

NEW ZEALAND ECONOMICS MARKET FOCUS

7 November 2011

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TESTING TIMES

ECONOMIC OVERVIEW

The relative resilience of the New Zealand economy continues to be put to the test, with more fragmentation appearing in the economic indicators. We expect such fragmentation to remain with us for the remainder of the year, a reflection of the volatile global scene and the interplay of various domestic shocks. However, we expect the spirit of relative resilience for New Zealand to hold together amidst the global uncertainty. The obvious caveat to this is the assumption that the difficulties in Europe remain largely contained and do not trigger a global recession. Having such a "tail risk" eventuating is not our central scenario as yet, but one that we remain nervous about. Thursday's Financial Stability Report will provide some insights into the RBNZ's line of thinking regarding the degree to which global financial market pressures will start to impact on the domestic financial system.

FINANCIAL CONDITIONS UPDATE

Our financial conditions measures are flagging respectable growth in the US and New Zealand. A more pronounced slowdown is in prospect for China and Australia, although helpful one-offs not captured in our FCIs are likely to provide support to economic activity. The outlook for the Eurozone implied by our FCIs is poor, with economic momentum set to stall, and recession looming for economies on the Eurozone periphery and Italy. While financial conditions measures have their limitations, the collective spirit is consistent with two notable themes: better growth in the US versus Europe, which is being borne out in the hard data; and uncertainty over China.

MONTHLY INFLATION GAUGE

Our Monthly Inflation Gauge registered a 0.2 percent fall in October after a 0.2 percent decline in September and 0.3 percent fall in August. The fall was again driven by lower alcohol prices, with the rest of the gauge rising 0.2 percent. There were more price increases than decreases during the month, but nonetheless this was the third successive monthly decline in our gauge. Our gauge suggests a soft non-tradable Q4 CPI print is in prospect, although the focus will remain on longer-term drivers of inflation.

INTEREST RATE STRATEGY

The pendulum of global market sentiment continues to swing between pessimism and optimism. While we fully expect more risk-on / risk-off intra-weekly noise, we find it difficult to take a durable (i.e. abstracting from weekly noise) view on Europe. The divergence between core and peripheral European bond yields continues to widen, which is a worrying sign. With the RBNZ on the sidelines, local dataflow light, local bond index duration lengthening, and the global backdrop bearish, we have the ingredients for a bull-flattening of the yield curve, led by bonds.

CURRENCY STRATEGY

The sense of déjà vu around the European crisis is starting to feel more like "Groundhog Day". Promises of solutions are dashed at every turn. The guarded admission by Merkel and Sarkozy that Greece may have to leave the Euro highlights how few other options are really available. The EUR and risk currencies remain remarkably resilient in the face of the continued uncertainty. Confidence data releases on both sides of the Tasman are the local focus for currencies this week.

ECONOMIC OVERVIEW

SUMMARY

The relative resilience of the New Zealand economy continues to be put to the test, with more fragmentation appearing in the economic indicators. We expect such fragmentation to remain with us for the remainder of the year, a reflection of the volatile global scene and the interplay of various domestic shocks. However, we expect the spirit of relative resilience for New Zealand to hold together amidst the global uncertainty. The obvious caveat to this is the assumption that the difficulties in Europe remain largely contained and do not trigger a global recession. Having such a "tail risk" eventuating is not our central scenario as yet, but one that we remain nervous about. Thursday's Financial Stability Report will provide some insights into the RBNZ's line of thinking regarding the degree to which global financial market pressures will start to impact on the domestic financial system.

FORTHCOMING EVENTS

SNZ Electronic Card Transactions – October (Wednesday, 9 November, 10:45am). A 0.6 percent increase in retail ECT spending is expected.

RBNZ Financial Stability Report (Thursday, November 10, 9:00am). The domestic financial system is expected to remain sound but pressures are building.

BNZ Business NZ Manufacturing PMI – October (Thursday, November 10, 10:30am). The headline PMI is expected to ease to 50 from 50.8.

ANZ Roy Morgan Consumer Confidence – November (Thursday, November 10, 1:00pm).

SNZ Food Price Index – October (Friday, November 11, 10:45am). Food prices are forecast to rise 0.4 percent.

ANZ Job Ads - October (Friday, November 11, 1:00pm).

WHAT'S THE VIEW

We continue to keep one eye on the local scene and the other on global developments. Events last week on the global scene have not altered our view. We expect ongoing volatility in financial markets, and more downside risks than upside to the global economic outlook. Key global reality checks remain, notably:

- We continue to see inevitable political gridlock and posturing globally as self-interest intertwines with wider group interest. Witness local politics over group politics. Greece's decision to call a referendum

was more sand in the wheels of the process towards getting something of substance in a timely fashion, as is the failure of the G20 to come up with some concrete steps to prevent this crisis from escalating.

- **Global imbalances remain.** Too much of the world is trying to spend its way out of trouble, adding to external indebtedness and vulnerabilities down the track. Export-centric economies need to boost domestic spending to provide a level playing field.
- **Deleveraging is a growth suppressant.** It's called penance and there is a lot to come. **The best you can hope for is an orderly period of grumpy growth**, which is what we're seeing in New Zealand. The more you reach for magic potions or solutions, the more you unleash the laws of unintended consequences. Debt levels, both in New Zealand and in many other OECD countries, remain too high and need to be reduced relative to income. There's no quick fix.
- Change will either happen voluntarily or be forced upon you. **With each passing day it seems we are on course for the "accident" before the political mandates will be given to really bite the bullet.** This is the extreme "tail risk" style scenario that markets will place a positive probability on.
- Our financial conditions measures (refer page 5) are flagging some key themes, notably:
 - A continuation of the **growing divergence between US and European growth prospects**, a theme that is now emerging in the hard data. Our measures say it will continue and in fact become more marked. The focus is switching to countries such as Italy, with our gauges pointing to a deepening recession next year.
 - Sub-8 percent growth in China, **which will see further strong debate over a hard versus soft landing.**
 - **Prospects for full-blown recession in Italy suggest growing challenges in containing current difficulties.** High-debt countries like Italy need respectable nominal GDP growth to avoid the debt trap and this is far from the case.

Hence, the general flavour of our assessment is **sceptical caution**. It's not one way traffic, but we find the realities difficult to ignore.

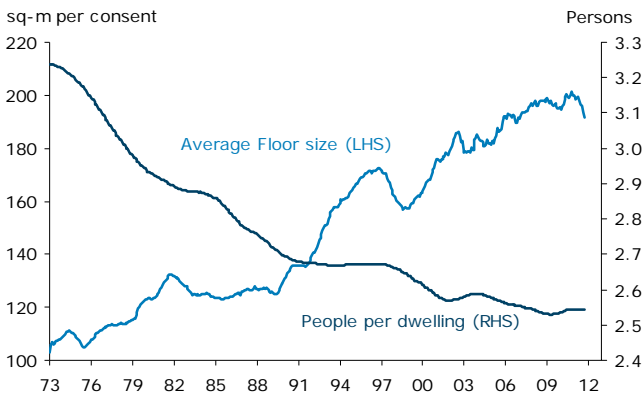
ECONOMIC OVERVIEW

Locally, things seem okay, all things considered (emphasis on the latter!). This is somewhat of a bland term and this in itself probably sums up the aggregate situation, with **hard data throwing up the normal mixed messages.** It's far from good, but also distinct from poor. This in itself might be signalling an inflection point after 9 reasonable months, and if it is, it's not up!

