

## LOUDY POLICY OUTLOOK

### NZ Economics Team:

#### Cameron Bagrie

Chief Economist  
Telephone: +64 4 802 2212  
E-mail: [bagrie@anz.com](mailto:bagrie@anz.com)

#### Khoon Goh

Senior Economist /  
Interest Rate Strategist  
Telephone: +64 4 802 2357  
E-mail: [gohk@anz.com](mailto:gohk@anz.com)

#### Philip Borkin

Economist  
Telephone: +64 4 802 2199  
E-mail: [borkinp@anz.com](mailto:borkinp@anz.com)

#### Steve Edwards

Economist  
Telephone: +64 4 802 2217  
E-mail: [edwards1@anz.com](mailto:edwards1@anz.com)

#### Kevin Wilson

Rural Economist  
Telephone: +64 4 802 2199  
E-mail: [wilsonk1@anz.com](mailto:wilsonk1@anz.com)

### Page 2: Economic overview

- > While the Reserve Bank is bound to remain alert to strong upside inflation pressures, the additional tightening being delivered by the credit channel of monetary policy and early signs of rapidly decelerating momentum indicate there is a growing risk of an earlier and aggressive easing cycle.

### Page 5: March Monetary Policy Statement Preview

- > We expect the Reserve Bank to leave the OCR unchanged at 8.25 percent. Inflation will correctly remain their predominant concern, but the tone of the policy assessment is expected to allude to downside growth risks. The market is erring towards a hawkish tone. We suspect the demeanour will be more neutral, giving them flexibility to respond if needed.

### Page 7: Economic comment – global watch

- > US economic data continues to print on the weak side, indicating that activity likely stalled in Q1. Strong PPI shows the Fed will remain attuned to potential inflation pressures further out. UK data shows domestic demand slowing, while Euro Zone data was mixed. Asian data is still printing on the strong side, showing few signs of any effects from a US slowdown at this stage.

### Page 8: Interest rate strategy

- > The RBNZ takes centre stage. Receiving interest is starting to emerge, which should increase if the RBNZ presents a more neutral tone. NZ rates market should start to decouple from Australian market on diverging outlook for their respective central banks.

### Page 9: Currency strategy

- > USD weakness theme set to continue, but rising risk aversion and possibly a more neutral tone from the RBNZ to see NZD underperform. The NZD/AUD has finally started moving, breaking support and setting up for a move lower.

### Page 10: Data and event calendar

### Page 12: Data watch

### Page 13: Key forecasts

## ECONOMIC OVERVIEW

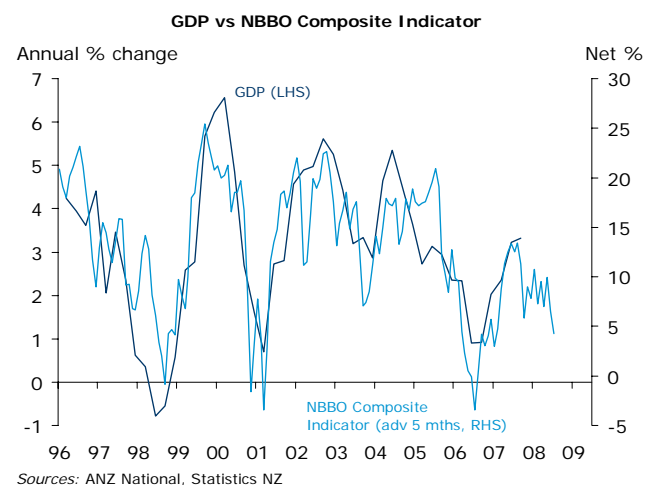
While the Reserve Bank is bound to remain alert to strong upside inflation pressures, the additional tightening being delivered by the credit channel of monetary policy and early signs of rapidly decelerating momentum indicate there is a growing risk of an earlier and aggressive easing cycle.

### What's ahead?

- > **ANZ February Commodity Price Index** (Tuesday 1500 NZDT).
- > **NZ December quarter Wholesale Trade Survey** (Wednesday 1045 NZDT). Wholesale trade activity is expected to soften in line with slowing activity in the retail sector.
- > **RBNZ Monetary Policy Statement** (Thursday 0900 NZDT). We expect the OCR to remain unchanged at 8.25 percent. Refer to our preview on page 5.
- > **NZ December quarter Value of Building Work Put in Place** (Friday 1045 NZDT). Given an easing trend present in building consent issuance, we expect residential construction activity to detract from growth in the December quarter.

