

# NEW ZEALAND ECONOMICS MARKET FOCUS

15 August 2011

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## NO QUICK FIXES

### ECONOMIC OVERVIEW

An OCR hike remains off the table until the global scene stabilises. While we're seeing some constructive steps, the realities of a long drawn-out deleveraging slog for Western societies is settling in. New Zealand will remain susceptible to adverse swings in the global scene but at present we suspect it has enough momentum to remain a relative growth out-performer across Western economies. This means the temporary deferral of a higher OCR, as opposed to a long delay.

### FINANCIAL CONDITIONS UPDATE

For most economies we monitor, financial conditions tightened in August. Against this backdrop our financial conditions indexes continue to flag divergent outlooks across geographies. Growth looks set to pick up in the US, NZ and UK, whereas financial conditions point to moderating growth in China and Australia. The outlook for growth in the Eurozone is anaemic, though regionally polarised. Germany looks solid. France appears okay. The outlook for Spain appears flat and Italy could be propelled backwards. Weak-to-negative growth could exacerbate market concerns regarding the latter's solvency issues.

### INTEREST RATE STRATEGY

Volatility has stepped up a gear over the past week, and is set to remain the main feature of markets over coming weeks. This environment does not lend itself to rate hikes; hence we have pushed out our forecast for a rate hike from September to December. But make no mistake – higher rates remain on the cards, just in a stop-start fashion with a lower endgame. We just need turmoil to clear. How liquidity conditions develop will be critical to how the RBNZ responds.

### CURRENCY STRATEGY

Uncertainty remains in the currency market, and we are left watching equity market moves for near-term currency direction. Unwinding of speculative short USD positions has been a feature of the last week, with US bond yields reaching new lows. As market conditions settle, we can expect the USD to resume as a funding currency for carry trade positions, continuing its broad decline. With the SNB and BoJ acting to stem their respective currencies' appreciation, expect upward currency pressure to spill over into the other major currencies including NZD and AUD.

## ECONOMIC OVERVIEW

### SUMMARY

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### THIS WEEK'S EVENTS

**ANZ Job Ads – July** (Tuesday, August 16).

**GlobalDairyTrade auction** (Wednesday, August 17, 6:00am). We expect overall dairy prices to ease one to two percent.

**SNZ Producer Prices and Capital Goods Price Index – Q2** (Wednesday, August 17, 10:45am). We expect a 1.2 percent increase in input prices (5.1 percent y/y), with output prices rising 0.8 percent (3.9 percent y/y). Capital goods prices should rise 0.2 percent (0.0 percent y/y) with offsetting movements.

**National Bank Regional Trends – Q2** (Wednesday, August 17, 1:00pm).

**SNZ International Travel and Migration – July** (Friday, August 19, 10:45am). A net PLT outflow of 200 persons is expected. We expect a 5 percent s.a. climb in visitor arrival numbers.

**RBNZ Credit Card Billings – July** (Friday, August 19, 3:00pm). A 0.5 percent increase is expected.

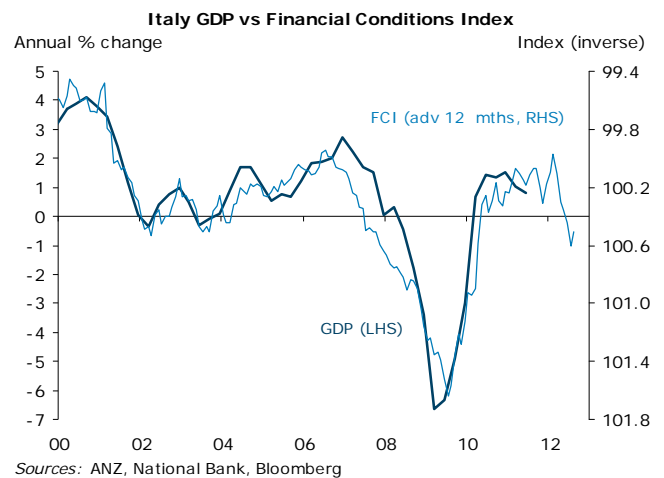
### WHAT'S THE VIEW

**Markets continue to see-saw.** Equities, bonds and currencies have been all over the place. Big ranges in certain currencies indicate limited liquidity, and also little appetite for risk. Last week's FOMC statement temporarily assuaged markets by offering an "exceptionally low" Federal Funds rate until at least mid-2013. In Europe there were well-quoted stories of various political leaders rushing back from holiday, illustrating the potential gravity of the situation.

**Seeing markets end the week on a better tone amid semblances of confidence is one thing, but the world's challenges haven't suddenly disappeared,** notably solvency concerns due to rising public debt. As our Sovereign Debt Analysis in last week's *Market Focus* illustrated, our focus remains firmly on the European economies. Eight of the most vulnerable nations in our updated sovereign risk analysis were European.

**Given the renewed focus on the Eurozone and the**

**disparate rates of county-wide economic performance we have derived FCI's for some of the core Eurozone economies.** This is to highlight the disparate influence that common variables such as the euro and short-term interest rates can have when intertwined with local specifics such as equities and long-dated yields. **The outlook for Italy, in particular is troubling.** Good luck improving the public finances when your economy is likely to go backwards – and this is before fiscal austerity starts to kick in, which is another drag on growth!



**Most seem to be waiting for the ECB to step up to the plate and expand its balance sheet further via the European Financial Stability Facility, implicitly following the lead of the Fed in spirit.** This is both logical and illogical. It's logical because it seems inevitable. The cupboard looks pretty bare otherwise. It's illogical because central banks shouldn't be expected to bail out fiscal irresponsibility, which is effectively what is happening in huge parts of western society at present (though to be fair, a host of governments have had to "socialise" debts associated with the 2008 financial crisis). Getting the correct balance between the two is one reason we're seeing a game of chicken play out around the globe. Markets are demanding solutions. Policymakers know they need to act. But it's not their job to bow to market demands, nor support fiscal profligacy. The ECB, more than others, is taking a stern line. **Pump priming is hardly the "structural" solution to ensure sustained economic recovery;** its been done in various forms since the 1990s. All it seems to have achieved is to lead to increasing indebtedness in both the private and public sectors, and a larger problem to eventually confront.

**Sifting reality from noise amid extreme market movements is easier said than done.** The past few years have seen pretty well all lead indicators globally

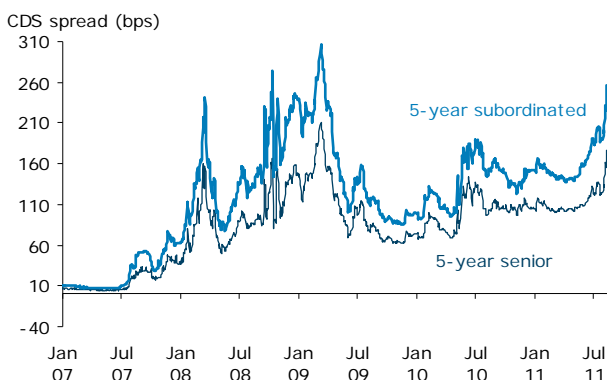
## ECONOMIC OVERVIEW

well correlated with equities – a dynamic we refer to as the blind leading the blind. It seems reasonable to assume weakness across pretty well every business confidence, consumer confidence and PMI survey in the month ahead. The University of Michigan measure of consumer confidence in the US dropping to its lowest level since 1980 is probably a sign of things to come. How much of this is a knee-jerk reaction as opposed to substance won't be apparent for a while yet.

**New Zealand still looks pretty well placed relative to others.** There are obvious risk channels we'll be eyeing over the coming weeks, including offshore funding costs, a key transmission mechanism given New Zealand's weak net external position. **Derivative markets have re-priced the credit risk of the "Big Four" Australian banks** that operate in New Zealand, as the chart of credit default swap (CDS) spreads below shows. But this is largely a reaction to global trends, and recall that this is a derivative market. With no actual funding deals having been closed, it remains to be seen where "true" bank funding spreads lie.