The unemployment rate lifted marginally in Q3, and employment was subdued, but hours worked and employment growth outside of Canterbury were both up 1 percent, which continues the steady improvement. With average weekly earnings running at a 4.5 percent annual clip, labour income growth remains respectable, providing households with the means to address balance sheets and also fund more spending.

Weak consent data confirmed 2011 is likely to be a year to forget for the construction sector, yet it showed that changes in household behaviour is underway. **Based on consent issuance to date, annual residential issuance is set for its lowest calendar year total since at least the late 1980s.** While this could exacerbate housing shortages in some regions, the numbers of people per dwelling nationwide are well below what they were in the 1970s. The average floor size of dwellings is starting to ease back, a sign that households may be starting to get the message.

Floor area of residential consents and people per dwelling
New Zealand

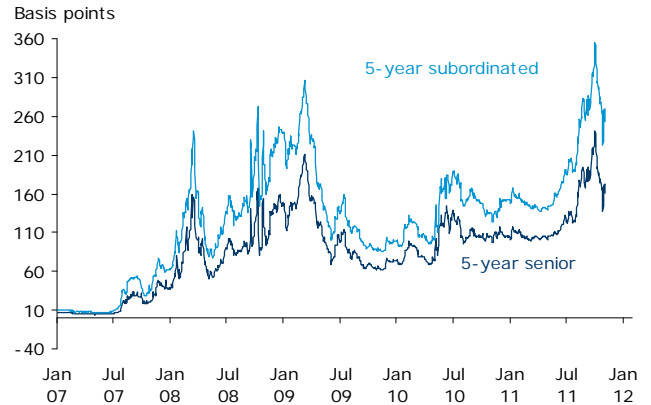


Sources: ANZ, National Bank, Statistics NZ

Commodity prices are down, but from elevated levels. And **New Zealand's macro framework has kicked into gear:** witness last week's fall in fixed mortgage rates. We doubt many will be jumping into them, as the floating rate still looks too attractive. But it's still a sign of an economy's shock absorbers working well. The currency is doing its normal U-turn ritual from night to night. Our floating currency regime is far from perfect but is performing as it

should when required. Last week was risk off and down the NZD came. Financial conditions are still incredibly supportive in aggregate. Lead indicators are off, but from elevated readings.

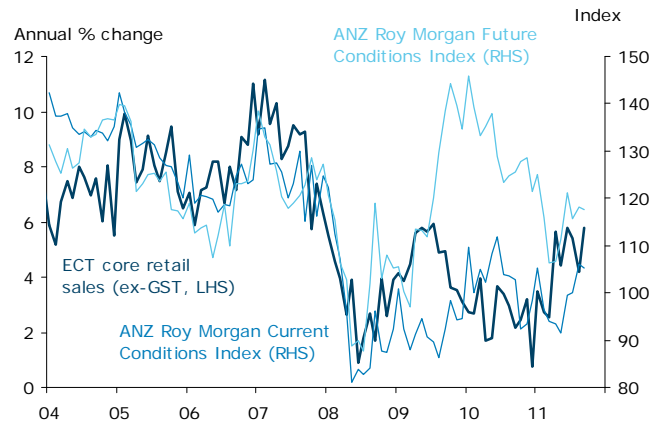
CDS spreads for "Big four" Australian Banks



Sources: ANZ, National Bank, Bloomberg

So in aggregate, while we're alert to the risk profile, we're also reasonably comfortable holding to a relative resilience story for NZ. Inc. Thursday's Financial Stability Report is expected to confirm the resilience of the domestic financial system, but the RBNZ will note that pressures from global funding markets remain somewhat elevated, even if this is not yet translating into higher funding costs for domestic banks. Thankfully low credit growth is delaying this day of reckoning, but it will be only a temporary respite. With the RBNZ now assuming the role of regulator over the insurance sector, the FSR is likely to include discussion on issues facing the sector and how this is impacting on the financial system and the economic recovery.

Electronic card transactions and confidence



Sources: ANZ, National Bank, Statistics NZ

Looking to the week ahead, with the knock-out stages and final of the Rugby World Cup dominating October, we expect the electronic transactions data to show a RWC-induced



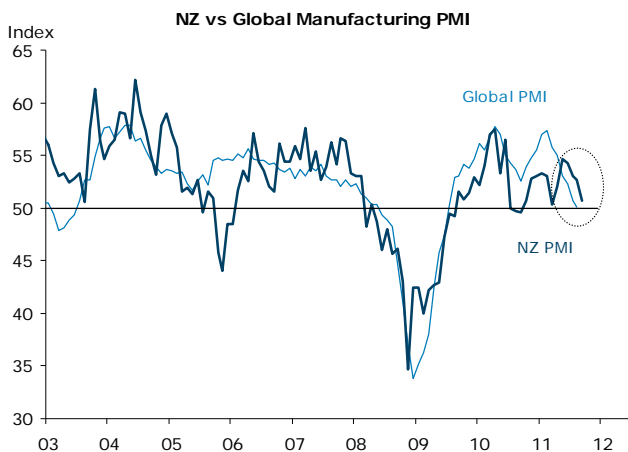
ECONOMIC OVERVIEW

boost. However, as it does not capture cash spending (including that funded from ATM withdrawals), the ECT data will provide a “glass half full” view of the size of retail spending boost.

The relative resilience of the New Zealand economy will be put to a further test with November consumer confidence data.

Consumers have generally been guarded in terms of spending decisions. If they didn't overreach themselves during the RWC, this should ameliorate the severity of the post-RWC hangover.

Domestic manufacturing sentiment will also be closely scrutinised. The National Bank Business Outlook showed a further decline in manufacturing sector confidence, and we expect slippage in the Business NZ gauge, with new orders to decline to around 50. With global gauges starting to stabilise, we do not expect a complete rout in manufacturing confidence.



Sources: ANZ, National Bank, Bloomberg, Business NZ

Food prices are released on Friday. Seasonal falls in fruit and vegetable prices have provided a valuable offset to inflationary pressures elsewhere but past increases in global food prices suggest an inflationary impact in the pipeline.

Rounding off the local calendar will be job ads for October. Job ads fell back sharply in September, despite a strong increase in Christchurch job ads. Is the labour market at a turning point and is the unemployment rate unlikely to fall from the current 6.6 percent? Friday's job ads will provide some answers.

RECENT LOCAL DATA

- **RBNZ Credit Aggregates – September.** Resident private sector credit ex repo rose 0.9 percent y/y. Household credit rose 1.1 percent on 12 months earlier, with business credit levels 1.5

percent above September 2010 levels. Agricultural credit levels were 0.8 percent lower than 12 months earlier.

- **SNZ Labour Cost Index – 2011Q3.** LCI private sector salary and wage rates rose 0.5 percent q/q (2.0 percent y/y).
- **SNZ Quarterly Employment Survey – 2011Q3.** Private Sector Ordinary Time Average Hourly Earnings rose 1.3 percent q/q (2.9 percent y/y). QES Filled Jobs rose 0.7 percent q/q, while paid hours were broadly unchanged.
- **ANZ Commodity Price Index – October.** Commodity prices fell 3.5 percent (+9.1 percent y/y). In NZD terms, commodity prices fell 0.6 percent (+3.9 percent y/y).
- **GlobalDairyTrade auction – early November.** The average winning price fell 1.2 percent from the previous auction to US \$3,511/tonne.
- **SNZ Household Labour Force Survey – 2011Q3.** HLFS employment increased 0.2 percent s.a. (1.1 percent y/y), with hours worked up a seasonally adjusted 1.0 percent. The unemployment rate rose to 6.6 percent, with the participation rate ticking up to 68.4 percent.