### What's the view?

Last week's National Bank *Business Outlook* (NBBO) survey and negative anecdotes towards the housing market are further evidence that momentum within the economy is slowing rapidly, and that considerable downside risks to growth exist. Our composite growth indicator from the NBBO survey is pointing to 1 percent growth over the coming year. That rate of growth would rapidly purge excess demand within the economy, even on the assumption that the supply side capacity of the economy to grow has fallen to somewhere around 2 to 2.5 percent at present.

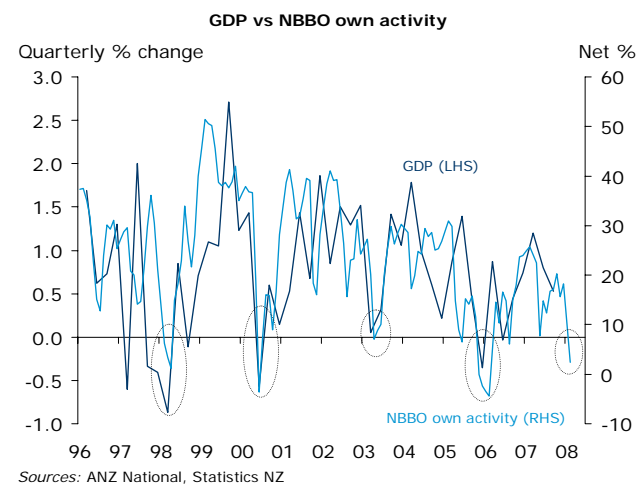


We have noted over recent weeks the tightening in financial conditions and the apparent disconnect between what that was telling us and the business confidence readings at the end of last year. Financial conditions were warning of a rapid deceleration in

momentum, while business confidence at the end of last year suggested momentum would remain robust – but below trend – at just over 2 percent.

It now seems that business confidence has finally caught up to the immense challenges facing the economy over the coming year. Elixirs include drought conditions, a weak equity market, tighter financial conditions, weaker housing activity, a squeeze on household incomes, and an uncertain global environment. But clearly it's a steep change. Positives in the form of a tight labour market still exist, but there is a huge list of negatives now in the other column to overcome.

Indeed, the dataflow that has been coming in, mainly relating to activity at the end of last year, suggests still reasonable growth in Q4. But the anecdotes we are hearing together with the NBBO survey suggest a sharp deceleration in momentum over Q1. If the February NBBO readings are sustained over the coming two months, it would be indicative of an outright stalling in growth. We'll wait until we see the March reading for the survey, but there looks to be a growing risk of a negative quarter for GDP given the strong correlation between the NBBO's own activity indicator with quarterly GDP growth. If that is the case, we suspect the NZD could be in for another large move down the elevator in Q2, similar to the moves seen in early 2006 and last year.

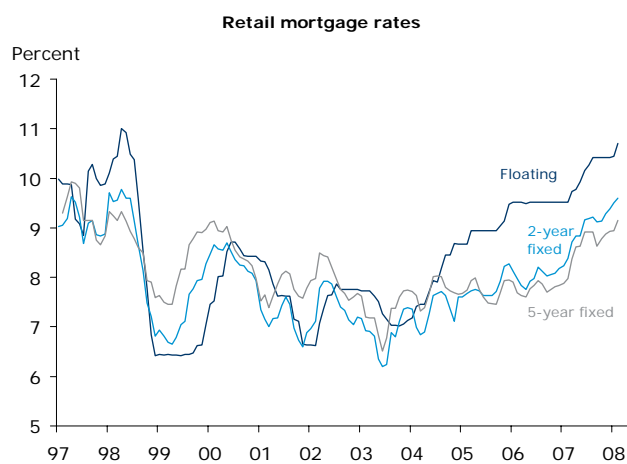


That confidence has fallen and business is slowing should not really have been a big surprise. After all, headwinds have been building for some time and the only way inflation pressure was ever going to ease was via weak growth. The endgame was never in dispute. The wake-up call is perhaps the suddenness with which momentum now looks to be easing (or stalling).

Over the past few years, when the Reserve Bank was trying to slow rampant domestic demand growth, it has been frustrated by a number of things that have worked against them. Now it appears that a number of factors are stacking up in their favour. Net migration seems to have taken a step change lower in recent months, with a net outflow of people now a real possibility sometime this year. This means ever less support for an already struggling housing market and

retail sector. Dry conditions continue to prevail over much of the country, affecting agriculture production and reducing the impact of high commodity prices. The weekend's rain was welcome, but a drop in the bucket of what is required, particularly across the Waikato region. Agriculture export volumes were down in January, and further weakness is in store should dry conditions continue.

But perhaps the one thing working fully for the Reserve Bank now is mortgage rates. We wrote at large last week about the importance of the credit channel of monetary policy and how the altered credit environment could impact on the economy. We saw a good example when fixed mortgage rates were raised by up to 25bps mid-week across the curve. Mortgage rates are now the highest they have been since 1998.