We suspect spreads are wider, but not by as much as implied by CDS. Recall, bank credit quality is at the heart of market concerns in Europe. Whereas European banks have been notable for the exposure to PIIGS debt and non-standard lending, Australian banks have differentiated themselves by virtue of their low exposures to Europe, and relatively clean balance sheets. **As the G3 liquidity pump cranks into action (with the Fed pursuing QE to support growth, the ECB pursuing QE to prop up its flagging bond markets, and the Japanese doing it to weaken the yen), we are mindful that New Zealand will be a beneficiary.** Furthermore, we are mindful of the fact that outright interest rates have fallen, providing something of an offset, and this is particularly so in Australia where the fall in wholesale rates have broadly offset the widening in credit default spreads (NB: for NZ the "offset" has been about half).

Credit spread for Australian "Big four" Banks

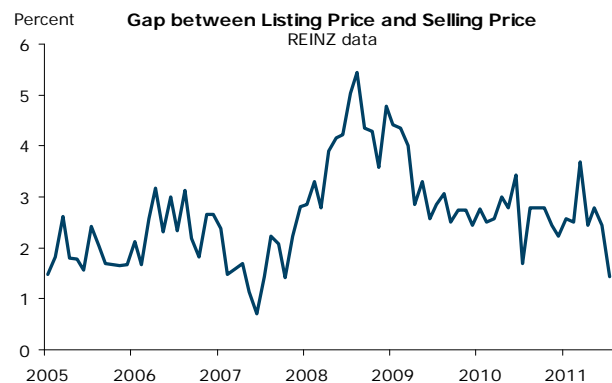


Sources: ANZ, National Bank, Bloomberg

That said, we must acknowledge that CDS spreads have risen, and we should not be in too much of a hurry to dismiss it. New Zealand is reliant on offshore funding, given our savings shortfall. In the weeks ahead, we will be keeping a close eye on how spreads develop, particularly in relation to actual funding rates – via bank bond issues and retail deposit rates. We will also be keeping an eye on the weekly NZGS bond tenders. These tenders have been very well supported for some time now, but demand at last week's tender was poor, which could be a sign of flagging enthusiasm. The bottom line is, we need to be attentive to signs of changing market conditions.

**Locally, the dataflow continues to highlight a NZ out-performance theme relative to global peers.**

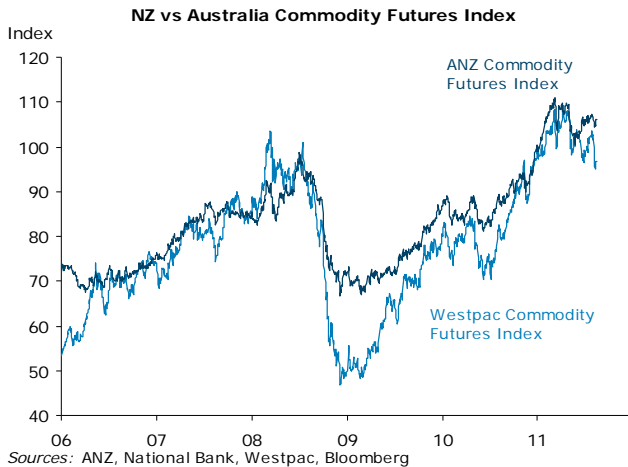
Consumer sentiment in NZ outdid US and Australian counterparts. Manufacturing sentiment held its ground in July, with all of the components in the manufacturing PMI in expansionary territory and declining finished stocks suggesting impetus for a pick-up. The housing market continues to tread water, with a low inventory of listings contributing to low sales volumes but a shrinking gap between listing and sales prices. Section sales have firmed by a quarter in the three months to July, driven by a strengthening in Canterbury sales. When you see sections selling, expect building consents to follow.



Sources: ANZ, National Bank, REINZ

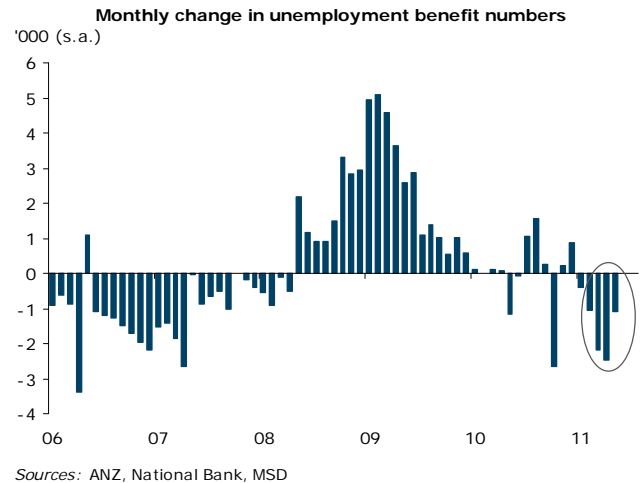
**We expect this theme to continue.** A key reason for this is simply that NZ bucked the trend globally in 2009 and 2010 and pretty well saw zero growth. This gives scope for pent-up demand, though off a low level, so the growth doesn't feel like much. Throw in the various one-offs and four percent growth still looks within reach. This doesn't mean we're oblivious to the global scene nor New Zealand's external vulnerability. A long drawn-out slog for the global economy remains our base scenario, with grumpy growth for New Zealand.

## ECONOMIC OVERVIEW

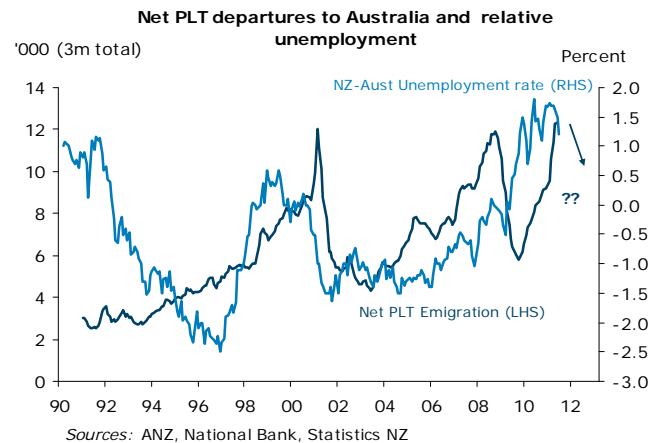


The NZD has been all over the place. The NZD hit a post-float high of 88.4 US cents on August 1 but has since retreated. **While a lower NZD will be welcomed by exporters, the reasons why it has fallen (a weaker global economic outlook) are not a cause for cheer.** We have seen falls in spot prices for hard commodities, but as yet soft commodities have gotten off more lightly. This week's *GlobalDairyTrade* auction will provide a good litmus test. Milk powder prices in the last auction showed their first signs of stability in five weeks, with prices easing slightly and larger volumes sold. A small fall in dairy prices is in prospect, but we admit a wider than usual margin of uncertainty around this, given financial market volatility of late. The switch in supply from the Northern to Southern hemisphere should start to provide more support to pricing over the next few months. In general, soft commodity markets have eased slightly, with buyers looking only to cover short-term requirements in the current environment. Inventory levels of most soft commodities remain low when compared with demand estimates and weather conditions continue to provide support, with market prices above historical averages.

**We are paying particular attention to the labour market and have our job ads series out on Tuesday.** Newspaper ads have faced a massive structural adjustment lower, which makes interpretation difficult. By weighting together newspaper and internet advertising, our composite measure closely tracks changes in HLFS unemployment, a key capacity metric. Numbers on the unemployment benefit continue to fall, down a seasonally adjusted 1,100 persons in July. While tighter eligibility criteria could be partly behind this, we believe the strengthening demand for labour is continuing to have an impact. The domestic case for removing the March *MPS* insurance cut remains strong. The only uncertainty is timing.



