - 1Q	2	-2	12:50
	JN	Tankan Non-Mfg Outlook - 1Q	0	-1	12:50
	JN	Tankan Large All Indust Capex - 1Q	1.80%	2.90%	12:50
	CH	PMI Manufacturing - MAR	54.3	52.2	14:00
	CH	HSBC Manufacturing PMI - MAR	52.4	51.7	15:30
	JN	Vehicle Sales (YoY) - MAR	-	-14.00%	18:00
	AU	RBA Commodity Price Index Au - MAR	-	101.9	18:30
	AU	RBA Commodity Index SDR YoY% - MAR	-	49.90%	18:30
	GE	PMI Manufacturing - MAR F	60.9	60.9	20:55
	EC	PMI Manufacturing - MAR F	57.7	57.7	21:00
	UK	PMI Manufacturing - MAR	60.9	61.5	21:30
	EC	Euro-Zone Unemployment Rate - FEB	9.90%	9.90%	22:00
2-Apr	US	Change in Nonfarm Payrolls - MAR	195K	192K	01:30
	US	Change in Private Payrolls - MAR	222K	222K	01:30
	US	Change in Manufact. Payrolls - MAR	33K	33K	01:30
	US	Unemployment Rate - MAR	8.90%	8.90%	01:30
	US	Avg Hourly Earning MOM All Emp - MAR	0.20%	0.00%	01:30
	US	Avg Hourly Earning YOY All Emp - MAR	1.90%	1.70%	01:30
	US	Avg Weekly Hours All Employees - MAR	34.3	34.2	01:30
	US	Construction Spending MoM - FEB	0.00%	-0.70%	03:00
	US	ISM Manufacturing - MAR	61	61.4	03:00
	US	ISM Prices Paid - MAR	82	82	03:00
	CH	China Non-manufacturing PMI - MAR	-	44.1	13:00

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

Sources: Dow Jones, Reuters, Bloomberg, ANZ, National Bank. All \$ values in local currency.

Note: All surveys are preliminary and subject to change.

LOCAL DATA WATCH

Key focus over the next few weeks: The February 22 earthquake was a game changer and is likely to delay the recovery by at least 6 months, if not longer. The RBNZ concurred and cut the OCR by 50 basis points in the March MPS. Last week's GDP report was weak and we expect activity over the first half of this year to remain subdued. Despite favourable one-offs, the external outlook is also worrying. The economic data over the coming months will be noisy and we continue to watch upcoming confidence readings.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Delayed	External Migration – Feb	Down	A lower net PLT monthly inflow of 200 persons is expected. Visitor arrivals to ease 1 to 2 percent.
Tue 29 Mar (10:45am)	Overseas Merchandise Trade – Feb	Surplus	We expect a monthly trade surplus of \$180m but for the annual trade surplus to ease to \$700m.
Wed 30 Mar (10:45am)	Building Consents – Feb	Down	We expect a slide in residential consent numbers of around 2 percent. Reconstruction work will provide a much needed fill-up for the sector from later this year.
Thur 31 Mar (3:00pm)	National Bank Business Outlook	- -	- -
Thur 31 Mar (3:00pm)	RBNZ Credit Aggregates – Feb	Deleveraging mood	Small increases are expected. We will be closely watching the business sector credit numbers.
Fri Apr 1 (10:45am)	Wholesale Trade – 2010Q4	Up	Weak retail volumes suggest a flat quarter at best, although the increase in export volumes was encouraging.
Fri Apr 1 (10:45am)	Economic Survey of Manufacturing – Q4	Up	We expect Q4 manufacturing volumes to increase by around 1 percent. Risks look higher.
Mon Apr 4 (3:00pm)	ANZ Commodity Price Index – March	- -	- -
Tue Apr 5 (10:00am)	NZIER QSBO – Q1	Earthquake hit	Earthquake disruptions will be evident, with a wide gap between expected and actual domestic trading activity. General business confidence should take a hit. Capacity utilisation measures are likely to move higher.
Wed Apr 6 (6:00am)	<i>globalDairyTrade</i> auction	Consolidation	The mid-March pullback was a reminder that prices cannot continue increasing at the rate they had been. We expect whole milk powder prices to consolidate around current levels.
Mon Apr 11 (10:45am)	Electronic Card Transactions - Mar	Down	Card transaction values are expected to decline 1 to 2 percent due to earthquake disruptions. Consumers remain cautious.
Wed Apr 13 (10:45am)	Food Price Index - Mar	Up	We expect a 0.2 percent increase in food prices. Stronger rises over 2011 are in prospect.
Thur Apr 14 (10:30am)	BNZ – Business NZ PMI – March	Down	The resumption of this survey after the earthquake induced cancellation should see weakness from a number of fronts.
Thur Apr 14 (10:45am)	REINZ housing market data – March	Down	Sales volumes are expected to decline as households retreat back into their shell.
Mon Apr 18 (10:45am)	Consumer Price Index – 2011Q1	Up	We expect a 1.1 percent quarterly increase. Higher petrol prices are expected to contribute 0.5 percentage points.
Thur Apr 21 (10:45am)	External Migration – March	Quake impacts	No additional net immigration is envisaged, with risks of a monthly net outflow. Visitor arrivals are expected to remain weak in the immediate quake aftermath.
Thur Apr 21 (3:00pm)	ANZ-Roy Morgan Consumer Confidence	- -	- -
On Balance		Weak H1	The Christchurch earthquake will result in continuing weakness over the first half of 2011, with the recovery pushed out at least 6 months.

