

# NEW ZEALAND ECONOMICS MARKET FOCUS

8 August 2011

## INSIDE

Economic Overview	2
Sovereign Debt Back in the Spotlight	6
Monthly Inflation Gauge	8
Interest Rate Strategy	9
Currency Strategy	10
Data Event Calendar	11
Data Watch	13
Key Forecasts	14

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## LEADERSHIP VERSUS POPULISM

### ECONOMIC OVERVIEW

The post global financial crisis world was always going to be littered with massive swings in sentiment. Our “bathtub with waves” analogy still applies – i.e. considerable volatility around a flattish trend. However, the current savagery of market movements has us on notice. All eyes are on global policymakers. Tools are available to avert liquidity tensions. However, addressing the solvency concerns that are also intertwined with global growth fears requires clear and concerted leadership, as opposed to populism. An OCR hike – while justified on local dataflow – is off the table until global financial risks recede. We expect the NZ dataflow to remain robust and out of sync, but for such differentiation to play second fiddle to global fears.

### SOVEREIGN DEBT BACK IN THE SPOTLIGHT

Our sovereign risk ranking framework, which uses both negative (i.e. debt) and positive metrics (i.e. flexibility) continues to warn of Eurozone-centric challenges. However, with the US losing its triple A status from S&P, it appears favourable metrics can only buy you so much time.

### MONTHLY INFLATION GAUGE

Our monthly inflation gauge rose 0.3 percent in July, up from the 0.2 percent increase in June. There were a few scattered price increases, which were more symptomatic of cost push influences than strengthening demand. While quarterly inflation from the gauge remains within the RBNZ’s “comfort zone”, the risk remains that a strengthening in wage pressure will add to cost-side pressures as demand-side influences start to impact on pricing. The key battleground for the RBNZ will be ensuring that wage and price setting remains consistent with the inflation target. If not, the July OCR Review made it clear that based on domestic considerations interest rates would have to head higher, subject to global developments.

### INTEREST RATE STRATEGY

The US rating downgrade will reverberate through markets for a few days yet. Market reaction has been constructive so far, and we expect it to remain that way. While not a reason to buy NZD, the downgrade is likely to keep the USD under pressure. Diversification will be a powerful driver, particularly given NZ’s above average ranking among sovereigns, and high roll+carry.

### CURRENCY STRATEGY

Currency markets will be on tenterhooks early this week following S&P’s decision to downgrade the US. We can expect policymakers to come out in force today to try and stabilise markets. Whether it will work or not is another matter. We are likely to see risk assets sold with safe havens sought out. The Japanese yen and Swiss franc should benefit, despite the best endeavours of their authorities to stop their currency’s appreciation. The NZD may have been perceived as a safe haven during a storm, but it is an entirely different matter during a hurricane.

# ECONOMIC OVERVIEW

## SUMMARY

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## THIS WEEK'S EVENTS

**SNZ Electronic Card Transactions – July** (Tuesday, August 9, 10:45am). A 0.4 percent increase in retail ECT spending is expected. Core ECT is expected to rise 0.2 percent.

**REINZ Housing Market Report - July** (Thursday, August 11, 10:00am). We expect a 1 percent increase in sales volumes. A lower supply of listings is expected to see small increases in prices over the next few months, with a 1 to 2 percent increase in prices expected. Regional differences will remain evident.

**BNZ Manufacturing NZ PMI - July** (Thursday, August 11, 10:30am). The headline gauge is expected to head towards the low 50's given global concerns and the higher NZD.

**ANZ Roy Morgan Consumer Confidence - August** (Thursday, August 11, 1:00pm).

## WHAT'S THE VIEW?

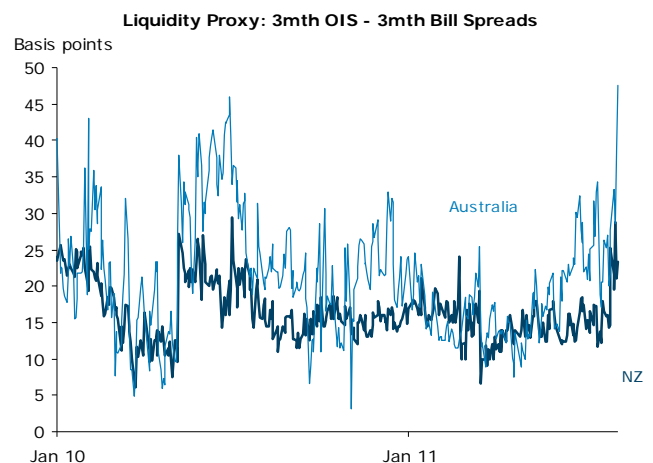
**It's been a brutal week globally**, with a sea of red ink for equities. For the week, European indices were down over 10 percent, with Asian bourses also significantly lower. Commodities were also hit, with the CRB measure down around 4.4 percent, and larger falls for oil prices. Measures of risk capitulated. With the exception of peripheral European sovereigns and Italy, Government bond yields rallied, with the US 10-year Treasury yield having fallen 24 basis points by Friday close. Safe haven flows dominated currency markets, with the Japanese yen and Swiss franc strengthening late in the week despite authorities in both countries intervening to weaken their currencies. After hitting post-float highs at the start of the week (88.4 US cents), the NZDUSD lost more than 5 cents at one stage, though it has moved up 1 cent since then. **With the S&P downgrade of the US from AAA to AA+ occurring after most markets had closed for**

**the weekend, today's opening is likely to see another leg lower.**

**Market pricing has tumbled.** Last Monday 55 basis points of RBNZ tightening was priced in by the end of the year. By this morning, around 50 basis points has now effectively been removed, with March next year being the first month in which a RBNZ hike is now fully priced in. Australian market pricing has also rallied substantially, with more than 125 basis points of rate cuts now priced in by December!

**On some levels we are hardly surprised by global developments.**

- Our sovereign risk analysis had been warning of further problems, especially for some big nations such as Italy (refer page 6).
- Our “bathtub with waves” shaped economic cycle analogy to depict the post financial crisis economic environment (a long journey with a few ups and downs) still applies. We've never been uber bullish regarding the global economy.
- We are putting *some* of the volatility down to the market finally “getting it”. The post financial crisis trend rate of growth for a host of Western nations is lower than seen previously. A different trend growth rate means a different secular outlook for earnings.