**Migration data for July is expected to show a net permanent and long-term (PLT) outflow of 200 persons, with the annual net PLT inflow slowing to just over 3,000 persons.** One of the major drawcards for emigration across the ditch had been the tight Australian labour market. With this now slowing, the upshot is likely to be a slowing in the exodus to Australia (equivalent to 1.2 percent of New Zealand's working age population in the June 2011 year). Slowing this exodus will help alleviate domestic skill shortages and provide more backbone to the supply-side of the economy.



Of late a gap has opened up between the annual net PLT migration *inflow* (3,867 persons in the June 2011 year) and the total net visitor and migrant *outflow*. As the New Zealand story is continuing to hang together better than most, we expect short and long-term net immigration to pick up, with scope to close the 18,414 person gap between long-term and total net migration flows. While we do not expect this turnaround to kick-start another surge in house prices or domestic spending, it will be another pillar of support for the New Zealand economy.

## ECONOMIC OVERVIEW

**We expect a rebound in visitor arrival numbers from the ash-cloud induced disruptions from June.** The focus is now moving to the potential impact of the Rugby World Cup (RWC), which is less than a month away. We had been concerned that the high NZD and global wobbles would temper the estimated \$400m tourism boost provided by the tournament. The announcement by the organisers that an additional 10,000 overseas visitors (95,000 in total) are now expected to attend the tournament is welcome news. With RWC occurring during the off-peak tourism season (September 9-October 23), and visitor numbers staggered throughout the 45 day tournament, the hospitality industry should be salivating.

**Official estimates put the economic impact of the Rugby World Cup as marginal. We struggle with that.** During the 2005 Lion's tour we saw 1.7 percent growth in a quarter alone. The tourism impetus is one thing. But the domestic boom from a rugby-centric society shouldn't be downplayed. It's a one-off hit, but its hitting at the right time.

**ANZ Roy Morgan Consumer Confidence – August.** Headline consumer confidence rose 3.9 points to 113.3. Current conditions rose 6 points to 106.1, with future conditions up 2.5 points (to 118.1).



Source: ANZ, National Bank, MED. Statistics New Zealand

### RECENT LOCAL DATA

**SNZ Electronic Card Transactions – July.** Retail Electronic Card Transaction (ECT) spending rose a seasonally adjusted 0.4 percent (+9 percent y/y). Core ECT spending rose 0.5 percent (+8.2 percent y/y).

**REINZ Housing Market Report – July.** House sales volumes declined a seasonally adjusted 2.6 percent (+11.7 percent y/y). The median days to sell declined to 41 days s.a. The house price index fell 0.2 percent s.a. (+0.5 percent y/y).

**BNZ Manufacturing NZ PMI – July.** The headline gauge fell from 54.3 to 53.2. In seasonally adjusted terms, all components remained in expansionary territory, but production and finished stocks are below their long-term averages.

# FINANCIAL CONDITIONS UPDATE

## SUMMARY

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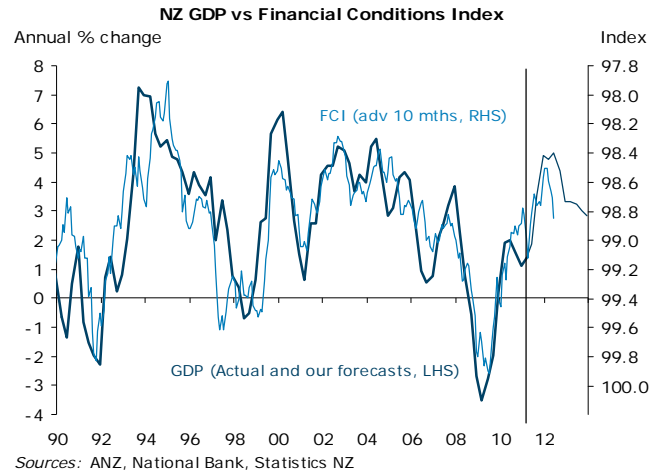
## FINANCIAL CONDITIONS

We track financial conditions across an array of countries.<sup>1</sup> We find that a) **the historical relationship between financial conditions and GDP in a host of nations has been good** and b) financial conditions tend to give a reasonable lead on turning points in the cycle. **However, we must recognise right up front that indicators such as financial conditions have deficiencies.** Notably, the relationship between the financial system and general economy is changing rapidly, and is set to continue doing so given the emergence of alternate policy tools and growing use of prudential policy. To compensate for this we have tried to a) not over-fit the historical model and b) **focus on the turning points and trends (i.e. direction) as opposed what they imply for the rate of growth itself.**

## MOMENTUM BUILDING IN NZ

**Our proprietary Financial Conditions Index (FCI) for NZ is supportive of a growth recovery over the next 12 months.** Very low interest rates and strong commodity prices form the basis of supportive financial conditions. Partly offsetting this have been wider than usual CDS spreads for the big four Australasian banks, and subdued growth in New Zealand asset prices and credit. However, although the level of the FCI is supportive, turning to the most recent data, financial conditions tightened slightly in August. Contributing to this was a 6.2 percent fall in NZ equity prices, with CDS spreads at their widest since June last year. Some offset was provided by the lower NZD and rising terms of trade.

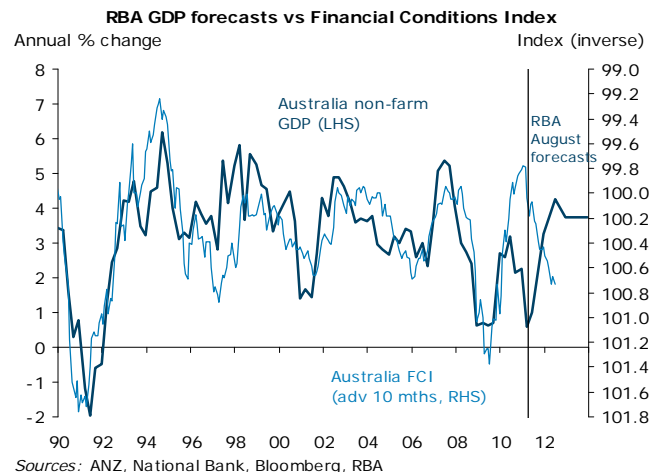
<sup>1</sup> A financial conditions index summarises a range of financial variables into a single series that can be used to predict the future path of the economy. Where available, our FCI includes the currency adjusted for commodity prices or terms of trade movements, interest rates, asset prices,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



Financial conditions imply annual GDP growth of around 3.3 percent by mid next year, which is weaker than our assessment, given our FCI does not explicitly incorporate the boost provided by earthquake reconstruction and the Rugby World Cup. **Stepping aside from the implied growth rate, the underlying message is one of building momentum.**

## MODERATION IN AUSTRALIA

Australian financial conditions were broadly unchanged in August. A lower AUD, and falls to short-term interest rates and swap rates were offset by lower equity and commodity prices and widening CDS spreads. Overall financial conditions have been broadly stable since May, although there have been offsetting moves between the components. The earlier tightening in financial conditions was driven by rising short-term interest rates, lower equity and house prices and a strengthening currency, which had offset climbing commodity prices.



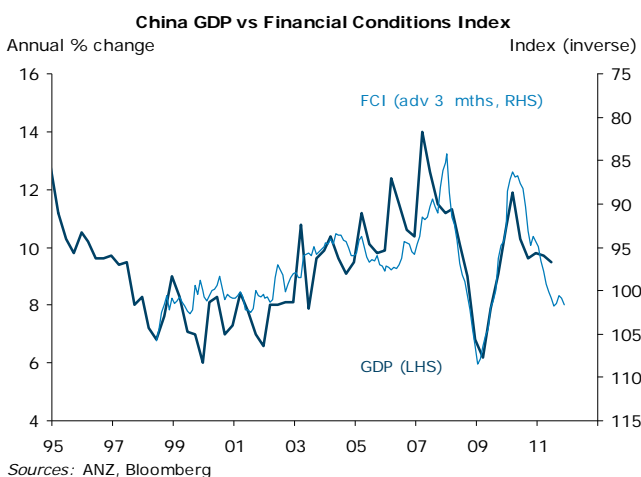
## FINANCIAL CONDITIONS UPDATE

### Our Australian FCI is still flagging a moderate pace of growth for non-farm 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 deem to account for about two-thirds of Australian growth over the next few years), the actual growth profile is likely to be somewhat different over the next couple of years. The softening in growth momentum implied by tighter financial conditions is consistent with the scaling back of growth forecasts by both the forecast Consensus and the RBA in their August *Statement of Monetary Policy*.