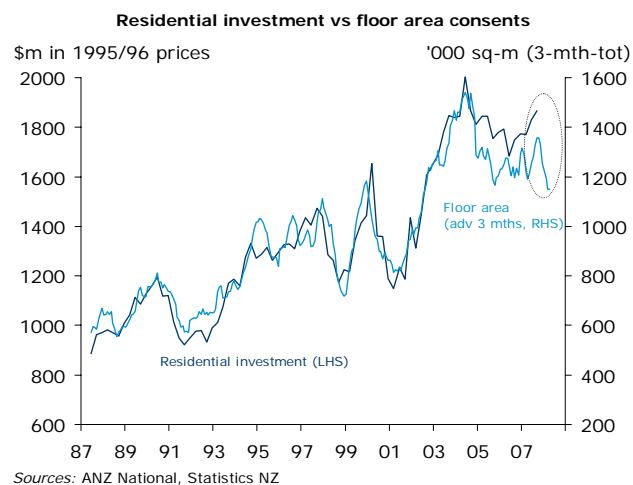
The increase in mortgage rates was not due to any policy action by the Reserve Bank. Instead, it is a direct consequence of the altered environment internationally, which has raised the cost of capital. Investors (financiers of New Zealand's savings shortfall) are demanding a higher risk premium. New Zealand benefited from strong risk appetites and a narrow risk premium over preceding years which manifested via attractive mortgage rates and cheap funding to corporates and businesses. The reverse applies when conditions change. Credit is still readily available, but at a higher price, and this is a cost borrowers will face. The credit channel of monetary policy is now working full-time for the Reserve Bank – and aggressively.

How the Reserve Bank responds (or perceives) the changed credit environment is crucial to the economic outlook over the coming two years. To be fair, there aren't any precedents to draw from in New Zealand. And it is one of those issues that macro models do not have a strong handle on. After all, credit is heavily "behavioural". Yet looking at the broad picture, the Reserve Bank found itself behind the curve over the previous few years when the credit channel was loosening financial conditions even when the Bank was tightening policy. It is now the opposite. From our perspective we know first hand that the altered global (credit) environment is leading to a rapid tightening via the credit channel of monetary policy. Last week's

rise in borrowing rates to homeowners is only the tip of the iceberg in terms of what is happening across the corporate sector. Indeed, the combination of restrictive monetary policy and tightening across the credit channel is taking collective monetary conditions to an extreme level.

In this environment, the Reserve Bank needs to adopt a flexible and pragmatic approach to policy. Sure, the labour market is tight and fiscal policy set to be more expansionary. But this nation is built on credit. There is a growing risk of monetary policy having to ease, both earlier, and more aggressively.

Looking at the other key data releases last week, building consents issuance for January may have posted a rebound, but the trend remains down. When we look at the pipeline of residential construction activity ahead based on the floor area of consents approved, a drop in residential investment of up to 15 percent from current levels is expected over the first half of this year, acting as a negative drag on GDP growth. Non-residential consent issuance remains high and a sizeable pipeline of work remains, but the consents data highlight that the slowdown in the housing market is having a broadening impact on activity. This can also be seen in the easing in the growth rate of household lending from over 1 percent per month early last year to 0.7 percent.



As for the local event calendar this week, the Reserve Bank's OCR decision and *Monetary Policy Statement* take centre stage. We outline our thoughts on it on page 5. The ANZ Commodity Price Index for February will reveal whether January's fall was sustained. The wholesale trade survey and value of building work put in place will give us further indication of how growth fared at the end of last year. We expect wholesale trade sales to be soft in line with the retail sector, while a fall in residential building work put in place is expected.

In offshore events, it is a busy week for central bank watchers. The RBA, BoE, ECB, BoJ and BoC will make their interest rate announcements. Of the five, only the RBA is expected to hike interest rates. The focus will be on the RBA's statement as to whether it sees the need for further policy action in order to slow the

Australian economy. In this regard, the Australian January retail sales number and Q4 GDP print (on Wednesday, a day after the RBA announcement) will be important reads. Other important economic releases are PMI readings from the Euro Zone and the UK, providing an indication of any further softening in activity as a result of US weakness. Euro Zone PPI and provisional Q4 GDP data will also be closely watched by the market. In the US, it is a heavy data week starting with the ISM Manufacturing data and ending with the US non-farm payrolls data for February. Given the market's nervousness about the state of the US economy, the payrolls data has the potential to cause huge movements across asset classes. Various speeches by central bank officials from the RBA, ECB and US Federal Reserve will also keep the newswires busy, though we are not expecting much comment of interest from the ECB speakers given that most of them will be prior to their interest rate decision.