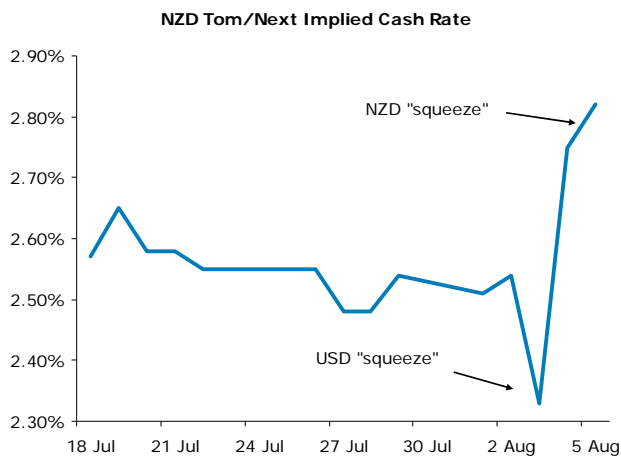


Sources: ANZ, Bloomberg

Several notable developments are somewhat troubling. They include the massive widening in the spread between expected policy interest rates and the actual traded rate for cash in several markets. These spreads typically widens when the market starts worrying that cash might get “tight” in global interbank markets. The New Zealand market has lagged moves in Australia and Europe, but is likely to follow. The most worrying recent sign so far has been the about-turn in pricing in the forward FX market. Until the middle of last week,

## ECONOMIC OVERVIEW

the implied cost of raising funds (by lending USD and borrowing NZD) in the FX forward market was falling, with the "Tom/Next" rate implying a funding rate of 2.33% at its low point. Essentially a "squeeze" was on in US dollars, and traders were prepared to lend NZD at a discount in return for precious USD. Although USD LIBOR rates continue to rise, reflecting even more intense demand for USD cash, the "squeeze" has come even harder on NZD, pushing the implied funding rate up to 2.82% on Friday as the chart below shows. Not all of this reflects global concerns, and in fact, the amount of interbank settlement cash has been unusually low of late. But we will be watching closely to see if global developments start to have more of an impact on interbank cash.



Sources: ANZ, National Bank, OM Financial Limited

**In this environment, the OCR will not be moving up**, despite local developments, including last week's labour market figures, clearly justifying the removal of March's insurance cut in September. **Receding global financial risk was a precondition to the RBNZ hiking, and at present we are a country mile away from that condition being met.** We're not going to be into the game of chopping and changing our interest rate view from week to week, and technically we still have a September hike pencilled in. But now the onus is on the global scene improving – substantially.

**We now need to see decisive leadership as opposed to populism.** We are sure the phones have been running hot in central banks, treasuries and in political circles over the weekend. Liquidity stresses in the market can be solved. Policymakers have the tools. However, it's the solvency aspect to various nations' fiscal positions that ultimately need to be addressed. And you don't address such challenges by minor tinkering and bowing to populism. The courageous decision by S&P to remove the USA's triple-A status is telling. Bond markets are increasingly

starting to hold irresponsible fiscal managers to account: witness the 225 basis point jump in Italian 10 year bond yields over the past year. Time is no longer on the side of politicians. Ironically, S&P's action might be one elixir driving more decisiveness and leadership.

**Fiscal austerity will be a major headwind for Western economies for a decade.** Of course some argue that governments should keep the spending floodgates open until economies recover. This, however, fails to recognise 3 dynamics:

- Markets are not that patient: witness the lift in Greek, Spanish and Italian yields.
- Businesses need certainty, and this is where tough decisions can lead to an aggressive private sector response.
- Taxpayers are not stupid. They know they'll end up paying for the fiscal ineptitude one day so they don't spend.

**Ironically, New Zealand is probably now witnessing a good opportunity to lift our GDP per capita rankings.** We're not doing anything special apart from doing the basics well. Rather, we're watching others potentially botch it up. It's not the ideal way to lift our ranking, but we'll take it!

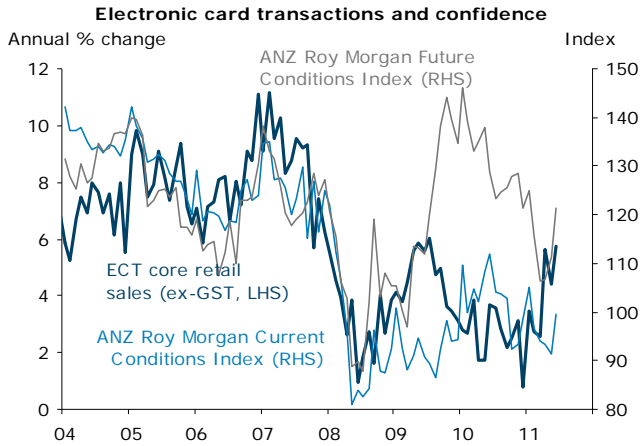
**Locally, New Zealand still looks in good shape.** Four percent growth is still within reach. We're not tempted to substantially change our prognosis yet. Yes, there could be some tweaking, but the revisions to date have been up and not down! Some question this, given recent volatility, to which we reply:

- New Zealand was out of sync in 2009 and 2010 with key Western trading partners, effectively remaining in recession. Such an outcome was a precondition to fixing the national balance sheet. This journey is not over but the progress to date has the country better placed than some peers. Put simply: while NZ was paying the piper, others weren't.
- We're seeing an appropriate market response. We don't like to see NZ's export commodity prices fall, and the reasons behind why the NZD has fallen have us concerned. But it's still loosened financial conditions.
- We have a good base from which growth can spring board. Accommodative financial conditions and the pending boost from earthquake-related construction will provide further support.

**Of course this does not mean we are downplaying global developments.** We're closely eyeing funding markets and also the transmission via

# ECONOMIC OVERVIEW

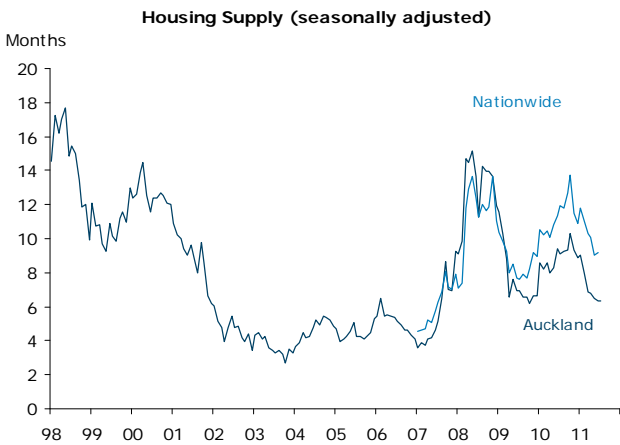
key trading partners such as Australia. We won't get a steer on the "confidence" fallout until the end of the month, and until then it's simply a case of watching and worrying. Confidence will be dented; it's merely a question of degree.