### A SOFT LANDING FOR CHINA?

**Financial conditions in China tightened further in August.** Chinese financial conditions have been progressively tightening since the start of last year, and are pointing towards a slowdown in annual growth to around 8 percent. Contributing to the tightening has been slower growth in real equity and property prices, which account for half of the weightings in our Chinese FCI. While there are concerns a global slowdown will trigger a sharper Chinese slowdown, Chinese authorities have ample room to ease monetary policy, with the completion of local infrastructure projects (estimated to be worth CNY7.3 to CNY9.3 trillion) also set to prevent a sharp slowdown in economic activity over the next few years. Nevertheless, our FCI suggests fears over economic overheating are likely to subside over the coming months.



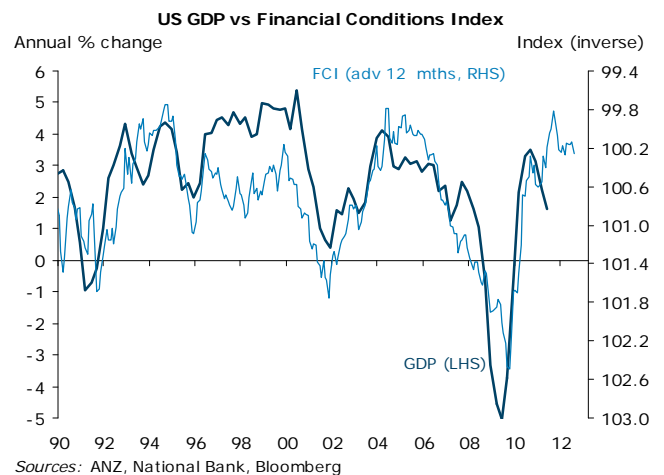
### BETTER TIMES AHEAD FOR THE US?

**US financial conditions tightened slightly in August.** A 13 percent plunge in equity values, strengthening USD, wider swap spreads, and lower credit growth were offset by lower 10 year government bond yields and smaller falls to real

house prices. Nevertheless, financial conditions remain at levels consistent with a strengthening in annual growth to around 3½ percent in 12 months time. Historically low real interest rates and a low USD are key drivers, alongside abundant liquidity.

### The reasonably upbeat picture implied by accommodative financial conditions has contrasted with the weaker recent run of data and less optimistic view of US policymakers.

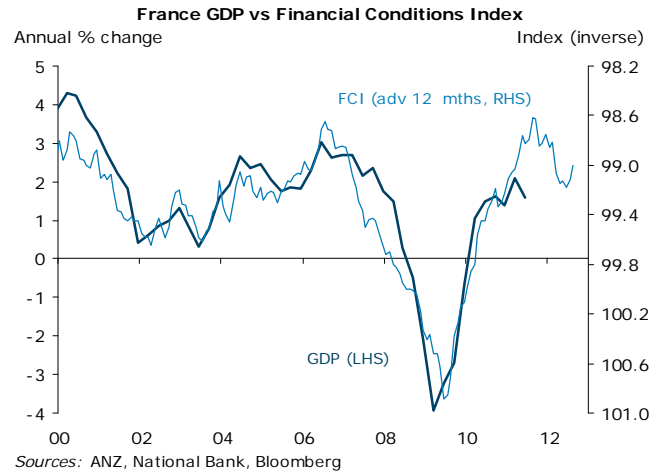
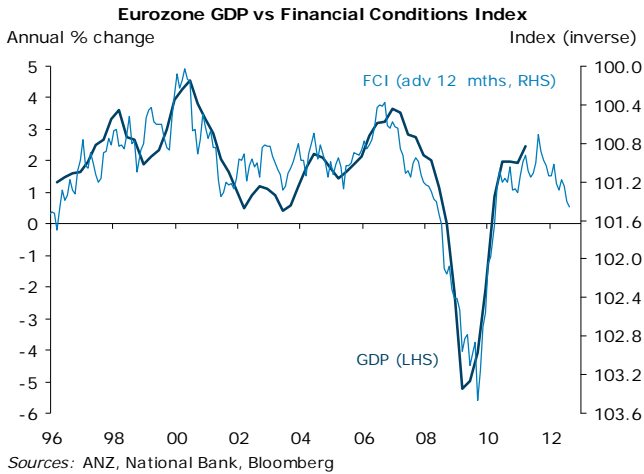
The August FOMC minutes noted the Committee “now expect a somewhat slower pace of recovery over coming quarters”. The minutes also noted “downside risks to the economic outlook have increased”. With the FOMC set to maintain the federal funds rate at exceptionally low levels until at least mid 2013, financial conditions are set to remain accommodative. Whether this translates into a pick-up in US economic activity remains to be seen.



### EUROZONE SLOWDOWN LOOMING

**Financial conditions in the Eurozone economy tightened further in August.** A lower euro and falls to government bond yields were countered by falling equity values, lower credit growth, and widening swap spreads. Contributing to the tightening in financial conditions over the last 12 months have been the strengthening euro and lower equity values, with the ECB hiking policy interest rates by 50 basis points since April.

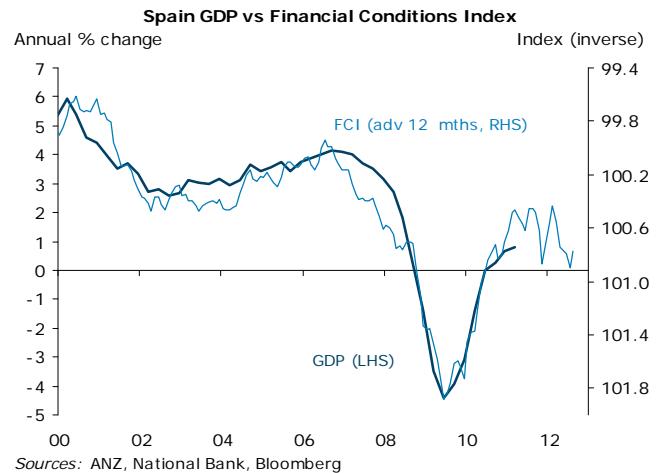
# FINANCIAL CONDITIONS UPDATE



**Our FCI implies a further slowdown in annual growth in the region to around 0.5 percent, which is effectively stall speed.**

While the message from our FCI is that growth in the region is likely to slow further, **there are notable country differences.** As a new development we have constructed core Eurozone FCIs. Ironically, the woes for the region appear to be loosening German financial conditions, as they are keeping the EUR low, with German bund yields benefiting from safehaven flows.

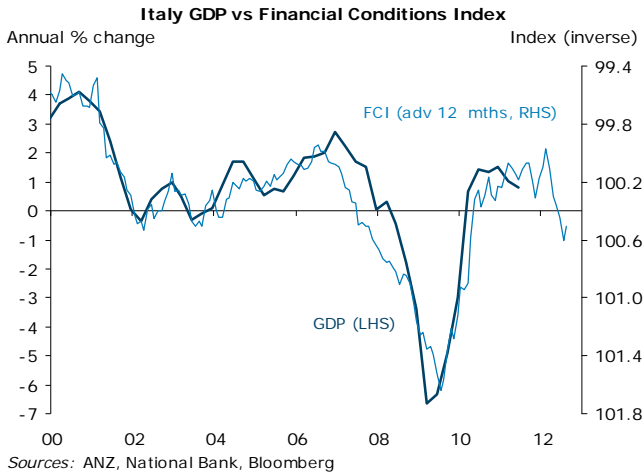
**By contrast, growth prospects for Spain and Italy are looking shaky.** Activity in Spain looks set to flat-line, while Italy appears to be heading for recession.