FINANCIAL CONDITIONS UPDATE

SUMMARY

Our financial conditions measures are flagging respectable growth in the US and New Zealand. A more pronounced slowdown is in prospect for China and Australia, although helpful one-offs not captured in our FCIs are likely to provide support to economic activity. The outlook for the Eurozone implied by our FCIs is poor, with economic momentum set to stall, and recession looming for economies on the Eurozone periphery and Italy. While financial conditions measures have their limitations, the collective spirit is consistent with two notable themes: better growth in the US versus Europe, which is being borne out in the hard data; and uncertainty over China.

FINANCIAL CONDITIONS

We track financial conditions across an array of countries.¹ While they do not track perfectly we generally find that the **historical relationship between financial conditions and GDP has been quite good for the countries we monitor.** Our financial conditions measures also tend to give a reasonable lead on turning points in the cycle. An added advantage of our approach is that it is not a black box approach, and can help quantify the impact of each potential channel on base momentum.

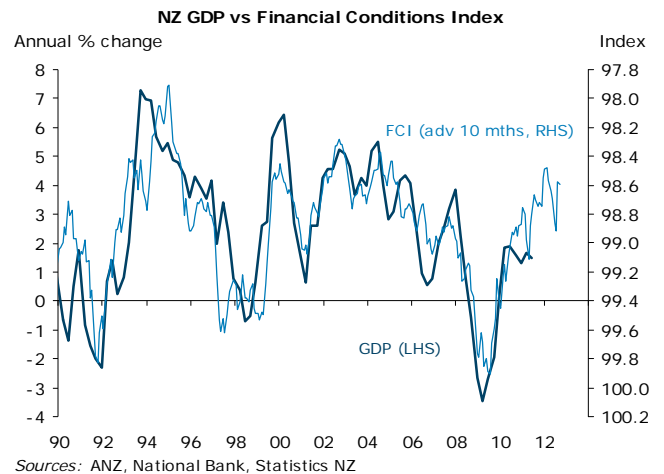
We admit that indicators such as financial conditions have limitations. Our FCI measures are a reduced form and do not capture all of the many influences on growth, but then again, what approach could! The world economy is undergoing a period of considerable change, and with the financial system playing an increasingly important role in the economy, our approach has advantages over traditional macroeconomic modelling approaches. We have been careful not to over-fit our FCIs, and have continued to use them to identify trends in momentum and potential turning points rather than as a forecasting tool. **As such, our FCI measures should be interpreted as an indicator of the level of base momentum within an economy.**

MOMENTUM STILL BUILDING IN NZ

Our proprietary Financial Conditions Index (FCI) for NZ is supportive of a recovery over the next 12 months. Very low interest rates and strong commodity prices form the basis of supportive financial conditions.

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.

Financial conditions eased marginally in November, continuing the improvement seen since September. Driving the relaxation have been lower fixed mortgage interest rates and a climb in equity values and liquidity, with the further relaxation in lending standards helping. CDS spreads for the "big 4" Australian banks remain below their September peaks, but edged up in November to remain considerably above historical norms. As this represents the marginal cost of funds as opposed to the average cost of funds, it is more of an implied tightening in financial conditions, but the longer CDS spreads stay elevated, the more likely this is going to be an issue.



Financial conditions remain accommodative, and are now signalling 4 percent growth by mid next year. Despite global ructions, the message provided by our FCI is still one of solid underlying momentum.

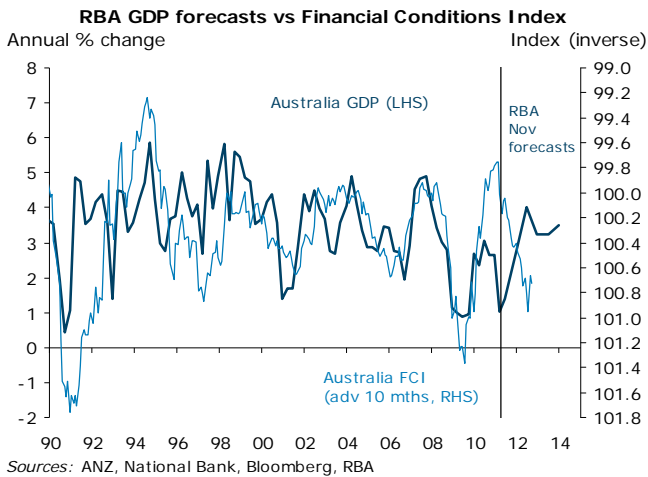
MODERATION IN AUSTRALIA

Australian financial conditions tightened slightly in November, but remain more accommodative than in September. The major drivers were a widening in CDS spreads, and swap spreads with US wholesale interest rates, which also widened. These were partly offset by the lower AUD, and falls in short-term interest rates and longer term swap and government bond yields following the RBA interest rate cut.

Our Australian FCI is flagging around 2 percent annual growth in GDP by mid 2012. As our FCI does not include the impact of the Queensland floods and the forthcoming boost to mining investment (which the RBA estimates will account for about two-thirds of Australian growth over the next few years), the actual growth profile could be quite different to that implied by financial conditions. Nevertheless, the moderation in growth momentum implied by our FCI is consistent with the actions of the RBA.

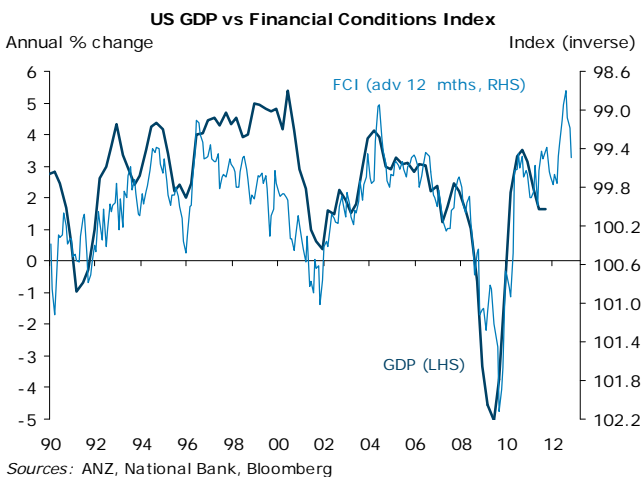
FINANCIAL CONDITIONS UPDATE

Forecasts in the November Statement of Monetary Policy (SMP) show a scaling back in growth expectations relative to August, with the RBA citing a slower than expected recovery in coal exports, a cautious household sector and a weaker world growth outlook.



US GROWTH TO STRENGTHEN DESPITE TIGHTENING FINANCIAL CONDITIONS

US financial conditions tightened further in November. Despite strengthening equity values and falling real mortgage interest rates, the tightening was driven by a slowing in money supply. Recall that our new FCI uses a more parsimonious specification, putting more weight on asset prices and actual rates faced by borrowers.

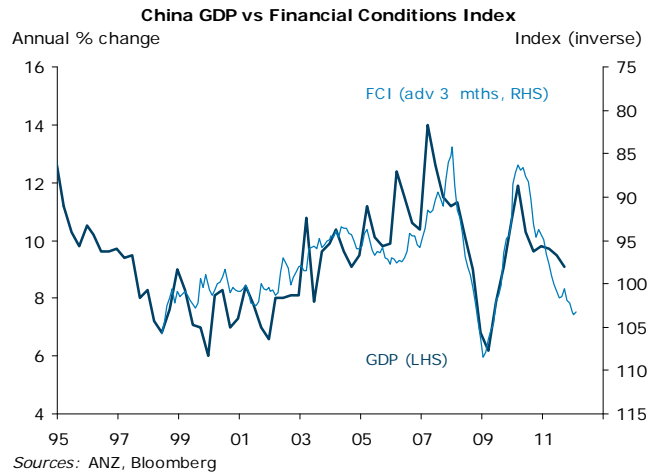


Considering that the real exchange rate and real mortgage interest rates are below historical averages, overall financial conditions remain consistent with a respectable pace of growth. Annual growth is expected to reach around 3½ percent in 12 months time. Of late the US dataflow has been on an improving trajectory and could

deliver the growth suggested by our FCI, particularly considering the degree of policy stimulus within the economy. Last week’s FOMC statement was a little more upbeat in its characterisation of the economy but stressed that economic growth will be moderate, with “significant downside risks to the economic outlook”, and only slow progress on lowering the unemployment rate.