Sources: ANZ, National Bank, Statistics NZ

**Against an awful global backdrop, domestic data is expected to highlight ongoing resilience.**

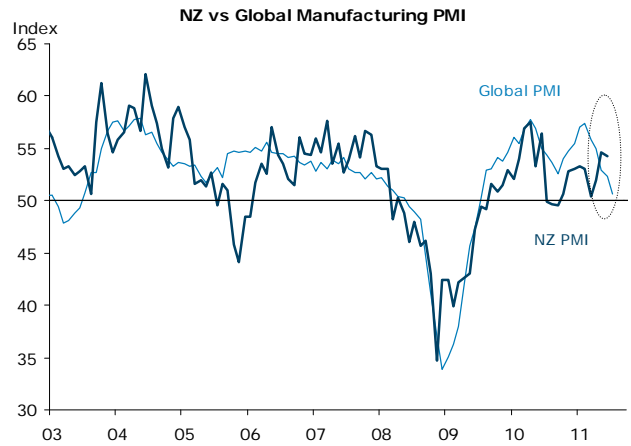
Tomorrow's Electronic Card Transaction data is expected to deliver an increase of 0.4 percent for retail transaction values, with ex-GST retail spending growing at a 6 percent plus annual clip. Petrol prices increased 0.3 percent in July and food prices are also likely to have increased in the month, so retail volumes are likely to be broadly unchanged. With average labour earnings growing at a 4.7 percent annual clip in June, and with the household saving rate mildly positive, **there is considerable scope for households to fund spending out of income.** This week's ANZ Roy Morgan Consumer Confidence report will show whether consumers are continuing to come out of their shells, after a period of restraint.



Sources: ANZ, National Bank, REINZ, realestate.co.nz, Barfoot & Thompson

**While consumer spending is a little more upbeat, July house sales volumes are anticipated to largely tread water.** Residential sales volumes remain one quarter below historical averages as a portion of the housing stock, but this is largely due to a limited inventory of properties being on the market. According to July figures published by [www.realestate.co.nz](http://www.realestate.co.nz) the inventory of nationwide properties for sale is 22 percent lower than a year ago, with housing supply the tightest in four years in Auckland. In such an environment we would expect prices to start to move higher.

July manufacturing sentiment for New Zealand is expected to ease towards the low 50s, given the high NZD and weakening in overseas manufacturing gauges. A solid end to the primary production season has helped maintain positive local sentiment. **We will continue to watch new orders for signs of slippage, considering the deterioration already seen in overseas gauges.**



Sources: ANZ, National Bank, Bloomberg, Business NZ

## RECENT LOCAL DATA

**ANZ Commodity Price Index – July.** The index eased by 0.1 percent (+22.3 percent y/y). Prices for eight commodities rose, with seven prices falling and two unchanged. In NZD terms, the index fell 3.7 percent in July (+4.7 percent y/y).

**SNZ Labour Cost Index - Q2.** Private sector salary and wage rates increased 0.5 percent (2.1 percent). Including overtime, LCI wages rose 0.5 percent (2.0 percent y/y).

**SNZ Quarterly Employment Survey – Q2.** Private sector average hourly earnings rose 1.2 percent (3.1 percent y/y). Filled jobs declined 0.1 percent s.a. (-0.3 percent y/y), whereas paid hours rose 0.7 percent s.a. (1.6 percent y/y). Gross weekly earnings rose 1.7 percent s.a. (4.7 percent y/y).



## ECONOMIC OVERVIEW

**GlobalDairyTrade auction.** Overall prices fell 1.3 percent from the mid-July event, to an average winning price of US \$3,716/tonne. Whole milk powder prices eased 0.3 percent.

**SNZ Household Labour Force Survey – Q2.**

Employment was unchanged with the unemployment rate steady at 6.5 percent. The labour force participation rate was broadly unchanged. Hours worked rose a seasonally adjusted 1.6 percent (1.8 percent y/y).

# SOVEREIGN DEBT BACK IN THE SPOTLIGHT

## SUMMARY

Our sovereign risk ranking framework, which uses both negative (i.e. debt) and positive metrics (i.e. flexibility) continues to warn of Eurozone-centric challenges. However, with the US losing its triple A status from S&P, it appears favourable metrics can only buy you so much time.

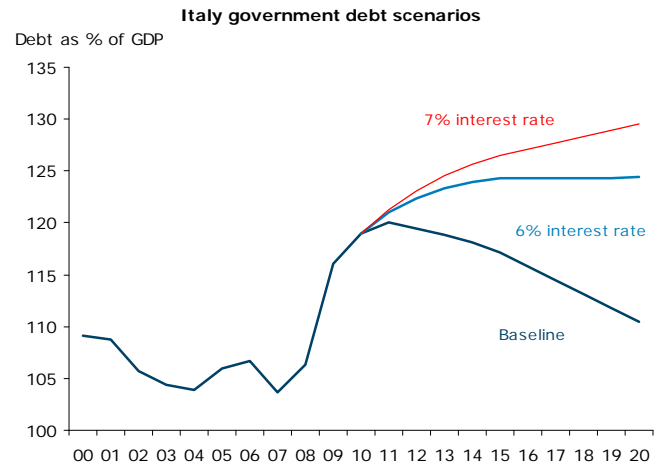
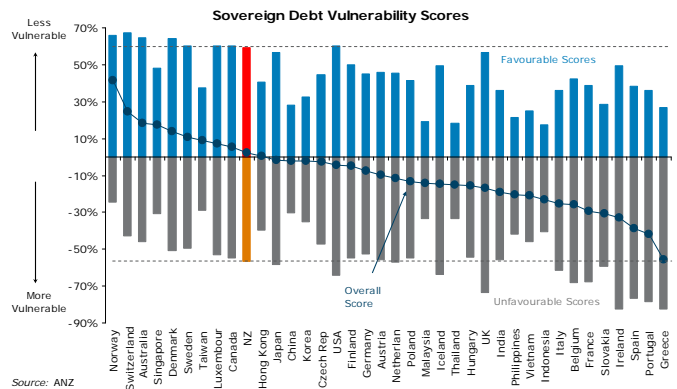
## AN ACCIDENT WAITING TO HAPPEN

**Market sentiment has shifted from nervousness to outright panic since Thursday.** Indeed, barely 3 days on from breathing a sigh of relief following the “successful” negotiation of a US debt deal (though not successful enough to avert a credit downgrade), attention quickly turned back to Europe and the substantial sovereign debt issue it faces. While US Treasury bond yields fell, yields on 10yr peripheral sovereign bonds rose, taking Italian government bonds above 6 percent, a level considered to be untenable. Whereas New Zealand and the NZD have until now been viewed as safe haven markets, this proposition was always set to be tested if the pendulum swung too far. It seems that NZ is a safe port in a storm, but not in a hurricane.