Our FCIs do not directly incorporate the impact of the planned fiscal austerity measures, which are likely to weigh more on the peripheral Eurozone economies and Italy. As such, activity could well undershoot this pessimistic outlook.

France is also benefitting from looser financial conditions, with growth prospects for both Germany and France looking reasonably upbeat. However, French Q2 GDP came in flat, so we should not assume that looser financial conditions will necessarily translate into improving growth performance.

## FINANCIAL CONDITIONS UPDATE



### THE REMAINDER

We also assess financial conditions across other NZ trading partners. These continue to present a mixed picture:

- **UK** – financial conditions have tightened slightly since June and are continuing to signal close to 3 percent annual growth by mid 2012. Annual UK GDP growth in Q2 was 0.8 percent, weaker than implied by our FCI.
- **Singapore** – a slight firming in financial conditions, which is suggestive of annual growth of around 5 percent by the end of the year. Annual growth is currently 0.5 percent, weaker than implied by financial conditions.
- **HK** – tighter financial conditions from the stronger real exchange rate, lower equity values and slower credit growth. Growth, which is closely tracing our FCI, is projected to slow towards a 5 percent annual rate by late 2011.
- **Korea** – financial conditions tightened in August, largely due to lower equity values. Our FCI implies activity by the end of the year will be broadly unchanged from previous-year levels.

### THE UPSHOT

Financial conditions measures continue to present a disparate picture across the regions. **For some economies, like the US, NZ and much of emerging Asia, our FCIs are still pointing to respectable growth rates being achieved.** Policy interest rates remain at historically low levels, with low short-term interest rates a major support factor in our FCIs. **For others, notably the Eurozone, the outlook implied by our FCI looks pretty grim, although strong country divergences are likely to remain,** with the German and French

economies set to continue outperforming those on the periphery.

Emerging problems in Europe are that:

- **Weak-to-negative growth courtesy of tightening financial conditions could exacerbate market concerns towards solvency in some key nations; and**
- **Financial conditions are simply not delivering the optimal mix or adjusting on a country-by-country basis, which is restricted by the practicalities of monetary union.**

**Our FCIs capture a number of growth influences, but not all.** Various events like natural disasters and sovereign debt concerns are only partially captured by our measures. No wonder then, with the exception of China and Germany, that our FCIs have tended to overstate growth prospects for most economies over the last few months. In this regard, our FCIs can be best thought of as proxies representing base momentum within the economy.

As yet, the recent bout of financial market turmoil has contributed to only a partial tightening in financial conditions. A clear downside risk facing the global economy is that of pressures in the banking system may intensify and filter through into funding costs. **We will continue to pay close attention to our financial conditions measures as an early warning sign.**

# INTEREST RATE STRATEGY

## SUMMARY

Volatility has stepped up a gear over the past week, and is set to remain the main feature of markets over coming weeks. This environment does not lend itself to rate hikes; hence we have pushed out our forecast for a rate hike from September to December. But make no mistake – higher rates remain on the cards, just in a stop-start fashion with a lower endgame. We just need turmoil to clear. How liquidity conditions develop will be critical to how the RBNZ responds.

## MARKET THEMES

- Market volatility is at an extreme, with sentiment upbeat one day and downbeat the next. While the recent improvement in sentiment is welcome, it is without substance. Deep problems remain in Europe.
- European authorities will not stand idly by as markets burn. Some response is inevitable, and it looks more and more like the ECB will be the one to respond.

## REVIEW AND OUTLOOK

**If ever there was volatility, last week was it.**

Having opened up in a bearish frenzy, the bellwether 2yr swap was down at 3.10 percent by Tuesday, only to be back above 3.45 percent within 24 hours. Australian rates have been even more whippy – indeed, at one stage last week were pricing in 6 rate cuts by Christmas.

It's easy to get drawn in by moves like this, and conclude that the sky is falling down. But is it really? **Are things that bad that the OCR needs to go below the rate that served us well throughout the GFC? We don't think so.** For one, there are few signs yet that Asia has been dragged into the European mire. It could if things intensify, but that's too soon to call. New Zealand could do well out of the next few years, especially if liquidity comes our way, as we suspect it will.

At the same time, US data have started to improve, and recall that the Fed have taken the unprecedented step of promising to keep the Fed Funds rate on hold for another 2 years. **Most commentators put odds of a US recession at one in two or one in three. This would undoubtedly be an unwelcome development. But if it means we see QE3, the impact on New Zealand may not be as dire as it may first seem.** The consequent flood of liquidity will keep the NZD propped up, which is not useful. But if it fuels Asian investment and commodity prices, it will play into NZ's hands.

**Europe remains the main problem, and again the issue looks like it will be eventually solved by Europe's version of QE, which will be used to prevent peripheral bond yields from rising to intolerable levels. Again, this liquidity will make its way to markets like New Zealand.** The Swiss and

Japanese are also looking to take steps to manage their exchange rates. To the extent that they succeed, that only makes it more likely that money flows into Australia and NZ. At the moment, spreads are still widening, and the market is coy on NZGS bonds. But we expect that to be short lived.

The bottom line is, **unless you can credibly call an Asian slowdown, or a liquidity crunch, New Zealand remains well placed.** We therefore need to be careful not to get too gloomy. We're cautious of markets that flip from being sanguine to gloomy. We're in the hard-slog middle ground camp. That said, turmoil has dented confidence, and markets are likely to give the doomsayers the benefit of the doubt for a few more weeks. Brace for more volatility in the meantime.

## PREFERRED BORROWING STRATEGIES

Our preference is to ride out the current storm, and to avoid the temptation of jumping to conclusions either way. Don't assume the sky is falling, but equally, don't assume that all is well, and use that as an excuse to fix. Volatility isn't helpful, but it does buy borrowers time in that it has likely delayed the timing of rate hikes. Interest rates may move up in time, but for now they will be hemmed in by the market's fear of being short.

## GAUGES FOR NZ INTEREST RATES

GAUGE	DIRECTION	COMMENT
RBNZ / OCR	↔/↑	We now expect a Dec hike.
NZ data	↑	Data pulse remains positive.
Fed Funds / front end	↓	Extended period now defined, market looking for QE3.
RBA	↔/↑	Rate cut likely? Not while mortgage rates are falling.
US 10 year	↔/↓	Into a new lower yield range.
NZ swap curve	↔/↓	Parallel moves more likely. Curve/outright correlated.
Flow	↑	Mortgage paying potential.
Technicals	↔/↑	2yr 3.10/3.40% range.

## MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 15-Sep-11	+6	+6
Thu 27-Oct-11	+11	+12
Thu 8-Dec-11	+16	+21
Thu 26-Jan-12	+21	+31
Thu 8-Mar-12	+28	+35
Thu 26-Apr-12	+35	+38
Thu 14-Jun-12	+42	+45

## TRADING THEMES WE FAVOUR AT PRESENT

Although we have a constructive view of 2012, it's too soon to put this to work via directional trades, as market nervousness remains extreme. We prefer relative value traded like receiving NZD 2yr against AUD 2yr. We just can't see RBA and RBNZ policy biases being as diverged as market pricing implies.

# CURRENCY STRATEGY

## SUMMARY

Uncertainty remains in the currency market, and we are left watching equity market moves for near-term currency direction. Unwinding of speculative short USD positions has been a feature of the last week, with US bond yields reaching new lows. As market conditions settle, we can expect the USD to resume as a funding currency for carry trade positions, continuing its broad decline. With the SNB and BoJ acting to stem their respective currencies' appreciation, expect upward currency pressure to spill over into the other major currencies including NZD and AUD.