### Recent data...

- > **NZ RBNZ Survey of Expectations.** One and two-year ahead inflation expectations remained unchanged at 3.0 and 2.7 percent respectively.
- > **NZ Building Consents (January).** Residential dwelling consent issuance rose by 3.3 percent. Excluding apartments, consent issuance rose by 5.0 percent.
- > **NBNZ Business Outlook (February).** Headline confidence fell to a net -44 percent, down from a net -25 percent in December. All measures of economic activity eased, with the key own activity expectations falling to a 2-year low.
- > **NZ External Migration (January).** Net migration remains soft, with a net gain of 60 people. Annual net migration at 4,799 people is well down from the net 14,000 at the start of 2007.
- > **NZ Credit Growth (January).** Household lending growth was unchanged at 0.7 percent in the month, with the annual rate of growth easing to 11.8 percent. The annual rate of agriculture and business lending growth is similarly easing.
- > **NZ Overseas Merchandise Trade (January).** A trade deficit of \$320 million was recorded for the month. The annual deficit has moved below \$5 billion for the first time since April 2005.

## RBNZ MARCH MONETARY POLICY STATEMENT PREVIEW

(9:00am, Thursday 6 March)

We expect the Reserve Bank to leave the OCR unchanged at 8.25 percent. Inflation will correctly remain their predominant concern, but the tone of the policy assessment is expected to allude to downside growth risks. The market is erring towards a hawkish tone. We suspect the demeanour will be more neutral, giving them flexibility to respond if needed.

At its January OCR Review, the Reserve Bank noted that the policy outlook contained a high level of uncertainty. Developments since then highlight this theme. The underlying message from recent data outturns suggest that inflation pressures remain intense, at the same time as downside growth risks are emerging. In short, the two scenarios (high inflation, credit dislocation) that the Reserve Bank painted at its September MPS last year appear to be evolving.

### On the inflation front:

- > **The unemployment rate for the December quarter came in lower than expectations (3.4 percent), and wage pressure intensified.** Both reinforce capacity constraints and add late cycle support to the economy.
- > **Oil prices have risen to over US\$94/bbl (Dubai terms),** compared with an assumption of US\$86/bbl in the December *Statement*. This has put upward pressure on petrol prices, though the high NZD has provided an offset. Although the Reserve Bank tends to look through one-off price effects such as oil prices, the lack of inflation headroom and the seeming recurring nature of oil price spikes make it increasingly difficult for the Bank to continue ignoring its inflationary impact, particularly the second round effects.
- > **Inflation expectations are elevated.** While the RBNZ's 2-year ahead inflation expectation reading was unchanged at 2.7 percent in Q1 (it actually rose slightly on the second decimal), it remains too high for comfort. The NBBO inflation expectations survey showed a rise from 3.1 percent to 3.3 percent.
- > **On a more positive note, non-tradable inflation in Q4 2007 came in below expectations,** giving the Reserve Bank a slightly better starting position.

However, looking at the growth picture, the weight of evidence is pointing to a more rapid deceleration.

- > **The housing market continues to weaken.** The Reserve Bank December projections assumed house prices would end 2008 flat. REINZ data and anecdotes now point to outright falls.
- > **Retail spending continues to flat-line,** with early indications that January retail sales were

soft. Given higher food and petrol prices, volumes would have gone backwards.

- > **Confidence has moved lower.** Both consumer and business confidence have fallen, with the latter taking a sharp step lower. The current National Bank *Business Outlook* reading is consistent with GDP growth of around 1 percent (annual percent change terms) by year's end.
- > **Financial conditions have tightened further,** with the NZD reaching fresh post-float highs. Our financial conditions index is pointing towards sub-1 percent growth.
- > **Commodity prices have peaked,** with recent readings pointing to declines, though the level remains high. Milk futures prices are pointing to further declines in world dairy prices over the coming months.
- > **Drought conditions in some parts of the country** will reduce agriculture production and reduce the impact of high dairy prices this season.
- > **Net migration is tracking lower than the Reserve Bank projected,** with a sharp drop-off apparent over the past few months. While this means less demand for housing and retail spending, it risks intensifying the skill shortage situation.
- > **Floating and fixed rate mortgage rates have risen further,** putting a further squeeze on household budgets. The effective mortgage rate that households face will increase by more than the Reserve Bank projected.
- > **Major trading partner prospects remain uncertain.** While prospects for the US have been downgraded, Asia (ex Japan) and Australia remain strong. If there is a big picture theme that has changed since the December *Statement*, it is ongoing deterioration across credit markets, and significantly higher funding costs for financial intermediaries around the globe.