CHINA SLOWDOWN LOOMING?

Financial conditions loosened in November. Smaller falls in real equity and property values and a slower gain in the real exchange rate contributed to this. This represents a welcome respite from the tightening in Chinese financial conditions evident since June. Driving this tightening has been a combination of factors, including the rising real exchange rate, rising real lending rates and slowing rates of annual credit growth. Also contributing to the tightening have been falls in real equity and property prices, which account for half of the weightings in our Chinese FCI.

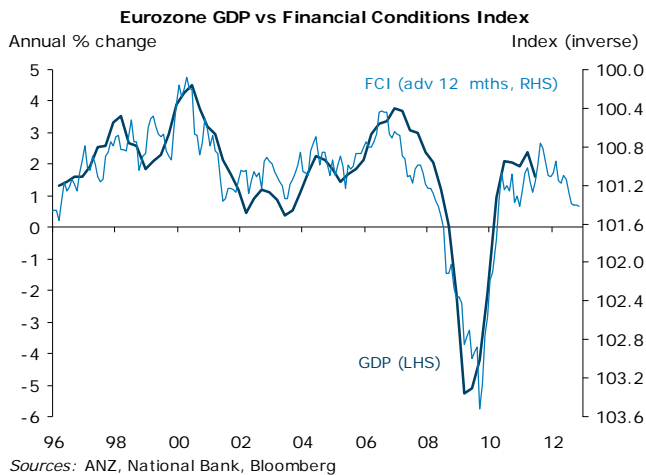


Financial conditions still point to around 7 percent growth by early next year, which constitutes a marked slowdown from the 9 percent plus growth rates observed over the past few years, which is also where the consensus seems to reside at present. Of course 7 percent is still pretty stellar compared to everyone else, but it keeps the debate front and centre about what sort of landing China is in for: hard or soft. While Chinese authorities have ample room to ease monetary policy and will continue to provide stimulus via other means (including funding local infrastructural projects), our FCI suggests that momentum is set to slow in the Chinese economy and there is a fair degree of uncertainty surrounding the outlook.

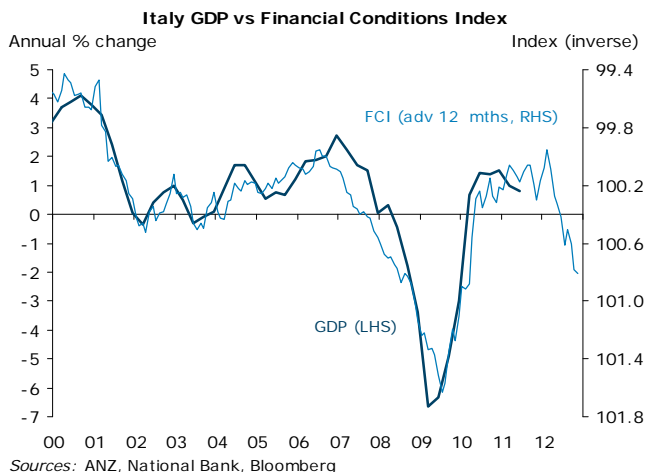
FINANCIAL CONDITIONS UPDATE

HARD LANDING FOR THE EUROZONE IN PROSPECT BUT WITH COUNTRY DIVERGENCES

Financial conditions for the Eurozone were unchanged in November and are still pointing to tepid growth. There were a range of offsetting influences. Deteriorating lending standards, a widening in swap spreads, and a slowdown in credit growth were offset by increasing equity values, and lower short and long-term interest rates. The tightening in financial conditions since the start of the year has been driven by the stronger euro, falling equity values, higher short-term interest rates, widening swap spreads, and the tightening in lending standards. Lower government bond yields have provided a partial offset.



Our FCI implies a further slowdown in annual growth in the region, with the economy effectively stalling. This is particularly concerning considering our FCIs do not fully capture the headwinds to growth resulting from the planned fiscal austerity measures.



Against this weak backdrop, there are continued country differences. **The lower euro and lower short-term interest rates have further relaxed German and French financial conditions**, with FCIs pointing to a pick-up in growth in both economies.

By contrast, growth prospects for other economies in the region are looking shakier. **Financial conditions have been tightening in Italy, Spain and Greece** as lending standards tighten and government bond yields have been rising. Our FCIs are already suggesting looming (or continuing) recession for Greece and Italy and low growth for Spain.

THE UPSHOT

Every economic indicator has limitations and financial conditions are no different. In such a situation **we focus on the underlying themes. In the current instance, there are four.**

- **The global economy is delicately poised.**
- Financial conditions are flagging a continuation of the **growing divergence between US and European growth prospects**, a theme that is now emerging in the hard data. Our measures say it will continue and in fact become more marked.
- Financial conditions are flagging the potential for sub-8 percent growth in China, **which will see further strong debate over a hard versus soft landing.**
- **Prospects for full-blown recession in highly indebted Eurozone economies, particularly Italy, suggest growing challenges in containing current difficulties.** Heavily indebted countries need respectable nominal GDP growth to avoid the debt trap and this is far from the case.

MONTHLY INFLATION GAUGE

SUMMARY

Our Monthly Inflation Gauge registered a 0.2 percent fall in October after a 0.2 percent decline in September and 0.3 percent fall in August. The fall was again driven by lower alcohol prices, with the rest of the gauge rising 0.2 percent. There were more price increases than decreases during the month, but nonetheless this was the third successive monthly decline in our gauge. Our gauge suggests a soft non-tradable Q4 CPI print is in prospect, although the focus will remain on longer-term term drivers of inflation.

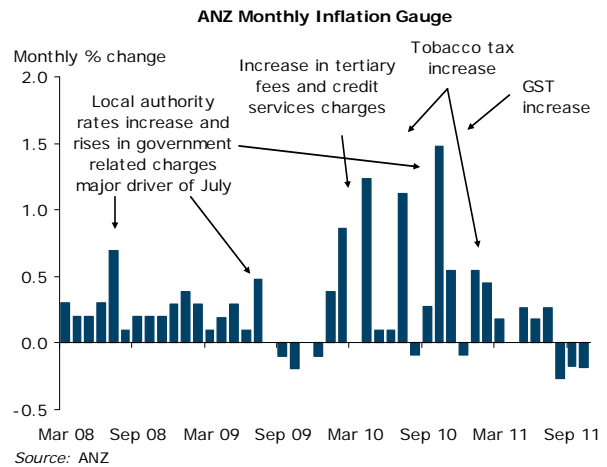
BACK ON TRACK

Our Monthly Inflation Gauge is intended to provide a timely indication of broad trends in CPI non-tradable inflation. While designed to be as comparable as possible to the official quarterly non-tradable CPI as measured by Statistics NZ, differences in methodology and coverage mean the gauge will not exactly mirror the official series. Nonetheless, its performance to date shows that it is a useful indicator of domestic inflationary trends.