## MARKET THEMES

- Australian rates market continues to price cuts, undermining AUD. Tuesday's RBA minutes key.
- EUR stable despite crisis headwinds.
- Speculative positions trimmed as hedge fund returns head south.
- USD the new funding currency as Fed gives us a 2 year timeframe.

## REVIEW AND OUTLOOK

**Equity market performance dictated currency direction last week as the Fed gave us a time frame for abnormally loose monetary policy – 2 years!** The Dow Jones "travelled" some 2000 points (combined down and up moves) following the Fed decision on Wednesday morning, sparking 3-4% rallies in the NZD and AUD. Having a timeframe seemed to bolster the view that the carry trade could come back with a vengeance, but poor equity market performances forced hedge funds to trim their profitable trades in currencies to cover margins in some cases and buy "cheap" stocks in others.

**The Australian interest rate market has been turned on its head the last 2 weeks and continues to price hefty cuts in official rates.**

While this has undermined the AUD on some crosses, it has remained relatively stable against the USD. The NZDAUD seems to be relatively comfortable trading around 80 cents but we suspect that technically 0.8100 represents a short term high. The release of the RBA board minutes tomorrow could catch a dovish market and cause AUD short-covering moves, pushing this cross back into the low 0.79s or high 0.78s.

**The US Federal Reserve's move highlights that officials will do whatever it takes to fix the current crisis.** With this in mind we can expect the FX markets to continue to be even more headline

driven than usual. Media reports that the Swiss National Bank is working on a deal to set a target for the CHF will keep the market nervous.

**Following a foray by Japanese policymakers into the JPY market a couple of weeks ago, the FX markets remain nervous about when we will see them next.** With USD having further downside but markets coy about sending CHF and JPY higher for now, the spillover will be on the other currencies, including NZD and AUD.

NZD VS AUD: MONTHLY DIRECTIONAL GAUGES		
GAUGE	DIRECTION	COMMENT
Fair value	↔	Close to our fair value estimates.
Yield	↑	Opposing policy direction favours NZD.
Commodities	↔	Wary of cracks appearing here.
Partial indicators	↔/↑	Data still good in NZ.
Technicals	↔	Suspect short-term high in place.
Sentiment	↔	Risk off.
Other	↔	Global sentiment big driver.
<b>On balance</b>	<b>↑</b>	<b>Yield and undervaluation support NZD.</b>

NZD VS USD: MONTHLY DIRECTIONAL GAUGES		
GAUGE	DIRECTION	COMMENT
Fair value – long-term	↓	Above structural fair value of 0.67.
Fair value – short-term	↔/↓	Still above our cyclical fair value estimates.
Yield	↑	September off for now but yield still supports.
Commodities	↔	Starting to be wary of turns in key NZ-related commodities.
Risk aversion	↓	US downgrade pushes risk off.
Partial indicators	↑	NZ data better, US data worsening.
Technicals	↔	Trend turning.
AUD	↔	AUD at resistance.
Sentiment	↔	Underlying positive. However cracks appearing.
Other	↑	USD weakness the key driver for NZD this week.
<b>On balance</b>	<b>↔</b>	<b>Headline driven.</b>

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
15-Aug	NZ	Performance Services Index - JUL	- -	54.7	10:30
	UK	Rightmove House Prices (MoM) - AUG	- -	-1.6%	11:01
	UK	Rightmove House Prices (YoY) - AUG	- -	0.1%	11:01
	JN	GDP Deflator YoY - 2Q P	-1.7%	-1.9%	11:50
	JN	Nominal GDP (QoQ) - 2Q P	-1.4%	-1.3%	11:50
	JN	GDP Annualized - 2Q P	-2.5%	-3.5%	11:50
	JN	Gross Domestic Product (QoQ) - 2Q P	-0.6%	-0.9%	11:50
	AU	New Motor Vehicle Sales MoM - JUL	- -	1.3%	13:30
	AU	New Motor Vehicle Sales YoY - JUL	- -	-11.5%	13:30
	CH	Actual FDI (YoY) - JUL	- -	2.8%	UNCONFIRMED
16-Aug	US	Empire Manufacturing - AUG	0	-3.76	00:30
	US	Net Long-term TIC Flows - JUN	\$32.6B	\$23.6B	01:00
	US	Total Net TIC Flows - JUN	- -	-\$67.5B	01:00
	US	NAHB Housing Market Index - AUG	15	15	02:00
	NZ	ANZ Job Ads - JUL	- -	2.7%	13:00
	AU	Reserve Bank's Board August Minutes - JUL	- -	- -	13:30
	GE	GDP nsa (YoY) - 2Q P	3.2%	5.2%	18:00
	GE	GDP s.a. (QOQ) - 2Q P	0.5%	1.5%	18:00
	GE	GDP wda (YoY) - 2Q P	3.1%	4.9%	18:00
	UK	DCLG UK House Prices (YoY) - JUN	- -	-1.6%	20:30
	UK	CPI (MoM) - JUL	-0.1%	-0.1%	20:30
	UK	CPI (YoY) - JUL	4.3%	4.2%	20:30
	UK	Core CPI YOY - JUL	3.0%	2.8%	20:30
	UK	Retail Price Index - JUL	234.7	235.2	20:30
	UK	RPI (MoM) - JUL	-0.2%	0.0%	20:30
	UK	RPI (YoY) - JUL	5.0%	5.0%	20:30
	UK	RPI Ex Mort Int.Payments (YoY) - JUL	5.1%	5.0%	20:30
	EC	Euro-Zone GDP s.a. (QoQ) - 2Q A	0.3%	0.8%	21:00
	EC	Euro-Zone GDP s.a. (YoY) - 2Q A	1.8%	2.5%	21:00
	EC	Euro-Zone Trade Balance sa - JUN	€0.0B	-€0.6B	21:00
	EC	Euro-Zone Trade Balance - JUN	€1.1B	€0.0B	21:00
	UK	Nationwide Consumer Confidence - JUL	- -	51	UNCONFIRMED
17-Aug	US	Import Price Index (MoM) - JUL	-0.1%	-0.5%	00:30
	US	Import Price Index (YoY) - JUL	13.4%	13.6%	00:30
	US	Housing Starts - JUL	600K	629K	00:30
	US	Housing Starts MOM% - JUL	-4.6%	14.6%	00:30
	US	Building Permits - JUL	605K	617K	00:30
	US	Building Permits MOM% - JUL	-1.9%	2.5%	00:30
	US	Industrial Production - JUL	0.5%	0.2%	01:15
	US	Capacity Utilization - JUL	77.0%	76.7%	01:15
	NZ	Producer Prices- Inputs (QoQ) - 2Q	1.1%	2.2%	10:45
	NZ	Producer Prices- Outputs (QoQ) - 2Q	0.8%	1.7%	10:45
	AU	Westpac Leading Index (MoM) - JUN	- -	-0.1%	12:30
	AU	DEWR Internet Skilled Vacancies MoM - JUL	- -	0.0%	13:00
	AU	Wage Cost Index QoQ - 2Q	0.9%	0.8%	13:30
	AU	Wage Cost Index YoY - 2Q	4.0%	3.8%	13:30
	EC	Eurozone Current Account nsa - JUN	- -	-€18.3B	20:00