**The big policy judgements the Reserve Bank faces are; (i) whether the growth slowdown underway is temporary or more widespread, (ii) whether this slowdown will be sufficient to alleviate inflation pressure, and (iii) what impact the global credit dislocation will have.** The experience over late 2005 and early 2006 will be fresh in their minds. Slower growth failed to ease inflation pressure, forcing the Reserve Bank to tighten policy over 2007 when the economy picked-up. The Reserve Bank finds itself needing to weigh up the current known upside inflation risks against the largely unknown downside growth risks. The former would point towards a need for higher rates (or a higher for longer view), while the latter suggests scope for earlier easings. Credit dislocation remains a key risk at this stage, although we suspect the Reserve Bank will wait for further information before declaring their hand in this regard.

**The credit channel of monetary policy is a key area the Reserve Bank needs to assess and watch.** Financial conditions are tightening at a time momentum within the economy is slowing, particularly in the housing market. The risk is that the combination of a slowing economy and deteriorating credit conditions cause an over-tightening in financial conditions and very sharp slowdown in growth. US Federal Reserve Chairman Ben Bernanke alluded to this possibility in his testimony to Congress: *"If the economy slows considerably, which worsens credit quality, that worsens potentially the conditions of credit markets that might tighten credit further in a somewhat adverse feedback loop."* Though the Fed Chairman was referring to the US situation, it could easily apply in New Zealand.

**There is no precedent in New Zealand over how the Reserve Bank should respond to a credit event.** Conventional macroeconomic models, such as the one used by the Reserve Bank, do not fully capture the role and importance of financial intermediaries in the economic cycle. We are very much into "judgement" as opposed to the "science" that resides behind policy. We would be inclined to downplay the forecast numbers presented in the *Statement*, particularly in such an uncertain environment.

**Bottom line is that we expect more of the same "steady as she goes" assessment,** in response to the prevailing uncertainty.

**However, we expect the Reserve Bank to be more neutral in their demeanour, giving them more flexibility to respond if needed.**

**In terms of the *Statement* itself, we expect:**

- > **The policy assessment to be balanced and largely follow the January *Review*, with a more neutral tone to come through.** Inflation concerns will still be highlighted but increased acknowledgement over growth risks, particularly from the uncertain global and credit environment.
- > **The *Statement* will contain the usual discussion about sources of upside inflation risks,** such as a tight labour market, fiscal policy, higher oil prices and the Government's emissions trading scheme.

- > **Greater discussion about growth risks, particularly from a weaker global and credit environment.** The Reserve Bank was sanguine about the global economy at the December *Statement*. The global outlook has deteriorated since then, which the Reserve Bank partly acknowledged at their January *Review*. We expect more focus on downside growth risks in the March *Statement*.
- > **Near-term inflation forecasts are expected to remain elevated but growth forecasts revised lower, though still very much soft-landing orientated.**
- > **The Reserve Bank to again acknowledge the higher level of uncertainty around the policy outlook.** We will be particularly interested in any scenarios that the Reserve Bank may include in the *Statement* as a guide to their likely policy bias.

### Financial market implications

At the time of writing, the market has only around 1 point of tightening priced in for the March, with not much else further out. There seems to be a dichotomy between the currency and rates at the moment, with the latter responding to recent weakness in the economic data, but the former failing to adjust lower owing to the USD weakness theme. With the market seemingly erring towards a hawkish tone, any hint of a more neutral demeanour should see rates rally but the larger reaction will be in the NZD, as it attempts to play catch-up by heading lower.

Our forecasts of RBNZ Projections for March MPS (December 2007 MPS Projections in brackets)					
Half year average	H1 2008	H2 2008	H1 2009	H2 2009	H1 2010
90 day	8.8 (8.8)	8.7 (8.7)	8.7 (8.7)	8.3 (8.4)	7.7 (7.9)
TWI	73.0 (70.5)	72.3 (70.6)	71.3 (70.5)	70.3 (70.0)	69.5 (69.4)
March years	2007	2008	2009	2010	
CPI (ann % chg)	2.5 (2.5)	3.4 (3.2)	3.0 (3.0)	2.5 (2.5)	
GDP (ann ave % chg)	1.6 (1.7)	3.0 (3.1)	2.3 (2.6)	2.5 (2.6)	

## GLOBAL WATCH

We present a table of global data outturns over the past week given the significance of the international backdrop at present. US economic data continues to print on the weak side, indicating that activity likely stalled in Q1. Strong PPI shows the Fed will remain attuned to potential inflation pressures further out. UK data shows domestic demand slowing, while Euro Zone data was mixed. Asian data is still printing on the strong side, showing few signs of any effects from a US slowdown at this stage.