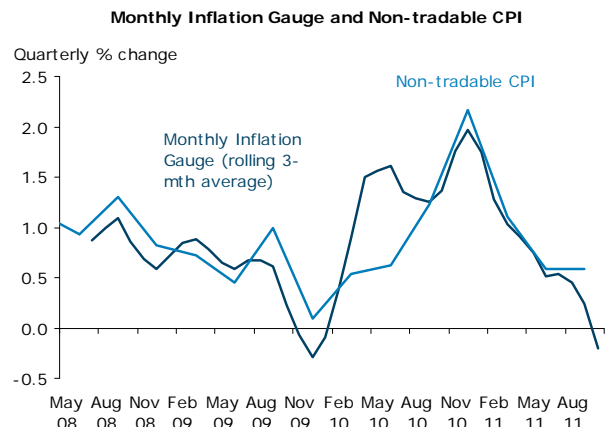
The gauge registered a 0.2 percent fall in October, which followed falls in September and August.¹ Tobacco and alcohol prices fell 2.6 percent, with wine prices falling 12 percent after a 6 percent fall in September. Prices for spirits also fell. Price falls were also evident for medical services, domestic airfares, and green fees. There were more price increases than decreases, with price rises for dental services, professional miscellaneous services, parking fees and property maintenance services. Encouragingly for the RBNZ, our proxy measure for CPI construction costs was unchanged in October, with only a mild increase in dwelling rents.

According to our gauge, pricing pressures have been falling for non-tradable items. It points to a further moderation in quarterly non-tradable CPI inflation from the 0.6 percent quarterly rate in Q3. Prices from our gauge fell 0.1 percent in the 3 months to October, and were unchanged excluding tobacco and alcohol. This benign short-term outlook is consistent with the September MPS projections for CPI inflation (+0.1 percent q/q). **Given that our gauge has proven to be a useful directional indicator of inflation, its benign outturn suggests the near-term inflation outlook will not be a stumbling block to the OCR remaining on hold.**

While prices from our gauge have surprised us with how weak they have been, the short to medium-term outlook may not be as soft. There is a possibility of some payback as the RWC-induced discounting on alcohol nears an end. Cost pressures from a number of sources remain, given reports of rising costs for raw materials and labour for the construction sector. Higher insurance costs could start to filter through into consumer prices as well. The Q3 wage data also showed average hourly earnings in the private sector moving up, which is likely to filter through into services prices in our gauge. This is an area which we will be paying particular attention to over the next few months.



	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Dec-10	1105	-0.1	2.0	2.2
Jan-11	1111	0.5		
Feb-11	1116	0.5		
Mar-11	1118	0.2	1.0	1.1
Apr-11	1118	0.0		
May-11	1121	0.3		
Jun-11	1123	0.2	0.5	0.6
Jul-11	1126	0.3		
Aug-11	1123	-0.3		
Sep-11	1121	-0.2	0.2	0.6
Oct-11	1119	-0.2		



¹ We have updated the inflation gauge from July for the new CPI regimen weights that were introduced in the September CPI release.

Sources: ANZ, National Bank, Statistics NZ



INTEREST RATE STRATEGY

SUMMARY

The pendulum of global market sentiment continues to swing between pessimism and optimism. While we fully expect more risk-on / risk-off intra-weekly noise, we find it difficult to take a durable (i.e. abstracting from weekly noise) view on Europe. The divergence between core and peripheral European bond yields continues to widen, which is a worrying sign. With the RBNZ on the sidelines, local dataflow light, local bond index duration lengthening, and the global backdrop bearish, we have the ingredients for a bull-flattening of the yield curve, led by bonds.

MARKET THEMES

- The global environment remains difficult, weighed down by Europe, with no real progress at the G20 meeting over the weekend. Bellwether Italian bond yields continue rising, painting an ugly picture.
- NZ data is all second-tier until the RBNZ MPS and GDP data in December. The resultant likely fall in volatility will see the focus shift back to carry.
- The lengthening of the local bond index duration next week coupled with offshore buying of bonds should see bonds outperform swap.

REVIEW AND OUTLOOK

News from the weekend's G20 meeting in Cannes was not constructive – **Europe has essentially been told to solve its own problems, and non-European leaders have demanded more details on the so-called rescue "plan" cooked up over a week ago before committing funds.** This is hardly the result French President Sarkozy was looking for. Of course, with sentiment now so bearish, the risk is that positive news sees bond yields spike higher, especially with US data starting to improve. But when we look at bellwethers of the crisis **like Italian bond yields, and we see them continuing to rise, they are a stark reminder that there is no easy fix.** Europe's challenges run deep, and will take time to sort through, and all the while they will cast a long shadow over the market.

Recent domestic data has been mixed, and although New Zealand looks considerably more resilient than other parts of the world, **the reality is that the RBNZ is on the sidelines for the time being.** With inflation pressures flagging (not just in the official data, but as shown by our inflation gauge), and no more first-tier data due till next month, **we expect the focus to shift back to carry, keeping a lid on local yields, which remain among the highest in the non-basket-case world.**

Although it is probably no coincidence that **demand for NZGS bonds at the weekly tenders has picked up ahead of the significant lengthening in the duration of the ANZ Government Bond Index** next week, we have also seen a pickup in offshore interest now that the credit ratings and PREFU are behind us. Once again this is not surprising given the level of NZ rates, and the "low beta" characteristic of the market.

PREFERRED BORROWING STRATEGIES

Swap rates are off their highs, but are still considerably higher than they were a month ago when global sentiment was at its most pessimistic, and in our view are still a little too high given downside global risks. With the RBNZ on the sidelines, and the floating rate still the cheapest rate, we remain of the view that there is no rush to fix. The RBNZ still has a tightening bias, but the timing of the next hike is very conditional on the global outlook, which remains fractured. We remain extremely cautious and see no point in adding fixed costs via hedging at a time of such significant uncertainty. The room for regret is high, and all the higher given fixed rates are so high relative to floating.

GAUGES FOR NZ INTEREST RATES

GAUGE	DIRECTION	COMMENT
RBNZ / OCR	↔	Market pricing completely fair, bang on our forecast.
NZ data	↔	Has been mixed, schedule from here very 2 nd tier.
Fed Funds / front end	↔/↓	FOMC stopped short of QE3, but tone very dovish.
RBA	↔	Rate cut last week unlikely to be the last.
US 10 year	↔	Has rallied back a long way, likely to consolidate.
NZ swap curve	↔/↓	Surprisingly steep still, and on borrowed time.
Flow	↔	Bond buyers, swap payers.
Technicals	↔/↑	2yr running into resistance.

MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 8-Dec-11	+2	0
Thu 26-Jan-12	+4	+2
Thu 8-Mar-12	+10	+6
Thu 26-Apr-12	+17	+13
Thu 14-Jun-12	+25	+19
Thu 26-Jul-12	+33	+24
Thu 13-Sep-12	+39	+28

TRADING THEMES WE FAVOUR AT PRESENT

Broadly speaking we prefer to be long, although we note that the 2yr swap has run into congestion, and is likely to underperform the 1yr and long end, suggestive of butterflies. The 2s5s curve remains too steep and is biased to flatten, and we expect swap spreads to widen as NZGS buying picks up as the NZGS 11/11 matures.

CURRENCY STRATEGY

SUMMARY

The sense of déjà vu around the European crisis is starting to feel more like "Groundhog Day". Promises of solutions are dashed at every turn. The guarded admission by Merkel and Sarkozy that Greece may have to leave the Euro highlights how few other options are really available. The EUR and risk currencies remain remarkably resilient in the face of the continued uncertainty. Confidence data releases on both sides of the Tasman are the local focus for currencies this week.