Continued on following page



## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
17-Aug	EC	ECB Eurozone Current Account SA - JUN	- -	-€5.2B	20:00
	UK	Bank of England Minutes - JUL	- -	- -	20:30
	UK	Jobless Claims Change - JUL	20.0K	24.5K	20:30
	UK	Average Weekly Earnings 3M/YoY - JUN	2.3%	2.3%	20:30
	UK	Weekly Earnings exBonus 3M/YoY - JUN	2.3%	2.1%	20:30
	UK	ILO Unemployment Rate (3mths) - JUN	7.7%	7.7%	20:30
	EC	Euro-Zone CPI - Core (YoY) - JUL	1.6%	1.6%	21:00
	EC	Euro-Zone CPI (MoM) - JUL	-0.6%	0.0%	21:00
	EC	Euro-Zone CPI (YoY) - JUL	2.5%	2.5%	21:00
18-Aug	US	Producer Price Index (MoM) - JUL	0.1%	-0.4%	00:30
	US	PPI Ex Food & Energy (MoM) - JUL	0.2%	0.3%	00:30
	US	Producer Price Index (YoY) - JUL	7.0%	7.0%	00:30
	US	PPI Ex Food & Energy (YoY) - JUL	2.3%	2.4%	00:30
	JN	Adjusted Merchandise Trade Balance - JUL	-¥131.9B	-¥191.2B	11:50
	JN	Merchandise Trade Exports YoY - JUL	-2.6	-1.6	11:50
	JN	Merchandise Trade Imports YoY - JUL	11	9.8	11:50
	AU	Average Weekly Wages (QoQ) - MAY	1.0%	1.0%	13:30
	AU	Average Weekly Wages (YoY) - MAY	4.0%	3.8%	13:30
	AU	RBA Foreign Exchange Transactn - JUL	- -	A\$1280M	13:30
	UK	Retail Sales Ex Auto Fuel(MoM) - JUL	0.4%	0.8%	20:30
	UK	Retail Sales Ex Auto Fuel(YoY) - JUL	0.1%	0.2%	20:30
	UK	Retail Sales w/Auto Fuel (MoM) - JUL	0.3%	0.7%	20:30
	UK	Retail Sales w/Auto Fuel (YoY) - JUL	0.3%	0.4%	20:30
	EC	Construction Output SA MoM - JUN	- -	-1.1%	21:00
	EC	Construction Output WDA YoY - JUN	- -	-1.9%	21:00
19-Aug	US	Consumer Price Index (MoM) - JUL	0.2%	-0.2%	00:30
	US	CPI Ex Food & Energy (MoM) - JUL	0.2%	0.3%	00:30
	US	Consumer Price Index (YoY) - JUL	3.3%	3.6%	00:30
	US	CPI Ex Food & Energy (YoY) - JUL	1.7%	1.6%	00:30
	US	Initial Jobless Claims - 13-AUG	400K	395K	00:30
	US	Continuing Claims - 6-AUG	3700K	3688K	00:30
	US	Leading Indicators - JUL	0.2%	0.3%	02:00
	US	Philadelphia Fed. - AUG	3.5	3.2	02:00
	US	Existing Home Sales - JUL	4.90M	4.77M	02:00
	US	Existing Home Sales MoM - JUL	2.7%	-0.8%	02:00
	NZ	Net Migration SA - JUL	- -	-340	10:45
	NZ	Visitor Arrivals - JUL	- -	-5.1%	10:45
	NZ	Credit Card Spending SA (MoM) - JUL	- -	0.4%	15:00
	NZ	Credit Card Spending (YoY) - JUL	- -	4.5%	15:00
	JN	All Industry Activity Index (MoM) - JUN	2.2%	2.0%	16:30
	GE	Producer Prices (MoM) - JUL	0.1%	0.1%	18:00
	GE	Producer Prices (YoY) - JUL	5.3%	5.6%	18:00
	UK	Public Finances (PSNCR) - JUL	-£8.0B	£21.0B	20:30
	UK	PSNB ex Interventions - JUL	£2.4B	£14.0B	20:30
	UK	Public Sector Net Borrowing - JUL	£0.2B	£12.0B	20:30

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:** Global market ructions intensified further last week. The local consumer-centric dataflow remained resilient. Another PLT net migration outflow is expected this week, but the tide looks to be turning. We now expect a 50 basis point hike in the December *MPS*, but this is conditional on global volatility subsiding. An uncertain global outlook, tight domestic fiscal policy and high NZD imply a gradual path of tightening and a lower OCR endpoint.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 16 Aug (10:45am)	Producer Price & Capital Goods Price Indexes – Q2	Margins squeeze	We expect a 1.2 percent increase in input prices, with output prices rising 0.8 percent. Capital goods prices should rise 0.2 percent, with offsetting movements.
Wed 17 Aug (6:00am)	<i>GlobalDairyTrade</i> dairy auction	Still falling	We expect overall dairy prices to fall, with some offsetting movements. Risks are skewed to the downside.
Fri 19 Aug (10:45am)	International Travel and Migration - July	Turning	A net PLT outflow of 200 persons is expected, and a 5 percent rebound in visitor arrival numbers.
Fri 19 Aug (3:00pm)	RBNZ Credit Card Billings - July	Moving higher	We expect a 0.5 percent increase in billings.
Tue 23 Aug (3:00pm)	RBNZ Survey of Expectations – Q3	High	The critical 2-year-ahead CPI inflation measure should remain around 3 percent, considerably above the midpoint of the band.
Wed 24 Aug (10:45am)	Overseas Merchandise Trade – July	Into the red	We expect a trade deficit of around \$170m for July, with the annual surplus to remain around \$1bn.
Thur 25 Aug (10:45am)	Food Price Index - July	Up	A 0.7 percent increase is expected. Announced cuts to dairy prices should impact from next month.
Thur 25 Aug (10:45am)	Retail Trade Survey– Q2	Resilience	We expect a 1.7 percent increase in Q2 nominal retail sales, with core spending up 2.2 percent. Retail and core retail volumes are expected to rise 0.8 percent and 1.5 percent respectively.
Tue30 Aug (10:45am)	Building Consents – July	Building	A 2 percent increase in residential consents is envisaged. Stronger increases are expected for ex-apartments.
Wed 31 Aug (6:00am)	<i>GlobalDairyTrade</i> dairy auction	Holding	We expect overall dairy prices to stabilise following recent declines. Risks are skewed to the downside.
Wes 31 Aug (1:00pm)	National Bank Business Outlook – Aug	- -	- -
Wed 31 Aug (3:00pm)	RBNZ Credit Aggregates - July	Ongoing deleveraging	We expect household and business credit growth in the 1 percent annual range, with a fall in agricultural credit.
Thur 1 Sep (10:45am)	Overseas Trade Indexes - Q2	Peaking?	The OTI terms of trade is forecast to rise 1.5 percent. A 2 percent rise in export and 2 percent fall in import volumes is forecast.
Thur 1 Sep (1:00pm)	ANZ Commodity Price Index - Aug	- -	- -
Wed 7 Sep (10:45am)	SNZ Wholesale Trade Survey – Q2	Up	We expect a 1.5 percent increase in wholesale sales, with volumes rising approximately 0.8 percent.
Thur 8 Sep (10:45am)	SNZ Economic Survey of Manufacturing – Q2	Sector differences	Ex-primary manufacturing volumes are forecast to fall 1 percent q/q, with primary manufacturing volumes up 3 percent q/q.
Thur 8 Sep (10:45am)	SNZ Value of Building Work Put in Place – Q2	Down	Residential and non-residential volumes are expected to decline 2 percent.
Fri 9 Sep (10:45am)	SNZ Electronic Card Transactions - Aug	Resilience	A 0.4 percent increase in retail ECT spending is expected, while core ECT spending is envisaged to rise by 0.5 percent.
<b>On Balance</b>		<b>Local vs global</b>	<b>Domestic gauges still resilient, but global concerns suggest some caution further out.</b>