**Having gone after smaller heavily indebted nations like Greece, Portugal and Ireland, markets have now turned their sights on Italy, and to a lesser extent Belgium and France.** Italy is a completely different proposition. It’s the 8th largest economy in the world and has the 3rd largest government bond market. As the chart across shows, due to its high debt burden (119 percent of GDP) Italy simply cannot sustain higher interest rates. And because it’s in the euro, it has no exchange rate flexibility and is at the mercy of the issuing entity – the ECB – to come up with a solution. Remember, markets have already set their sights on the UK and more recently the US. But in both cases their currencies bore the brunt of the market’s ire. Both governments also responded with plans to address fiscal largesse – even if the US plan didn’t avert a downgrade.

Regular readers will be aware of our sovereign debt vulnerability rankings. Without having the massive resources of a rating agency, we simply **focus on a collective of bad or worry variables** (government debt, the fiscal balance, current account and net external debt) **as well as metrics that can buy you a bit of time.** The latter include an economy’s size, existence of a floating exchange rate, political stability, competitiveness etc. **A nation’s net score gives one simple metric of vulnerability.**

Given market ructions we thought it timely to remind readers of both the framework, and also the rankings. In many ways, developments of the past few days are hardly surprising, though the speed and aggressiveness of the market response have been. **Our sovereign debt vulnerability rankings have consistently placed Italy, Belgium and France at the wrong end of the spectrum.** Markets had given Italy room to breathe on account of its size and wealth, but with debt to GDP at 119 percent at the end of 2010, rising interest rates were always going to be an Achilles heel. Moreover, with the USA losing its AAA credit rating status, **it seems favourable metrics can only buy you so much time. When the market calls time, it’s a case of time’s up.**



**Of course, events like this (the US downgrade and severe ructions in Europe) can be watershed events with the benefit of hindsight.** Indeed, historical experience suggests that the loss of a AAA credit rating is often the shot across the bow politicians need to seize the mandate for fiscal reform. As such, we may be nearing the “low water mark” in terms of how bad things get on the fiscal front, particularly in the US. Our hunch is that this is exactly what will happen next. Of course, it will take some



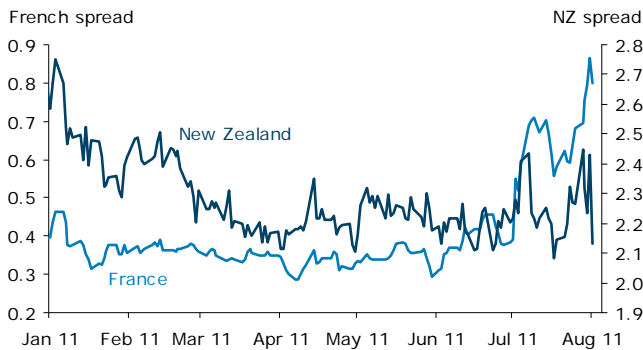
# SOVEREIGN DEBT BACK IN THE SPOTLIGHT

time for a credible plan to be agreed on, put in place, and longer still for it to demonstrate a track record. Things may get worse before they get better, but the point is, **when measured in a timescale of months and years, we are likely nearing the low point in sentiment towards the US.**

**That said, near term developments will be critical in terms of how they shape the investment environment in New Zealand.** As we noted, the US downgrade may be the catalyst for change in America in the coming months. But it will take time, and investors will search for alternatives in the meantime. In fact, this has been an ongoing process, but we may well see the pace of diversification out of USD assets step up a gear.

Furthermore, whether we see decisive action in Europe remains to be seen, with the way forward plagued by a lack of a clear mandate within the EU structure (who should be in charge, the ECB, the European parliament?) and lack of political will (perhaps disbanding the euro is the only way out?) may hamper progress. As such, **unless we see a decisive plan (which would pretty well have to be a full restructure/guarantee of all "suspect" government debt), we are likely to be in store for a series of "dominos" falling.** As the chart below shows, French bond yields have been widening rapidly in the past ten days, a sure sign that markets are nervous. When it comes to downgrades from the AAA group, France could be next with the UK not far behind (ranking 5<sup>th</sup> on unfavourable metrics).

**New Zealand and French 10yr Bond Spreads to German "Bunds"**



Sources: ANZ, Bloomberg

By contrast, as the chart above also shows, NZ's bond spreads have generally tightened over the year. This has been particularly intense over the past ten days, taking the spread back to the year's lows. **This is not surprising given our vulnerability ranking, which suggest New Zealand will be a beneficiary of diversification.**

Country	Overall Rank (high ranking more vulnerable)	Unfavourable (high ranking preferable)	Favourable (low ranking preferable)	Overall Score
Greece	1	1	33	-56%
Portugal	2	3	27	-42%
Spain	3	4	25	-39%
Ireland	4	2	13	-33%
Slovakia	5	11	31	-31%
France	6	7	24	-29%
Belgium	7	6	20	-26%
Italy	8	10	28	-25%
Indonesia	9	30	38	-23%
Vietnam	10	27	34	-21%
Philippines	11	29	35	-21%
India	12	16	29	-19%
UK	13	5	10	-17%
Hungary	14	20	23	-16%
Thailand	15	33	37	-15%
Iceland	16	9	14	-14%
Malaysia	17	34	36	-14%
Poland	18	17	21	-13%
Netherlands	19	13	17	-12%
Austria	20	15	16	-10%
Germany	21	22	18	-7%
Finland	22	18	12	-5%
USA	23	8	8	-4%
Czech Rep	24	25	19	-2%
Korea	25	32	30	-2%
China	26	36	32	-2%
Japan	27	12	11	-2%
Hong Kong	28	31	22	1%
<b>NZ</b>	<b>29</b>	<b>14</b>	<b>9</b>	<b>2%</b>
Canada	30	19	7	6%
Luxembourg	31	21	6	7%
Taiwan	32	37	26	9%
Sweden	33	24	5	11%
Denmark	34	23	4	14%
Singapore	35	35	15	17%
Australia	36	26	3	18%
Switzerland	37	28	1	25%
Norway	38	38	2	42%

## THE UPSHOT

**Our rankings continue to warn of a Eurozone centricity to the issue.** Economic theory dictates that the problems will be sorted – the market will force adjustments with the alternative (inaction) untenable. However, game theory (i.e. the prisoner's dilemma) also tell us that self interest will always dominate the wider group's interest. **This is where it typically takes an accident to foster the necessary changes. We may be on the brink.**



# MONTHLY INFLATION GAUGE

## SUMMARY

Our monthly inflation gauge rose 0.3 percent in July, up from the 0.2 percent increase in June. There were a few scattered price increases, which were more symptomatic of cost push influences than strengthening demand. While quarterly inflation from the gauge remains within the RBNZ's "comfort zone", the risk remains that a strengthening in wage pressure will add to cost-side pressures as demand-side influences start to impact on pricing. The key battleground for the RBNZ will be ensuring that wage and price setting remains consistent with the inflation target. If not, the July OCR Review made it clear that based on domestic considerations interest rates would have to head higher, subject to global developments.