MARKET THEMES

- European situation deteriorates again.
- NZD and AUD will take direction from offshore.
- The monthly "data dump" from China will be the focus of markets on Wednesday.

REVIEW AND OUTLOOK

The G20 was hijacked by the deteriorating European situation but the EUR remains incredibly resilient. The FX markets will continue to headline-watch, ever-hopeful of a solution, but this seems increasingly unlikely as the "guys with the cash" (read BRICs) seem unwilling participants in any rescue. It seems that a Mexican standoff exists; "show me a plan and I will give you the money – give me the money and I will show you the plan". This will likely continue for weeks. Perhaps the FX markets have finally decided to stop jumping at shadows and wait for more concrete outcomes. As we go to print the Greeks have a new PM and a new coalition government which will give short-term relief only.

The USD hasn't had much frontline press lately but with the economy on the (slight) improve and a widening gap between economic performance in Europe and the US, we should watch this space. The US data continues to improve very gradually. Perhaps it is just that the growth is not as high as officials would like that is holding the USD back.

NZD and AUD will be at the whims of European headlines for the start of the week but confidence and employment data (in Australia) midweek will bring direct focus. In particular the employment data will be keenly watched. It is usually a key short-term driver for the AUD and should it come in weak, as our Australian colleagues expect, then look for AUD to be undermined. The technical picture also suggests further weakness is possible with

both NZD and AUD capped by their respective 200 day moving averages and momentum turning down.

NZDAUD has held support in the low 0.76s and should continue to do so this week. The expected medium-term trading range is 0.7550 to 0.8000 and we expect participants in this cross to recognise and take advantage of this. Accumulate NZDAUD in the low 0.76s.

The monthly "data dump" from China on Wednesday will be a key focus for FX markets looking for more hints over whether a Chinese hard landing is possible. This will be keenly watched by AUD traders for more clues.

NZD VS AUD: MONTHLY DIRECTIONAL GAUGES

GAUGE	DIRECTION	COMMENT
Fair value	↔/↑	Suggesting undervalued.
Yield	↑	NZD yield curve is positive and AUD inverted.
Commodities	↔	Getting a recent lift.
Partial indicators	↔	Data showing signs of slowing in NZ.
Technicals	↔↑	Support at 0.7630.
Sentiment	↑	See NZD undervalued vs AUD.
Other	↔	Global sentiment big driver.
On balance	↔/↑	Sentiment sees lazy buyers coming forward.

NZD VS USD: MONTHLY DIRECTIONAL GAUGES

GAUGE	DIRECTION	COMMENT
Fair value – long-term	↓	Above structural fair value of 0.67.
Fair value – short-term	↔	Close to short term FV.
Yield	↑	Official rates to stay low but investable yields support.
Commodities	↔	Commodities stable.
Risk aversion	↔↑	Positive US data and short covering leads to risk on.
Partial indicators	↔	NZ data now mixed. US data improving.
Technicals	↔	Short-term high looks to be in place.
AUD	↔	Seems rangebound.
Sentiment	↑↔↓	EU debt crisis sentiment driving currencies in all directions.
Other	↔	Nothing apparent.
On balance	↔↓	EU situation causing nervous and skittish moves.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
7-Nov	AU	AiG Perf of Construction Index - OCT	- -	30	11:30
	AU	ANZ Job Advertisements (MoM) - OCT	- -	-2.1%	13:30
	JN	Leading Index CI - SEP P	91.9	104.3	18:00
	UK	Halifax House Price 3Mths/Year - OCT	-2.3%	-2.3%	21:00
	UK	Halifax House Prices sa (MoM) - OCT	0.1%	-0.5%	21:00
	EC	Sentix Investor Confidence - NOV	-20.0	-18.5	22:30
	EC	Eurozone Retail Sales (MoM) - SEP	-0.1%	0.1%	23:00
	EC	Eurozone Retail Sales (YoY) - SEP	-0.5%	-0.1%	23:00
8-Nov	GE	Industrial Prod. YoY (nsa wda) - SEP	7.2%	7.7%	00:00
	GE	Industrial Production MoM (sa) - SEP	-0.9%	-1.0%	00:00
	US	Consumer Credit - SEP	\$5.20B	-\$9.50B	09:00
	UK	RICS House Price Balance - OCT	-23%	-23%	13:01
	AU	Trade Balance - SEP	3000M	3100M	13:30
	AU	NAB Business Confidence - OCT	- -	-2	13:30
	AU	NAB Business Conditions - OCT	- -	2	13:30
	GE	Exports SA (MoM) - SEP	-0.8%	3.5%	20:00
	GE	Imports SA (MoM) - SEP	0.4%	-0.1%	20:00
	GE	Current Account (EURO) - SEP	€12.3B	€7.0B	20:00
	GE	Trade Balance - SEP	€12.5B	€11.8B	20:00
	UK	Industrial Production (MoM) - SEP	0.1%	0.2%	22:30
	UK	Industrial Production (YoY) - SEP	-0.8%	-1.0%	22:30
	UK	Manufacturing Production (MoM) - SEP	0.1%	-0.3%	22:30
	UK	Manufacturing Production (YoY) - SEP	1.9%	1.5%	22:30
9-Nov	US	NFIB Small Business Optimism - OCT	90.0	88.9	01:30
	US	IBD/TIPP Economic Optimism - NOV	41.1	40.3	04:00
	UK	NIESR GDP Estimate - OCT	- -	0.5%	04:00
	NZ	NZ Card Spending - Retail MoM - OCT	0.7%	0.4%	10:45
	NZ	NZ Card Spending - Total MoM - OCT	0.6%	0.2%	10:45
	NZ	QV House Prices YoY% - OCT	- -	0.7%	12:00
	AU	Westpac Consumer Confidence s.a. (MoM) - NOV	- -	0.4%	12:30
	AU	Westpac Consumer Confidence Index - NOV	- -	97.2	12:30
	JN	Current Account Total - SEP	¥1452.2B	¥407.5B	12:50
	JN	Adjusted Current Account Total - SEP	¥963.2B	¥652.6B	12:50
	JN	Current Account Balance YOY% - SEP	-31.3%	-64.3%	12:50
	AU	Home Loans MoM - SEP	1.5%	1.2%	13:30
	AU	Investment Lending - SEP	- -	1.8%	13:30
	AU	Owner-Occupied Home Loan Value MoM - SEP	- -	0.6%	13:30
	CH	Consumer Price Index (YoY) - OCT	5.4%	6.1%	15:00
	CH	Producer Price Index (YoY) - OCT	5.8%	6.5%	15:00
	UK	Visible Trade Balance GBP/Mn - SEP	-£8000	-£7768	22:30
	UK	Trade Balance Non EU GBP/Mn - SEP	-£4950	-£4867	22:30
	UK	Total Trade Balance (GBP/Mln) - SEP	-£2100	-£1877	22:30
	CH	Industrial Production YTD YoY - OCT	14.0%	14.2%	UNSPECIFIED
	CH	Industrial Production (YoY) - OCT	13.4%	13.8%	UNSPECIFIED
	CH	Fixed Assets Inv Excl. Rural YTD YoY - OCT	24.7%	24.9%	UNSPECIFIED
	CH	Retail Sales YTD YoY - OCT	17.0%	17.0%	UNSPECIFIED
	CH	Retail Sales (YoY) - OCT	17.6%	17.7%	UNSPECIFIED
10-Nov	US	MBA Mortgage Applications – 4-Nov	- -	0.2%	01:00