Country/ Area	Indicator	Mkt	Actual	Last	Outturn vs market
<b>US</b>	Existing Home Sales (Jan)	4.80m	4.89m	4.91m	Stronger
	PPI (Jan) – mom	0.4%	1.0%	-0.3%	Stronger
	S&P/CS House Prices (Dec) – yoy	-9.7%	-9.1%	-7.7%	Stronger
	Durable Goods Orders (Jan)	-4.0%	-5.3%	4.4%	Weaker
	New Home Sales (Jan)	600k	588k	605k	Weaker
	GDP (Q4 P)	0.8%	0.6%	0.6%	Weaker
	Initial Jobless Claims (w/e Feb 24)	350k	373k	354k	Weaker
	Core PCE Deflator (Jan) - mom	0.3%	0.3%	0.2%	In-line
	Chicago Purchasing Manager (Feb)	44.5	49.5	51.5	Weaker
<b>Europe</b>	Euro Zone M3 (Jan) – yoy	11.3%	11.5%	11.6%	In-line
	Euro Zone core CPI (Jan) – yoy	2.0%	1.7%	1.9%	Weaker
	Euro Zone Unemployment Rate (Jan)	7.2%	7.1%	7.2%	Stronger
	Euro Zone Consumer Confidence (Feb)	-12	-12	-12	In-line
<b>UK</b>	Total Business Investment (Q4 P) – qoq	0.9%	-0.5%	2.0%	Weaker
	GDP (Q4 P) – qoq	0.6%	0.6%	0.6%	In-line
	Index of Services (Dec)	0.7%	0.6%	0.7%	In-line
	GfK Consumer Confidence (Feb)	-15	-17	-13	Weaker
	Nationwide House Prices (Feb) – mom	0.0%	-0.5%	-0.1%	Weaker
<b>Asia Ex-Japan</b>					
<i>China</i>	Wholesale Prices (Jan) - yoy	-	8.4%	7.6%	-
<i>Singapore</i>	CPI (Jan) – yoy	5.6%	6.6%	4.4%	Stronger
	Industrial Production (Jan) – mom	-0.1%	5.1%	-2.7%	Stronger
<i>Philippines</i>	Trade Balance (Dec)	-	-\$528m	-\$1135m	-
<i>South Korea</i>	Current Account in US\$ (Jan)	-	-2598m	-813.8m	-
<i>Malaysia</i>	GDP (Q4) - yoy	6.5%	7.3%	6.6%	Stronger
<i>Vietnam</i>	CPI (Feb) – yoy	-	15.7%	14.1%	-
	Exports (Feb) - yoy	-	29.2%	19.7%	-
	Industrial Output (Feb) – yoy	-	16.1%	18.2%	-
<i>Thailand</i>	Retail Sales (Feb) – yoy	-	31.8%	27.4%	-
	Exports (Jan) – yoy	-	33.6%	19.5%	-
<i>India</i>	Manufacturing Production (Jan) – yoy	11.8%	12.5%	11.7%	Stronger
	GDP (Q4) – yoy	8.4%	8.4%	8.9%	In-line
<b>Japan</b>	Industrial Production (Jan P) – mom	-0.8%	-2.0%	1.4%	Weaker
	Retail Trade (Jan) – mom	1.4%	3.8%	-0.8%	Stronger
	Jobless Rate (Jan)	3.9%	3.8%	3.8%	Stronger
	CPI ex-fresh food (Jan) - yoy	0.9%	0.8%	0.8%	Weaker
	Annualised Housing Starts (Jan)	1.115m	1.187m	1.050m	Stronger
<b>Australia</b>	Construction Work Done (Q4)	2.0%	-1.0%	2.2%	Weaker
	Private Capital Expenditure (Q4)	3.1%	5.1%	-6.2%	Stronger
	Private Sector Credit (Jan) - mom	1.0%	1.1%	1.3%	Stronger

## INTEREST RATE STRATEGY

The RBNZ takes centre stage. Receiving interest is starting to emerge, which should increase if the RBNZ presents a more neutral tone. NZ rates market should start to decouple from Australian market on diverging outlook for their respective central banks.

### Market themes...

- > Inflation expectations unchanged and business confidence show large fall. Rates rally.
- > US bonds rally on deteriorating outlook for US economy.
- > RBNZ and RBA decisions this week to highlight diverging paths for two economies.