KEY FORECASTS AND RATES

	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
GDP (% qoq)	0.1	-0.2	0.2	-0.4	0.1	1.4	1.8	0.7	0.9	0.9
GDP (% yoy)	1.9	1.5	0.8	-0.3	-0.3	1.3	2.9	4.1	4.9	4.4
CPI (% qoq)	0.2	1.1	2.3	1.0	1.0	0.8	0.7	0.6	0.8	0.7
CPI (% yoy)	1.7	1.5	4.0	4.6	5.5	5.1	3.4	3.0	2.8	2.7
Employment (% qoq)	-0.3	1.1	-0.5	0.9	0.2	0.5	0.5	0.5	0.4	0.5
Employment (% yoy)	0.0	1.9	1.3	1.2	1.7	1.1	2.1	1.7	1.9	1.9
Unemployment Rate (% sa)	6.9	6.4	6.8	6.5	6.7	6.6	6.4	6.3	6.2	6.1
Current Account (% GDP)	-3.0	-2.2	-2.2	0.5	0.2	-1.2	-1.2	-4.2	-4.8	-4.8
Terms of Trade (% qoq)	2.0	3.0	0.6	2.5	1.5	1.5	0.5	-0.8	-0.8	-0.8
Terms of Trade (% yoy)	12.7	17.9	12.2	8.3	7.8	6.3	6.1	2.8	0.5	-1.8

	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11
Retail ECT (% mom)	0.5	0.3	-0.7	2.3	0.8	1.0	-0.8	2.4	-0.2	..
Retail ECT (% yoy)	4.2	4.4	1.7	5.0	4.8	6.3	4.4	5.7	6.2	..
Credit Card Billings (% mom)	1.2	-1.2	0.7	1.0	0.6	0.0	-1.7	3.4	-0.3	..
Credit Card Billings (% yoy)	4.5	2.6	2.2	4.2	4.7	3.8	2.1	5.5	5.3	..
Car registrations (% mom)	5.6	-6.3	0.0	2.5	-3.8	13.7	-8.7	0.8	-1.0	..
Car registrations (% yoy)	35.8	16.0	19.0	19.2	9.4	23.5	6.4	6.8	2.8	..
Building consents (% mom)	1.2	3.2	-17.7	0.9	-1.9	8.4	-18.2	9.6	..	..
Building consents (% yoy)	27.0	25.2	-3.1	-9.4	-17.5	-9.1	-26.4	-14.6	..	..
REINZ House Price Index (% yoy)	4.2	1.8	0.9	-1.3	-3.5	-1.9	-1.6	-2.6	-0.7	..
Household Lending Growth (% mom)	0.2	0.2	0.1	0.2	0.1	0.0	0.0	0.1	..	..
Household Lending Growth (% yoy)	2.6	2.5	2.3	2.3	2.0	1.8	1.6	1.6	..	..
ANZ Roy Morgan Consumer Confidence	122.0	115.6	116.3	116.4	113.6	114.5	112.2	117.1	108.1	101.4
NBNZ Business Confidence	40.2	27.9	16.4	13.5	23.7	33.2	29.5	..	34.5	..
NBNZ Own Activity Outlook	38.5	32.4	25.7	26.7	30.5	35.3	34.5	..	36.6	..
Trade Balance (\$m)	221	-186	-430	-455	-220	-177	-264	11	..	..
Trade Balance (\$m ann)	593	585	871	978	1259	1363	1125	865	..	..
ANZ World Commodity Price Index (% mom)	-1.6	-0.8	-1.4	2.8	3.5	4.5	2.0	3.8	2.7	..
ANZ World Commodity Price Index (% yoy)	50.1	47.3	38.6	32.9	31.4	23.7	23.0	27.2	25.9	..
Net migration (sa)	170	930	870	1010	520	620	750	450	..	..
Net migration (annual)	16504	15221	14507	13914	12610	11519	10451	8689	..	..