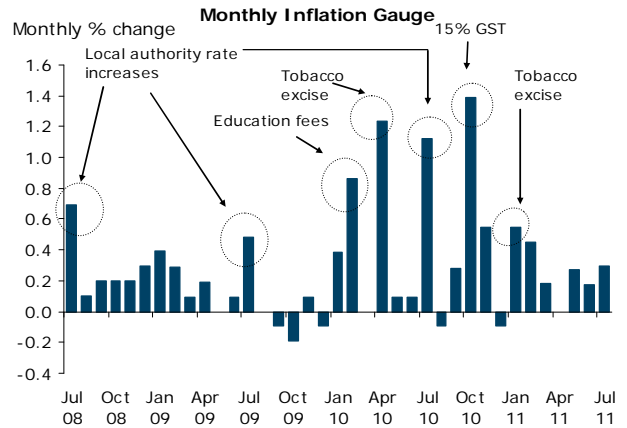
## RETURN TO NORMAL?

**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, differences in methodology and coverage mean the gauge will not exactly mirror the official series. However, it is proving to be a useful indicator of domestic inflationary trends.

**Prices in the gauge rose 0.3 percent in July, following a 0.2 percent rise in June.** Prices increased in five of the eight groups, with two unchanged and prices in one group falling. Price increases were scattered throughout the gauge: a 4.7 percent increase for local authority rates, 2 percent increase in beer prices, 1.8 percent increase in medical fees, 3.3 percent increase for parking fees, 1 percent increase in electricity charges and 10 percent increase for 10-pin bowling admissions! There were smaller price increases scattered throughout the gauge, though there were also a few offsetting price falls, notably for health and vehicle insurance, wine, credit services, accommodation and optometrist fees.

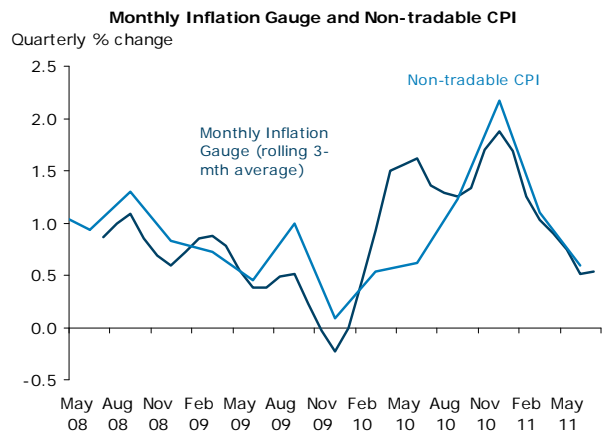
**The gauge has proven to be a useful bellwether of inflationary trends.** For the last few quarters in particular, the gauge has tracked very closely to quarterly non-tradable CPI inflation. Taking a rolling average of the last three months from the gauge shows quarterly inflation running at close to 0.5 percent in the 3-months to July. This is within the RBNZ's "comfort zone" for core inflation. However, there is no room for complacency. With the economy and labour market strengthening, increasing wage and demand pressures look set to add to inflationary pressures. As the RBNZ warned in the July OCR Review, the key battleground is on managing inflation expectations. **For now the RBNZ can afford to be patient, especially given global risks, but there**

**are limits to this.** We will be closely watching our Gauge as an early warning indicator of changes in pricing behaviour.



Source: ANZ

	Monthly Inflation Gauge (Index)	Monthly Inflation Gauge (m/m%)	Implied Inflation Gauge (q/q%)	Actual non-tradable CPI (q/q%)
Jan 10	1044	0.4		
Feb 10	1053	0.9		
Mar 10	1053	0.0	0.9	0.5
Apr 10	1066	1.2		
May 10	1067	0.1		
Jun 10	1068	0.1	1.6	0.6
Jul 10	1080	1.1		
Aug 10	1079	-0.1		
Sep 10	1082	0.3	1.2	1.2
Oct 10	1097	1.4		
Nov 10	1103	0.5		
Dec 10	1102	-0.1	1.9	2.2
Jan 11	1108	0.5		
Feb 11	1113	0.5		
Mar 11	1115	0.2	1.0	1.1
Apr 11	1115	0.0		
May 11	1118	0.3		
Jun 11	1120	0.2	0.5	0.6
Jul 11	1123	0.3		



Sources: ANZ, National Bank, Statistics NZ



# INTEREST RATE STRATEGY

## SUMMARY

The US rating downgrade will reverberate through markets for a few days yet. Market reaction has been constructive so far, and we expect it to remain that way. While not a reason to buy NZD, the downgrade is likely to keep the USD under pressure. Diversification will be a powerful driver, particularly given NZ's above average ranking among sovereigns, and high roll+carry.

## MARKET THEMES

- The RBNZ made it clear that global financial market stability was a pre-condition to raising rates. Although the domestic outlook justifies a hike, for now, the focus is on global market turmoil.
- Local markets have moved to delay RBNZ hikes. Although soothing comments from the ECB have pared back the rally, NZGS bonds remain well bid as investors seek diversification, and roll+carry.

## REVIEW AND OUTLOOK

All eyes were initially on the US last week as debt ceiling negotiations went down to the wire. **But in the end, the debt ceiling deal was a sideshow in comparison to what was happening in Europe**, with the ECB threatening to hike, insistent still that liquidity, rather than solvency was the issue. Bond markets disagreed, and peripheral bond spreads rocketed higher. Panning back to the US, **just as the mood was starting to improve, enter S&P after the market close with a downgrade. All eyes are now on Asian markets.**

So, where do we go from here? **At this stage, market reaction has been "constructive" in the sense that it has been logical.** The NZD is lower, but not much lower, reflecting concerns that while NZ is a safe haven in a storm, it may be more vulnerable in a hurricane, particularly if global growth is undermined somewhat. **In the interest rate space, we must acknowledge that global risks reduce the odds of RBNZ rate hikes.** We think it's a step too far at this stage to say that the RBNZ won't be raising rates. But if markets are still like this in a month's time, they won't be raising rates.

The one thing we can be sure of is volatility – and while that's theoretically two-way, the reality is that it tends to have a negative impact on sentiment, and will pare back rate hike expectations. **But the one overriding thought that has us somewhat guarded, and not willing to capitulate is simply this: it is always darkest before dawn, and as we have noted in other sections, the loss of an AAA credit rating often brings about change for the good.** That's not to say that the US government can change sentiment overnight. It will take time. But the issue is clearly now at the forefront, and we must not lose sight of this.