### Review and outlook...

After being thrown around by global moves, the local rates market's focus returned to domestic considerations last week, with the RBNZ's inflation expectations survey and the National Bank *Business Outlook* survey the main reads. The market was bracing itself for a strong read on inflation expectations, which saw the 2-year swap yields rise above 8.6 percent at one stage. But an unchanged outturn caused a relief rally, sending yields towards the middle of recent ranges. The NBBO survey then showed a sharp fall in confidence and own activity expectations, which triggered another rally in rates as the market took out any meaningful chance of a further rate hike. Current OIS pricing is for a 2 percent chance of another tightening by April, with a full 25bp rate cut by December.

This week will see some positioning ahead of the RBNZ's *MPS* on Thursday. With no other major data out until then (apart from the ANZ Commodity Price Index), the market's focus will be on whether other retail banks lift their mortgage rates (following the lead of some last week), and how the RBNZ would view this move. Some of the commentary suggests the market might be erring towards a hawkish tone, but the market may just head into the *MPS* largely square. Nonetheless, a more neutral tone by the RBNZ should still see a rally as receivers, particularly from offshore, take that as a cue to come back into the market. However, we doubt that this will cause a substantial rally, as the RBNZ will still remind the market of its inflation concerns. It looks to be a case of swap yields trading within a new lower range.

Outside of the RBNZ, there is not much else locally to trade off. Mortgage paying is expected ease off as higher mortgage interest rates see reduced appetite for household borrowing. The big focus offshore will be in the various central bank interest rate announcements, but it will be the RBA's that will be key for the NZ rates market. After taking the lead off the Aussie market, a hike by the RBA and hawkish rhetoric will start to highlight the diverging paths of the two economies, which should start to see the local rates market decouple from the Aussie market. But the one market that will continue to dictate is the US.

With some key data releases due out from the US this week (ISM and payrolls), expect volatility in the US markets to filter through into the NZ market.

### Gauges for NZ interest rates yields

Gauge	Direction	Comment
RBNZ	↔	On hold, but will give itself room to move if needed.
NZ data	↔	No major data of note this week. MPS the main event.
Fed Funds/front end	↓	Critical data week in the US. ISM and non-farm payrolls main focus.
RBA	↑	RBA expected to hike this week. Clues about next move to be closely eyed.
US 10 year	↔/↓	Inflation concerns out the window for now. Fed firmly focused on growth.
NZ swap curve	↔	Flatteners will be favoured given outright levels of 2-yr ahead of RBNZ this week.
Flow	↔	Mortgage flows to dominate front-end/issuance related receiving in mid-curve.
Technicals	↔	Bottom end of ranges. RBNZ this week key to next levels.

### Borrowing strategies we favour at present

For borrowers, our strategy continues to be pay the 2-year, especially following last week's rally and also given the carry, and shorten duration. If weaker NZ economic data does start to emerge, the mid-points of the curve should outperform as investors look to obtain duration that covers multiple potential rate cuts. Our preference remains to keep borrowing short, no longer than two years.

### Probability of 25bps increase as implied by market pricing

OCR dates	Last week	This week
Thu 6-Mar-08	12	2
Thu 24-Apr-08	20	2
Thu 5-Jun-08	26	-8
Thu 24-Jul-08	26	-28
Thu 11-Sep-08	6	-60
Thu 23-Oct-08	-14	-60
Thu 4-Dec-08	-38	-108

### Trading themes we favour at present

We have taken our Sept (buy) Dec (sell) trade off. We now favour paying the 2-year and receiving the 5-year at 41bps, given our expectation that the longer end has more scope to rally when the easing cycle starts.

## CURRENCY STRATEGY

USD weakness theme set to continue, but rising risk aversion and possibly a more neutral tone from the RBNZ to see NZD underperform. The NZD/AUD has finally started moving, breaking support and setting up for a move lower.

### Market themes...

- > USD weakness story dominates on growth fears.
- > Key US data this week to determine extent of further USD weakness. Locally, RBNZ takes centre stage.
- > NZD/AUD breaks key support levels as AUD outperforms.

### Review and outlook...

The NZD hit a fresh post-float high of 0.8213 against the USD last week, though it wasn't due to any strong NZ data that caused it. Quite the contrary, it was all about USD weakness, with the US dollar index hitting an all time low. But increased risk aversion and an unwinding of carry trades at week's end saw the NZD head below 0.80. It is very much the usual story for the USD, with weak US economic data raising recession fears, and US Federal Reserve officials doing the Greenback no favours by talking about further downside to US growth. The prevailing mood in the currency market is that so long as the Fed is prepared to "do what is needed" to reflate the US economy, even at the expense of inflation, then this is a signal for the USD to remain weak as yield differentials between the US and other countries will continue to widen. But a major development last week, apart from the carry unwind on Friday, was the move lower in the NZD/AUD (or higher in AUD/NZD terms) through support (resistance) levels. For some time, we have been surprised at the lack of movement in the cross given the diverging paths of the two economies. The fundamentals across the Tasman are much better compared to NZ when you look at the relative terms of trade, commodity price movements, net migration inflows and housing market trends. Even the soft NBBO reading failed to halt the rise in the NZD last week.