## KEY FORECASTS AND RATES

	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
GDP (% qoq)	0.5	0.8	<b>0.7</b>	<b>1.5</b>	<b>1.8</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>
GDP (% yoy)	1.1	1.4	<b>1.9</b>	<b>3.5</b>	<b>4.9</b>	<b>4.8</b>	<b>5.0</b>	<b>4.4</b>	<b>3.3</b>	<b>3.3</b>
CPI (% qoq)	2.3	0.8	1.0	<b>0.8</b>	<b>0.7</b>	<b>0.6</b>	<b>0.8</b>	<b>0.7</b>	<b>0.6</b>	<b>0.8</b>
CPI (% yoy)	4.0	4.5	5.3	<b>5.0</b>	<b>3.3</b>	<b>3.1</b>	<b>2.9</b>	<b>2.7</b>	<b>2.6</b>	<b>2.9</b>
Employment (% qoq)	-0.3	1.3	0.0	<b>0.7</b>	<b>0.6</b>	<b>0.7</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.4</b>
Employment (% yoy)	1.3	1.8	2.0	<b>1.7</b>	<b>2.6</b>	<b>2.0</b>	<b>2.5</b>	<b>2.3</b>	<b>2.1</b>	<b>1.8</b>
Unemployment Rate (% sa)	6.7	6.5	6.5	<b>6.2</b>	<b>5.9</b>	<b>5.6</b>	<b>5.5</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>
Current Account (% GDP)	-4.1	-4.2	<b>-4.2</b>	<b>-4.2</b>	<b>-3.6</b>	<b>-3.9</b>	<b>-4.2</b>	<b>-4.6</b>	<b>-4.9</b>	<b>-5.0</b>
Terms of Trade (% qoq)	0.8	0.9	<b>1.5</b>	<b>3.0</b>	<b>1.0</b>	<b>-0.7</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>	<b>-0.8</b>
Terms of Trade (% yoy)	12.3	6.8	<b>6.3</b>	<b>6.3</b>	<b>6.4</b>	<b>4.7</b>	<b>2.3</b>	<b>-1.4</b>	<b>-3.2</b>	<b>-3.2</b>

	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11
Retail ECT (% mom)	1.0	-0.8	2.4	-0.2	1.4	1.5	-0.7	1.1	0.4	..
Retail ECT (% yoy)	6.3	4.4	5.7	6.2	6.6	10.0	6.8	9.0	8.0	..
Credit Card Billings (% mom)	0.1	-1.7	3.9	-0.5	-1.2	1.8	0.4	0.4	..	..
Credit Card Billings (% yoy)	4.3	2.4	6.2	5.9	2.1	6.6	5.5	4.5	..	..
Car registrations (% mom)	13.2	-8.9	1.1	-1.8	0.0	-5.6	3.3	-2.3	-1.9	..
Car registrations (% yoy)	23.5	6.4	6.8	2.8	-1.0	-10.5	-3.7	-9.5	-6.0	..
Building consents (% mom)	8.3	-18.5	9.2	-9.7	2.5	-1.2	2.3	-1.4	..	..
Building consents (% yoy)	-8.9	-26.4	-14.9	-28.8	-26.1	-32.1	-21.9	-25.7	..	..
REINZ House Price Index (% yoy)	-1.9	-1.6	-2.6	-0.7	-1.8	-0.4	-0.7	0.0	0.5	..
Household Lending Growth (% mom)	0.0	0.1	0.1	0.1	-0.1	0.2	0.1	0.1	..	..
Household Lending Growth (% yoy)	1.8	1.6	1.5	1.5	1.2	1.2	1.2	1.1	..	..
ANZ Roy Morgan Consumer Confidence	114.5	112.2	117.1	108.1	101.4	101.4	103.3	112.5	109.4	113.3
NBNZ Business Confidence	33.2	29.5	..	34.5	-8.7	14.2	38.3	46.5	47.6	..
NBNZ Own Activity Outlook	35.3	34.5	..	36.6	14.7	29.5	39.7	38.7	43.7	..
Trade Balance (\$m)	-177	-218	9	184	583	1149	551	230	..	..
Trade Balance (\$m ann)	1363	1172	909	765	741	1230	1012	1021	..	..
ANZ World Commodity Price Index (% mom)	2.1	1.6	4.3	2.7	4.7	1.6	0.4	-1.2	-0.1	..
ANZ World Commodity Price Index (% yoy)	13.1	12.1	16.3	20.3	23.5	19.8	19.6	20.6	22.3	..
Net migration (sa)	580	700	410	430	-540	-140	-340	-340	..	..
Net migration (annual)	11519	10451	8689	8249	6554	5508	4625	3867	..	..

Figures in bold are forecasts. mom: Month-on-Month qoq: Quarter-on-Quarter yoy: Year-on-Year



## KEY MARKET FORECASTS AND RATES

FX RATES	ACTUAL			Forecast (end month)						
	May-11	Jun-11	Today	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
NZD/USD	0.824	0.829	0.834	0.88	0.91	0.92	0.93	0.93	0.93	0.92
NZD/AUD	0.772	0.773	0.804	0.80	0.81	0.82	0.83	0.82	0.82	0.82
NZD/EUR	0.572	0.572	0.585	0.60	0.61	0.61	0.61	0.60	0.60	0.60
NZD/JPY	67.16	66.80	64.04	66.0	68.3	69.0	67.0	67.0	67.0	68.1
NZD/GBP	0.501	0.517	0.511	0.53	0.55	0.54	0.55	0.53	0.53	0.53
NZ\$ TWI	70.9	71.2	72.0	74.1	75.9	76.3	76.7	75.8	75.8	75.7
INTEREST RATES	May-11	Jun-11	Today	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
NZ OCR	2.50	2.50	2.50	2.50	3.00	3.25	3.50	3.75	4.00	4.50
NZ 90 day bill	2.69	2.67	2.96	2.80	3.40	3.50	3.90	4.00	4.40	4.90
NZ 10-yr bond	5.11	5.07	4.46	4.40	4.40	4.50	4.60	4.80	4.90	5.00
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	0.25	0.25	0.29	0.35	0.35	0.35	0.35	0.35	0.35	0.35
AU Cash Rate	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
AU 3-mth	5.02	5.03	4.83	4.90	4.90	4.90	4.90	4.90	4.90	4.90

	12 Jul	8 Aug	9 Aug	10 Aug	11 Aug	12 Aug
Official Cash Rate	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill	2.66	2.74	2.82	2.86	2.88	2.94
NZGB 04/13	3.13	2.93	2.86	2.96	2.92	2.94
NZGB 04/15	3.92	3.53	3.46	3.55	3.51	3.53
NZGB 03/19	4.80	4.31	4.26	4.33	4.27	4.28
NZGB 05/21	5.00	4.48	4.45	4.51	4.44	4.45
2 year swap	3.32	3.25	3.19	3.35	3.30	3.34
5 year swap	4.34	4.15	4.12	4.21	4.15	4.18
RBNZ TWI	71.4	71.6	70.7	71.8	70.9	71.3
NZD/USD	0.8194	0.8274	0.8131	0.8322	0.8187	0.8227
NZD/AUD	0.7732	0.8021	0.8076	0.8061	0.7997	0.8001
NZD/JPY	65.63	64.58	62.78	64.02	62.71	63.21
NZD/GBP	0.5162	0.5045	0.4978	0.5113	0.5062	0.5077
NZD/EUR	0.5872	0.5784	0.5716	0.5803	0.5759	0.5800
AUD/USD	1.0597	1.0316	1.0068	1.0324	1.0237	1.0283
EUR/USD	1.3955	1.4304	1.4224	1.4341	1.4217	1.4184
USD/JPY	80.10	78.05	77.21	76.93	76.60	76.83
GBP/USD	1.5874	1.6401	1.6333	1.6277	1.6173	1.6204
Oil (US\$/bbl)	97.41	86.89	79.32	79.32	83.05	85.48
Gold (US\$/oz)	1568.05	1701.90	1753.20	1753.75	1791.40	1761.25
Electricity (Haywards)	5.40	6.43	8.55	8.15	8.92	9.53
Baltic Dry Freight Index	1411	11264	1257	1265	1277	1287
Milk futures (USD)	155	149	149	147	147	147

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