**In the short term, we expect immense pressure on short end rates to move lower to remain in place,**

with markets looking to Australia and asking, if they're pricing in cuts, why is NZ pricing in hikes? Highest in class for roll+carry will also keep a lid on NZ interest rates, particularly with AUD roll+carry in negative territory. But bonds are likely to be the biggest beneficiaries. US bond markets remain closed, but yields had started rising on Friday on the back of better US data. As stock markets fall, expect to see buying of bonds. **Global investors are also likely to step up the pace of diversification away from USD. Differentiation is key at times of stress, and Australian and NZ bond yields top the list in terms of yield and credit quality.**

## PREFERRED BORROWING STRATEGIES

Interest rates have moved substantially lower in the past few days. One may well look back on this as an opportunity missed if one does not fix now. But our suspicion is that the current episode of uncertainty and negativity would have to be exceptionally short-lived for markets to go back towards levels prevailing ten days ago. As such, we see no strong rationale for fixing at this stage, and prefer to stand on the sidelines before taking action. It's not just that the US downgrade and European debt crisis is a big deal for markets, it could also intensify global growth fears, and until the outlook brightens, we see no point removing flexibility from businesses.

## GAUGES FOR NZ INTEREST RATES

GAUGE	DIRECTION	COMMENT
RBNZ / OCR	↔	Depends on global scene.
NZ data	↑	Not in focus, but data positive.
Fed Funds / front end	↓	Looking to Jackson Hole for potential QE3 discussion.
RBA	↔/↑	5 cuts by Dec looks too much.
US 10 year	↔/↓	Yields likely to remain well bid.
NZ swap curve	↔/↓	Bonds to outperform Expect global moves to dominate.
Flow	↔/↓	Short covering likely.
Technicals	↔	Volatility more influential.

## MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 15-Sep-11	+34	+6
Thu 27-Oct-11	+42	+11
Thu 8-Dec-11	+53	+16
Thu 26-Jan-12	+64	+21
Thu 8-Mar-12	+77	+28
Thu 26-Apr-12	+91	+35
Thu 14-Jun-12	+102	+42

## TRADING THEMES WE FAVOUR AT PRESENT

We prefer to avoid "obscure" value trades and instead prefer to focus on liquid points on the curve. Positive roll NZ/AU yield convergence trades would seem to offer rich pickings, on the view if the RBA does need to cut, the RBNZ won't be hiking.

# CURRENCY STRATEGY

## SUMMARY

Currency markets will be on tenterhooks early this week following S&P's decision to downgrade the US. We can expect policymakers to come out in force today to try and stabilise markets. Whether it will work or not is another matter. We are likely to see risk assets sold with safe havens sought out. The Japanese yen and Swiss franc should benefit, despite the best endeavours of their authorities to stop their currency's appreciation. The NZD may have been perceived as a safe haven during a storm, but it is an entirely different matter during a hurricane.

## MARKET THEMES

- US downgrade to influence a lower USD.
- EU looking after number 1 - themselves.
- Lower growth theme to undermine the "risk on" trade.
- Expect a high volatility week.

## REVIEW AND OUTLOOK

**A poor performance from equity markets has undermined the NZD, resulting in a 4 percent decline last week.** Commodity prices are also weak as the markets focus on the lower global growth theme. However, expectations for a lower NZD from this theme may be confounded by a need for investors to find a currency that is worth owning. And NZD certainly looks like one of the "least worst" at a minimum.

**The US downgrade will turn the world off US dollars for a while to come.** This means that we could see an acceleration of the diversification away from USD by sovereign wealth funds and central bank reserve managers. Indeed the BoJ supposedly bought USD40-50bn during it's FX intervention last week. Will we see EUR (or even AUD or NZD) buying to diversify that risk?

**The EU member states continue with crisis meetings to work their way through issues as they arise.** This is creating a very "headline driven" market and increasing volatility. The ECB has announced that it will enter the market to actively purchase bonds. However, they will need to step into the Spanish and Italian bond markets if they want to try and contain the situation. If they do, this may provide some short term support for the EUR.

**Following the massive intervention by the BoJ last week, USDJPY still remains vulnerable in the aftermath of the US downgrade.** We will need to wait and see if the BoJ is prepared to get

more aggressive in the face of USD weakness this week.

**In Australia the market is now pricing around 150 basis points of interest rate cuts by April next year.** While this obviously undermines the AUD, the currency has been more affected by the lower growth focus. As with the NZD, the AUD is going to be torn between the growth theme and least worst currency status. However the relative Trans-Tasman interest rate outlooks favour NZD over AUD so expect NZDAUD to move higher still – potentially 0.8250.

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	↑	Support now at <b>0.8030</b>
Sentiment	↔	Risk off.
Other	↔	Global sentiment big driver.
<b>On balance</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	↑	NZ yields still relatively high.
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>Headline driven.</b>