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
10-Nov	US	Wholesale Inventories - SEP	0.5%	0.4%	04:00
	NZ	Business NZ PMI - OCT	- -	50.8	10:30
	AU	Consumer Inflation Expectation - NOV	- -	3.1%	13:00
	NZ	ANZ Consumer Confidence Index - NOV	- -	112.2	13:00
	NZ	ANZ Consumer Confidence MoM - NOV	- -	-0.4%	13:00
	AU	Employment Change - OCT	10.0K	20.4K	13:30
	AU	Unemployment Rate - OCT	5.3%	5.2%	13:30
	AU	Full Time Employment Change - OCT	- -	10.8K	13:30
	AU	Part Time Employment Change - OCT	- -	9.6K	13:30
	AU	Participation Rate - OCT	65.6%	65.6%	13:30
	GE	Consumer Price Index (MoM) - OCT F	0.0%	0.0%	20:00
	GE	Consumer Price Index (YoY) - OCT F	2.5%	2.5%	20:00
	GE	CPI - EU Harmonised (MoM) - OCT F	0.0%	0.0%	20:00
	GE	CPI - EU Harmonised (YoY) - OCT F	2.8%	2.8%	20:00
	GE	Wholesale Price Index (MoM) - OCT	- -	0.3%	20:00
	GE	Wholesale price Index (YoY) - OCT	- -	5.7%	20:00
	EC	ECB Monthly Report - NOV	- -	- -	22:00
	EC	EC releases economic growth forecasts	- -	- -	23:00
	CH	Trade Balance (USD) - OCT	\$26.05B	\$14.51B	UNSPECIFIED
	CH	Exports YoY% - OCT	16.2%	17.1%	UNSPECIFIED
	CH	Imports YoY% - OCT	23.0%	20.9%	UNSPECIFIED
11-Nov	UK	BOE Asset Purchase Target - NOV	£275B	£275B	01:00
	UK	BOE Rate Announcement - NOV	0.50%	0.50%	01:00
	US	Import Price Index (MoM) - OCT	0.1%	0.3%	02:30
	US	Import Price Index (YoY) - OCT	12.3%	13.4%	02:30
	US	Trade Balance - SEP	-\$46.2B	-\$45.6B	02:30
	US	Initial Jobless Claims - 5-NOV	400K	397K	02:30
	US	Continuing Claims - 29-OCT	3680K	3683K	02:30
	US	Monthly Budget Statement - OCT	-\$105.0B	-\$140.4B	08:00
	NZ	Food Prices (MoM) - OCT	- -	-1.0%	10:45
	JN	Tertiary Industry Index (MoM) - SEP	-0.5%	-0.2%	12:50
	JN	Domestic CGPI (MoM) - OCT	-0.2%	-0.1%	12:50
	JN	Domestic CGPI (YoY) - OCT	2.2%	2.5%	12:50
	NZ	ANZ Job Ads - OCT	- -	-3.2%	13:00
	UK	PPI Input NSA (MoM) - OCT	-0.3%	1.7%	22:30
	UK	PPI Input NSA (YoY) - OCT	14.5%	17.5%	22:30
	UK	PPI Output n.s.a. (MoM) - OCT	0.1%	0.3%	22:30
	UK	PPI Output n.s.a. (YoY) - OCT	5.9%	6.3%	22:30
	UK	PPI Output Core NSA (MoM) - OCT	0.1%	0.3%	22:30
	UK	PPI Output Core NSA (YoY) - OCT	3.6%	3.8%	22:30
	CH	New Yuan Loans - OCT	500.0B	470.0B	11-15 Nov
	CH	Money Supply - M0 (YoY) - OCT	- -	12.7%	11-15 Nov
	CH	Money Supply - M1 (YoY) - OCT	9.3%	8.9%	11-15 Nov
	CH	Money Supply - M2 (YoY) - OCT	13.0%	13.0%	11-15 Nov
12-Nov	US	U. of Michigan Confidence - NOV P	61.5	60.9	03:55

Key: AU: Australia, EC: Eurozone, 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: Global events remain a key influence, and continue to swamp local nuances. Labour market data was more resilient than implied by the headline numbers, and this week's job ads will help shed light on future trends. The relative resilience of the financial system is examined in this week's RBNZ Financial Stability Report. October's electronic card transaction data is expected to show a modest Rugby World Cup boost. A June 2012 start to OCR hikes is forecast, but this is conditional on the global scene.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Wed 9 Nov (10:45am)	Electronic Card Transactions – Oct	Undercooked	We expect a 0.6 percent increase in retail ECT spending. A bigger GDP impact is in store given the cash spending boost.
Thur 10 Nov (9:00am)	RBNZ Financial Stability Report	Relative resilience	The NZ financial system is resilient but not immune to global pressures.
Thur 10 Nov (10:30am)	BNZ-Business NZ manufacturing PMI	Down	Headline index to move to 50. Falls are expected to be led by new orders.
Thur 10 Nov (1:00pm)	ANZ Consumer Confidence – Nov	- -	- -
Fri 11 Nov (10:45am)	Food Price Index – Oct	Up	We expect a 0.4 percent monthly increase, underpinned by higher prices for meat and groceries.
Fri 11 Nov (1:00pm)	ANZ Job Ads – Oct	- -	- -
Mon 14 Nov (10:00am)	REINZ Housing Market Report – Oct	Post RWC lift	A 5 percent lift in sales volumes is forecast. A low stock of listings should push down the median days to sale and push up prices.
Mon 14 Nov (10:45am)	Retail Trade Survey – 2011Q3	RWC boost	A 1.0 and 1.4 percent quarterly increase is expected for total and core values. Core volumes are expected to rise 0.9 percent.
Wed 16 Nov (1:00pm)	National Bank Regional Trends – Q3	-	- -
Thur 17 Nov (10:45am)	Capital Goods Price Index – 2011Q3	Rising	A 0.5 percent increase is expected, underpinned by higher construction costs.
Thur 17 Nov (10:45am)	Producer Price Index – 2011Q3	Cost-push	Higher electricity prices contribute to a 1.2 percent increase in input prices and a 0.8 percent increase in output prices.
Mon 21 Nov (3:00pm)	RBNZ Credit Card Billings – Oct	Flat	A flat month is expected after the 1.6 percent September surge. Overseas-issued card spending should fall.
Tue 22 Nov (10:45am)	International Travel and Migration – Oct	Turning	A net PLT outflow of 300 persons is forecast. Visitor numbers to stabilise, despite the extra 15,000 RWC visitors.
Tue 22 Nov (3:00pm)	RBNZ Survey of Expectations – Q4	Down but not out	The 2-year-ahead survey measure for inflation is expected to ease to around 2.7 percent.
Thur 24 Nov (10:45am)	Overseas Merchandise Trade – October	Down	A monthly trade deficit of \$400m is expected, with the annual trade surplus down to around \$540m.
Mon 28 Nov (1:00pm)	National Bank Business Outlook – Nov	- -	- -
Wed 30 Nov (10:45am)	SNZ Building Consents – Oct	See-saw	A 5 percent lift in dwelling consents is forecast following the large decline in the previous month.
Wed 30 Nov (3:00pm)	RBNZ Credit Aggregates – Oct	Subdued	Low annual rates of household and business credit growth, with falling agriculture credit expected as dairy cheques are banked.
Thur 1 Dec (1:00pm)	ANZ Commodity Price Index – Nov	- -	- -
On Balance		Local vs global	Domestic gauges for H2 should remain positive but global concerns suggest caution for early 2012.