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	Jan-11	Feb-11	Today	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
NZD/USD	0.773	0.752	0.752	0.73	0.75	0.74	0.73	0.72	0.71	0.70
NZD/AUD	0.775	0.739	0.734	0.73	0.74	0.74	0.75	0.74	0.75	0.76
NZD/EUR	0.564	0.545	0.535	0.56	0.59	0.57	0.55	0.54	0.53	0.52
NZD/JPY	63.41	61.53	61.16	63.5	66.0	66.6	65.7	66.2	66.7	66.5
NZD/GBP	0.483	0.463	0.470	0.46	0.48	0.47	0.46	0.45	0.44	0.44
NZ\$ TWI	68.7	66.4	66.0	66.6	68.6	67.7	66.9	65.9	65.3	65.0
INTEREST RATES	Jan-11	Feb-11	Today	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
NZ OCR	3.00	3.00	2.50	2.50	2.50	2.50	3.00	3.50	3.75	4.25
NZ 90 day bill	3.21	2.86	2.63	2.70	2.70	2.70	3.40	3.80	4.20	4.50
NZ 10-yr bond	5.48	5.54	5.61	5.80	6.00	6.20	6.20	6.10	6.20	6.10
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.75	1.50	2.00
US 3-mth	0.30	0.31	0.31	0.35	0.35	0.35	0.35	0.85	1.60	2.10
AU Cash Rate	4.75	4.75	4.75	4.75	5.00	5.25	5.25	5.50	5.75	5.75
AU 3-mth	4.92	4.97	4.90	5.20	5.50	5.70	6.00	6.00	6.00	6.00

	25 Feb	21 Mar	22 Mar	23 Mar	24 Mar	25 Mar
Official Cash Rate	3.00	2.50	2.50	2.50	2.50	2.50
90 day bank bill	2.86	2.62	2.62	2.62	2.62	2.62
NZGB 11/11	3.53	3.43	3.43	3.41	3.41	3.42
NZGB 04/13	4.34	4.29	4.29	4.28	4.28	4.29
NZGB 12/17	5.30	5.38	5.39	5.39	5.39	5.40
NZGB 05/21	5.52	5.57	5.59	5.58	5.58	5.59
2 year swap	3.36	3.28	3.27	3.25	3.26	3.29
5 year swap	4.40	4.35	4.35	4.34	4.35	4.39
RBNZ TWI	66.4	64.4	64.6	64.3	65.5	65.6
NZD/USD	0.7516	0.7329	0.7373	0.7416	0.7460	0.7490
NZD/AUD	0.7418	0.7325	0.7330	0.7343	0.7364	0.7347
NZD/JPY	61.57	59.30	59.71	59.98	60.43	60.68
NZD/GBP	0.4653	0.4519	0.4519	0.4530	0.4593	0.4648
NZD/EUR	0.5436	0.5171	0.5183	0.5230	0.5297	0.5287
AUD/USD	1.0132	1.0005	1.0059	1.0099	1.0130	1.0195
EUR/USD	1.3826	1.4173	1.4224	1.4178	1.4083	1.4166
USD/JPY	81.92	80.91	80.98	80.88	81.01	81.01
GBP/USD	1.6154	1.6219	1.6315	1.6369	1.6241	1.6115
Oil (US\$/bbl)	95.83	101.06	102.36	105.21	105.21	105.04
Gold (US\$/oz)	1404.82	1429.38	1429.15	1438.10	1438.10	1434.05
Electricity (Haywards)	2.45	5.28	4.26	4.64	5.12	5.00
Baltic Dry Freight Index	1245	1531	1543	1565	1583	1585
Milk futures (US\$/contract)	155	157	159	160	160	160

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.
- OnePath (NZ) Limited, as a wholly owned subsidiary of the Bank, is an associated person of the Bank. OnePath and its related companies 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;

IMPORTANT NOTICE

- 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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