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
8-Aug	JN	Current Account Total - JUN	¥652.8B	¥590.7B	11:50
	JN	Adjusted Current Account Total - JUN	¥961.1B	¥391.0B	11:50
	JN	Current Account Balance YOY% - JUN	-40.1%	-51.7%	11:50
	JN	Trade Balance - BOP Basis - JUN	¥113.1B	-¥772.7B	11:50
	NZ	QV House Prices YoY% - JUL	-	-0.9%	12:00
	AU	ANZ Job Advertisements (MoM) - JUL	-	3.7%	13:30
	JN	BoJ Monthly Economic Report - JUL			17:00
	JN	Eco Watchers Survey: Current - JUL	50.0	49.6	17:00
	AU	Foreign Reserves - JUL	-	A\$41.1B	18:30
	EC	Sentix Investor Confidence - AUG	3.4	5.3	20:30
9-Aug	NZ	NZ Card Spending - Retail MoM - JUL	0.5%	1.2%	10:45
	NZ	NZ Card Spending - Total MoM - JUL	0.5%	0.8%	10:45
	UK	RICS House Price Balance - JUL	-28%	-27%	11:01
	AU	Home Loans MoM - JUN	0.8%	4.4%	13:30
	AU	Investment Lending - JUN	-	4.4%	13:30
	AU	Owner-Occupied Home Loan Value MoM - JUN	-	2.2%	13:30
	CH	Consumer Price Index (YoY) - JUL	6.4%	6.4%	13:30
	AU	NAB Business Confidence - JUL	-	0	13:30
	CH	Producer Price Index (YoY) - JUL	7.5%	7.1%	13:30
	AU	NAB Business Conditions - JUL	-	2	13:30
	CH	Industrial Production YTD YoY - JUL	14.3%	14.3%	14:00
	CH	Industrial Production (YoY) - JUL	14.6%	15.1%	14:00
	CH	Fixed Assets Inv Excl. Rural YTD YoY - JUL	25.5%	25.6%	14:00
	CH	Retail Sales YTD YoY - JUL	17.0%	16.8%	14:00
	CH	Retail Sales (YoY) - JUL	17.7%	17.7%	14:00
	JN	Consumer Confidence - JUL	37.0	35.3	17:00
	GE	Exports SA (MoM) - JUN	-1.0%	4.4%	18:00
	GE	Imports SA (MoM) - JUN	-1.5%	3.8%	18:00
	GE	Current Account (EUR) - JUN	€11.0B	€6.9B	18:00
	GE	Trade Balance (EUR) - JUN	€14.0B	€14.8B	18:00
	UK	Industrial Production (MoM) - JUN	0.4%	0.9%	20:30
	UK	Industrial Production (YoY) - JUN	0.2%	-0.8%	20:30
	UK	Manufacturing Production (MoM) - JUN	0.2%	1.8%	20:30
	UK	Manufacturing Production (YoY) - JUN	2.8%	2.8%	20:30
	UK	Visible Trade Balance GBP/mn - JUN	-£8100	-£8478	20:30
	UK	Trade Balance Non EU GBP/mn - JUN	-£4800	-£5109	20:30
	UK	Total Trade Balance (GBP/mn) - JUN	-£3600	-£4060	20:30
	US	NFIB Small Business Optimism - JUL	90.0	90.8	23:30
	UK	NIESR GDP Estimate - JUL	-	0.1%	UNCONFIRMED
10-Aug	US	Nonfarm Productivity - 2Q P	-0.8%	1.8%	00:30
	US	Unit Labor Costs - 2Q P	2.4%	0.7%	00:30
	US	FOMC Rate Decision - 40026	0.25%	0.25%	06:15
	JN	Housing Loans YoY - 2Q	-	2.7%	11:50
	JN	Tertiary Industry Index (MoM) - JUN	1.0%	0.9%	11:50
	JN	Domestic CGPI (YoY) - JUL	2.6%	2.5%	11:50
	AU	Westpac Consumer Confidence s.a. (MoM) - AUG	-	-8.3%	12:30
	AU	Westpac Consumer Confidence Index - AUG	-	92.8	12:30

Continued on following page

## DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
10-Aug	CH	Trade Balance (USD) - JUL	\$27.40B	\$22.27B	14:00
	CH	Exports YoY% - JUL	17.0%	17.9%	14:00
	CH	Imports YoY% - JUL	22.0%	19.3%	14:00
	GE	Consumer Price Index (MoM) - JUL F	0.4%	0.4%	18:00
	GE	Consumer Price Index (YoY) - JUL F	2.4%	2.4%	18:00
	GE	CPI - EU Harmonised (MoM) - JUL F	0.5%	0.5%	18:00
	GE	CPI - EU Harmonised (YoY) - JUL F	2.6%	2.6%	18:00
	UK	Bank of England Inflation Report - JUL	- -	- -	21:30
	CH	Actual FDI (YoY) - JUL	- -	2.8%	UNCONFIRMED
	NZ	REINZ Housing Price Index MoM% - JUL	- -	1.3%	UNCONFIRMED
	NZ	REINZ House Sales YoY% - JUL	- -	14.2%	UNCONFIRMED
	UK	Nationwide Consumer Confidence - JUL	- -	51	UNCONFIRMED
11-Aug	US	JOLTs Job Openings - JUN	- -	2974	02:00
	US	Wholesale Inventories - JUN	1.0%	1.8%	02:00
	US	Monthly Budget Statement - JUL	-\$135.0B	-\$43.1B	06:00
	NZ	Business NZ PMI - JUL	- -	54.3	10:30
	AU	Consumer Inflation Expectation - AUG	- -	3.4%	13:00
	NZ	ANZ Consumer Confidence Index - AUG	- -	109.4	13:00
	NZ	ANZ Consumer Confidence MoM - AUG	- -	-2.8%	13:00
	AU	Employment Change - JUL	10.0K	23.4K	13:30
	AU	Unemployment Rate - JUL	4.9%	4.9%	13:30
	AU	Full Time Employment Change - JUL	- -	59.0K	13:30
	AU	Part Time Employment Change - JUL	- -	-35.6K	13:30
	AU	Participation Rate - JUL	65.6%	65.6%	13:30
	GE	Wholesale Price Index (MoM) - JUL	- -	-0.6%	18:00
	GE	Wholesale price Index (YoY) - JUL	- -	8.5%	18:00
	EC	ECB Publishes Aug. Monthly Report -			20:00
	CH	New Yuan Loans - JUL	550.0B	633.9B	UNCONFIRMED
	CH	Money Supply - M0 (YoY) - JUL	- -	14.4%	UNCONFIRMED
	CH	Money Supply - M1 (YoY) - JUL	13.5%	13.1%	UNCONFIRMED
	CH	Money Supply - M2 (YoY) - JUL	15.8%	15.9%	UNCONFIRMED
12-Aug	US	Trade Balance - JUN	-\$48.0B	-\$50.2B	00:30
	US	Initial Jobless Claims - 6 AUG	401K	400K	00:30
	US	Continuing Claims - 30 JUL	3725K	- -	00:30
	NZ	Non Resident Bond Holdings - JUL	- -	61.4%	15:00
	EC	Euro-Zone Ind. Prod. wda (YoY) - JUN	4.2%	4.4%	21:00
	EC	Euro-Zone Ind. Prod. sa (MoM) - JUN	0.0%	0.3%	21:00
	US	Advance Retail Sales - JUL	0.5%	0.1%	00:30
	US	Retail Sales Less Autos - JUL	0.2%	0.0%	00:30
	US	Retail Sales Ex Auto & Gas - JUL	0.2%	0.2%	00:30
	US	U. of Michigan Confidence - AUG P	63.0	63.7	01:55
	US	Business Inventories - JUN	0.6%	1.0%	02:00

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

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

Note: All surveys are preliminary and subject to change.