KEY FORECASTS AND RATES

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
GDP (% qoq)	0.9	0.1	0.8	1.2	0.2	0.5	1.0	1.0	0.9	0.7
GDP (% yoy)	1.7	1.5	2.4	3.0	2.3	2.7	2.9	2.7	3.4	3.7
CPI (% qoq)	0.8	1.0	0.4	0.3	0.6	0.7	0.9	0.4	0.6	0.7
CPI (% yoy)	4.5	5.3	4.6	2.5	2.3	2.1	2.5	2.6	2.6	2.6
Employment (% qoq)	1.2	0.0	0.2	0.3	0.2	0.6	0.6	0.2	0.3	0.3
Employment (% yoy)	1.8	2.0	1.1	1.8	0.8	1.4	1.7	1.6	1.7	1.4
Unemployment Rate (% sa)	6.5	6.5	6.6	6.4	6.4	6.1	5.8	5.9	5.9	5.8
Current Account (% GDP)	-3.6	-3.7	-3.9	-3.3	-3.5	-3.6	-4.0	-4.4	-4.5	-4.5
Terms of Trade (% qoq)	0.8	2.3	1.5	2.1	-0.8	-0.8	-0.8	-0.8	-0.7	-0.7
Terms of Trade (% yoy)	6.7	7.0	5.5	6.8	5.1	2.0	-0.3	-3.1	-2.9	-2.9

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
Retail ECT (% mom)	2.5	-0.2	1.6	1.4	-0.7	1.1	0.3	-0.5	0.4	..
Retail ECT (% yoy)	5.7	6.2	6.6	10.0	6.8	9.0	8.0	8.4	7.5	..
Credit Card Billings (% mom)	3.9	-0.5	-1.0	1.8	0.4	0.5	1.1	-1.4	1.6	..
Credit Card Billings (% yoy)	6.2	5.8	2.1	6.5	5.5	4.6	7.3	4.7	5.2	..
Car registrations (% mom)	1.3	-2.0	0.0	-5.5	3.6	-2.0	-1.0	6.5	-10.8	0.4
Car registrations (% yoy)	6.8	2.8	-1.0	-10.5	-3.7	-9.5	-6.0	1.9	-12.2	-8.8
Building consents (% mom)	9.1	-9.7	2.4	-1.1	3.4	-1.2	13.6	16.7	-17.1	..
Building consents (% yoy)	-14.7	-28.8	-26.1	-32.5	-21.8	-25.3	-15.6	18.7	-3.9	..
REINZ House Price Index (% yoy)	-2.6	-0.7	-1.8	-0.4	-0.7	0.0	0.5	0.7	2.7	..
Household Lending Growth (% mom)	0.1	0.1	-0.1	0.2	0.1	0.1	0.2	0.1	0.1	..
Household Lending Growth (% yoy)	1.5	1.5	1.2	1.2	1.2	1.2	1.2	1.1	1.1	..
ANZ Roy Morgan Consumer Confidence	117.1	108.1	101.4	101.4	103.3	112.5	109.4	113.3	112.6	112.2
NBNZ Business Confidence	..	34.5	-8.7	14.2	38.3	46.5	47.6	34.4	30.3	13.2
NBNZ Own Activity Outlook	..	36.6	14.7	29.5	39.7	38.7	43.7	43.3	35.4	26.1
Trade Balance (\$m)	9	184	583	1158	550	201	102	-697	-751	..
Trade Balance (\$m ann)	909	765	741	1238	1019	999	1287	1020	724	..
ANZ World Commodity Price Index (% mom)	4.3	2.7	4.7	1.6	0.4	-1.2	-0.2	-1.4	-1.3	-3.5
ANZ World Commodity Price Index (% yoy)	16.2	20.3	23.5	19.8	19.6	20.6	22.2	22.0	17.3	9.1
Net migration (sa)	420	440	-540	-120	-290	-280	-210	120	-660	..
Net migration (annual)	8689	8249	6554	5508	4625	3867	2867	2257	773	..

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	Sep-11	Oct-11	Today	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
NZD/USD	0.761	0.823	0.795	0.77	0.80	0.83	0.86	0.89	0.90	0.90
NZD/AUD	0.788	0.768	0.766	0.79	0.80	0.79	0.78	0.81	0.82	0.82
NZD/EUR	0.569	0.580	0.577	0.57	0.58	0.59	0.61	0.61	0.62	0.62
NZD/JPY	58.67	62.46	62.18	57.8	60.0	59.8	61.9	64.1	63.0	63.0
NZD/GBP	0.489	0.511	0.496	0.50	0.51	0.52	0.53	0.55	0.55	0.55
NZ\$ TWI	68.3	70.6	69.5	68.4	70.3	71.3	72.8	74.8	75.4	75.4
INTEREST RATES	Sep-11	Oct-11	Today	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13
NZ OCR	2.50	2.50	2.50	2.50	2.50	2.75	3.25	3.25	3.50	3.75
NZ 90 day bill	2.86	2.74	2.71	2.70	2.70	3.20	3.50	3.50	3.90	4.00
NZ 10-yr bond	4.42	4.60	4.35	4.30	4.30	4.30	4.30	4.40	4.40	4.60
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
US 3-mth	0.37	0.43	0.44	0.35	0.35	0.35	0.35	0.35	0.35	0.35
AU Cash Rate	4.75	4.75	4.50	4.50	4.25	4.25	4.25	4.25	4.25	4.25
AU 3-mth	4.92	4.75	4.67	4.70	4.60	4.60	4.50	4.50	4.50	4.50

Forecasts finalised as at 28 October 2011

	4 Oct	31 Oct	1 Nov	2 Nov	3 Nov	4 Nov
Official Cash Rate	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill	2.82	2.72	2.69	2.70	2.70	2.72
NZGB 04/13	2.80	2.79	2.75	2.76	2.72	2.74
NZGB 04/15	3.29	3.35	3.30	3.30	3.25	3.27
NZGB 03/19	4.13	4.28	4.23	4.20	4.12	4.15
NZGB 05/21	4.36	4.50	4.45	4.40	4.31	4.35
2 year swap	3.02	3.15	3.11	3.10	3.07	3.10
5 year swap	3.70	3.97	3.92	3.88	3.86	3.88
RBNZ TWI	67.9	70.5	70.3	69.6	68.7	69.3
NZD/USD	0.7532	0.8110	0.8071	0.7943	0.7820	0.7929
NZD/AUD	0.7923	0.7691	0.7667	0.7674	0.7638	0.7639
NZD/JPY	57.76	64.24	63.05	62.10	61.03	61.85
NZD/GBP	0.4878	0.5075	0.5021	0.4972	0.4922	0.4953
NZD/EUR	0.5706	0.5782	0.5830	0.5791	0.5713	0.5746
AUD/USD	0.9506	1.0545	1.0527	1.0351	1.0238	1.0380
EUR/USD	1.3200	1.4026	1.3845	1.3715	1.3687	1.3798
USD/JPY	76.69	79.21	78.12	78.18	78.04	78.00
GBP/USD	1.5441	1.5981	1.6074	1.5976	1.5887	1.6010
Oil (US\$/bbl)	75.42	93.33	93.23	92.18	92.52	94.03
Gold (US\$/oz)	1620.95	1714.90	1719.05	1722.60	1729.55	1759.60
Electricity (Haywards)	12.42	6.03	7.79	6.27	6.89	7.00
Baltic Dry Freight Index	1885	1965	1912	1859	1817	1784
Milk futures (USD)	142	147	147	147	147	141

IMPORTANT NOTICE

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