## LOCAL DATA WATCH

**Key focus over the next few weeks:** Global ructions intensified last week due to concerns over European sovereign debt and the health of the US economy. The S&P downgrade of the US is set to create further volatility. The local dataflow remained resilient, with commodity prices remaining at high levels and the demand for labour strengthening. Household-centric data should remain positive, but the high NZD and global ructions may weigh on manufacturing sentiment. There is a case for moving the OCR higher in September, but this will be conditional on global developments. 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 9 Aug (10:45)	Electronic Card Transactions - July	Up	Firming incomes will underpin a 0.4 percent increase in retail ECT spending.
Thur 11 Aug (10:00am)	REINZ Report - Jul	Improving	A 1 percent lift in sales is forecast. Prices are expected to be underpinned by low listings, rising 1 percent.
Thur 11 Aug (10:30pm)	BNZ Business NZ Manufacturing PMI	Easing	A reading in the low 50's is anticipated. More concerns over the NZD are likely to surface.
Thur 11 Aug (1:00pm)	ANZ Roy Morgan Consumer Confidence	- -	- -
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	Holding	We expect overall dairy prices to stabilise with some offsetting movements. Risks are skewed on the downside.
Fri 19 Aug (10:45am)	International Travel and Migration - July	Down	A net PLT outflow of 300 persons is expected. Volcanic ash disruptions should contribute to a further fall in visitor arrivals.
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.
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 falls to agricultural credit.
Thur 1 Sep (10:45am)	Overseas Trade Indexes - Q2	Peaking?	The OTI terms of trade is forecast to increase 1.5 percent, with export prices up 2.5 percent. Export volumes should increase 2 percent, with a 2 percent fall expected for import volumes.
Thur 1 Sep (1:00pm)	ANZ Commodity Price Index - Aug	- -	- -
<b>On Balance</b>		<b>Local vs global</b>	<b>Domestic gauges still resilient, but global concerns suggest more 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>

	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Retail ECT (% mom)	0.9	1.0	-0.8	2.4	-0.2	1.4	1.4	-0.7	1.2	..
Retail ECT (% yoy)	4.8	6.3	4.4	5.7	6.2	6.6	10.0	6.8	9.0	..
Credit Card Billings (% mom)	0.7	0.1	-1.7	3.9	-0.5	-1.2	1.8	0.4	0.4	..
Credit Card Billings (% yoy)	5.1	4.3	2.4	6.2	5.9	2.1	6.6	5.5	4.5	..
Car registrations (% mom)	-4.0	13.2	-8.9	1.1	-1.8	0.0	-5.6	3.3	-2.3	-1.9
Car registrations (% yoy)	9.4	23.5	6.4	6.8	2.8	-1.0	-10.5	-3.7	-9.5	-6.0
Building consents (% mom)	-1.5	8.3	-18.5	9.2	-9.7	2.5	-1.2	2.3	-1.4	..
Building consents (% yoy)	-17.4	-8.9	-26.4	-14.9	-28.8	-26.1	-32.1	-21.9	-25.7	..
REINZ House Price Index (% yoy)	-3.5	-1.9	-1.6	-2.6	-0.7	-1.8	-0.4	-0.7	0.0	..
Household Lending Growth (% mom)	0.0	0.0	0.1	0.1	0.1	-0.1	0.2	0.1	0.1	..
Household Lending Growth (% yoy)	2.0	1.8	1.6	1.5	1.5	1.2	1.2	1.2	1.1	..
ANZ Roy Morgan Consumer Confidence	113.6	114.5	112.2	117.1	108.1	101.4	101.4	103.3	112.5	109.4
NBNZ Business Confidence	23.7	33.2	29.5	..	34.5	-8.7	14.2	38.3	46.5	47.6
NBNZ Own Activity Outlook	30.5	35.3	34.5	..	36.6	14.7	29.5	39.7	38.7	43.7
Trade Balance (\$m)	-220	-177	-218	9	184	583	1149	551	230	..
Trade Balance (\$m ann)	1259	1363	1172	909	765	741	1230	1012	1021	..
ANZ World Commodity Price Index (% mom)	3.0	2.1	1.6	4.3	2.7	4.7	1.6	0.4	-1.2	-0.1
ANZ World Commodity Price Index (% yoy)	23.1	13.1	12.1	16.3	20.3	23.5	19.8	19.6	20.6	22.3
Net migration (sa)	420	580	700	410	430	-540	-140	-340	-340	..
Net migration (annual)	12610	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

	ACTUAL			Forecast (end month)						
FX RATES	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	0.837	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	0.584	0.60	0.61	0.61	0.61	0.60	0.60	0.60
NZD/JPY	67.16	66.80	65.52	66.0	68.3	69.0	67.0	67.0	67.0	68.1
NZD/GBP	0.501	0.517	0.510	0.53	0.55	0.54	0.55	0.53	0.53	0.53
NZ\$ TWI	70.9	71.2	72.3	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	3.00	3.25	3.50	3.75	4.00	4.25	4.50
NZ 90 day bill	2.69	2.67	2.72	3.20	3.50	3.90	4.00	4.40	4.50	4.90
NZ 10-yr bond	5.11	5.07	4.48	5.00	5.10	5.20	5.20	5.30	5.30	5.50
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75
US 3-mth	0.25	0.25	0.27	0.35	0.35	0.35	0.35	0.35	0.60	0.85
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	4.88	4.90	4.90	4.90	4.90	4.90	4.90	4.90

	5 Jul	1 Aug	2 Aug	3 Aug	4 Aug	5 Aug
Official Cash Rate	2.50	2.50	2.50	2.50	2.50	2.50
90 day bank bill	2.66	2.92	2.93	2.96	2.92	2.80
NZGB 04/13	3.21	3.41	3.37	3.24	3.26	3.04
NZGB 04/15	4.03	4.04	4.00	3.86	3.86	3.64
NZGB 03/19	4.94	4.77	4.73	4.58	4.57	4.40
NZGB 05/21	5.14	4.94	4.90	4.75	4.74	4.57
2 year swap	3.40	3.73	3.67	3.55	3.57	3.36
5 year swap	4.46	4.52	4.46	4.36	4.38	4.22
RBNZ TWI	71.3	75.0	74.7	74.0	73.4	72.6
NZD/USD	0.8284	0.8819	0.8749	0.8623	0.8533	0.8382
NZD/AUD	0.7747	0.7982	0.7969	0.8021	0.7978	0.8000
NZD/JPY	67.13	68.29	67.75	66.64	67.53	65.78
NZD/GBP	0.5163	0.5360	0.5363	0.5295	0.5210	0.5153
NZD/EUR	0.5719	0.6126	0.6136	0.6070	0.5970	0.5938
AUD/USD	1.0693	1.1048	1.0979	1.0751	1.0695	1.0478
EUR/USD	1.4486	1.4396	1.4258	1.4207	1.4293	1.4117
USD/JPY	81.03	77.44	77.44	77.28	79.14	78.48
GBP/USD	1.6046	1.6454	1.6315	1.6284	1.6379	1.6266
Oil (US\$/bbl)	94.99	95.68	94.98	93.78	91.87	86.75
Gold (US\$/oz)	1494.61	1614.23	1623.75	1658.15	1663.35	1658.55
Electricity (Haywards)	5.46	7.44	9.14	7.97	7.03	9.67
Baltic Dry Freight Index	1428	1256	1253	1260	1268	1268
Milk futures (USD)	156	155	155	155	155	149

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