However, we may finally be starting to see the currency market price the two currencies appropriately, though we suspect it will take a softening stance from the RBNZ to see a more substantial move lower in NZD/AUD terms. This week's RBA and RBNZ decisions could well be the catalyst for a big move on the cross if both central banks highlight the diverging paths that their respective economies (and monetary policies) are on.

This week, the RBNZ is key for the NZD. The USD weakness theme is expected to continue if the US economic dataflow keeps disappointing, but so will risk aversion. Speeches by Fed officials may move the currency markets, but they are unlikely to divulge anything new. Equally, the BoE and ECB interest rate

announcements are unlikely to result in any material surprises.

The important level this week is 80.00 in the NZD/JPY as this is the support of the massive triangle beginning in May 2006. While this level continues to support the NZD, it is favoured for a return to test 88.00 which is now a major resistance level. Likewise, the NZD/USD has major support at 0.7920/0.7970 and we prefer the NZD to trade a 0.7950/0.8350 range technically from here. NZD/AUD has broken 0.8610 and expect this level to cap for a further probe lower during the week

NZD vs AUD: monthly directional gauges		
Gauge	Direction	Comment
Fair value	↓	Growth differentials favouring AUD.
Yield	↓	Yield spreads narrowing faster
Commodities	↓	Gold, iron ore, coal all up....milk down.
Partial indicators	↓	Better across the Tasman. Terms of trade and migration shocks bigger there.
Technicals	↓	Break of 0.8610 is outright bearish.
Sentiment	↓	AUD data is better but RBA must hike this week.
Other	↔	All on RBA.
<b>On balance</b>	↓	<b>AUD simply better, markets now seem to agree but RBA hike required for follow through.</b>

NZD vs USD: monthly directional gauges		
Gauge	Direction	Comment
Fair value – long-term	↓	Fair value 0.65 (and rising) given a structural shift in commodity prices.
Fair value – short-term	↔/↓	Yield and commodity story factored in.
Yield	↑	Yield differentials still at phenomenal levels.
Commodities	↔	Off highs but still high.
Risk aversion	↔/↓	Monoline bailout uncertain.
Partial indicators	↑	NZ domestic economy is soft, but US is dire.
Technicals	↔	0.7920 key level for support.
AUD	↑	Aussie still looks cheap.
Sentiment	↔	Domestic pain but global players not listening.
Other	↔/↑	USD disliked.
<b>On balance</b>	↔	<b>USD story but risk aversion rising.</b>

## DATA AND EVENT CALENDAR

Date	Country	Data/Event	Mkt.	Last	Time (NZDT)
3 Mar	AU	TD Securities Inflation (Feb) - mom	-	0.3%	12:30
		Company Operating Profit (4Q) - qoq	2.0%	-2.1%	13:30
		RBA Commodity Index SDR (Feb) - yoy	-	5.2%	18:30
	JN	Labour Cash Earnings (Jan) - yoy	-	-1.7%	14:30
		Vehicle Sales (Feb) - yoy	-	3.7%	18:00
	EU	ECB's Liebscher speaking in Vienna	-	-	21:15
		PMI Manufacturing (Feb F)	52.3	52.3	22:00
		Euro Zone CPI (Feb) - yoy	3.2%	3.2%	23:00
	GE	PMI Manufacturing (Feb)	54.0	54.4	21:55
	UK	PMI Manufacturing (Feb)	51.0	50.6	22:30
4 Mar	US	US Federal Reserve's Plosser speaks on monetary policy in Arlington, Virginia	-	-	02:00
		ISM Manufacturing (Feb)	49.0	50.7	04:00
		ISM Prices Paid (Feb)	72.0	76.0	04:00
		Construction Spending (Jan) - mom	-0.7%	-1.1%	04:00
		US Federal Reserve's Kroszner speaks on economy at Bankers Conference	-	-	08:00
	EU	ECB Council Member Liikanen speaks in Helsinki	-	-	03:00
		Euro Zone PPI (Jan) - mom	0.8%	0.1%	23:00
		Euro Zone PPI (Jan) - yoy	4.9%	4.3%	23:00
		Euro Zone GDP (4Q P) - qoq	0.4%	0.4%	23:00
		Euro Zone GDP (4Q P) - yoy	2.3%	2.3%	23:00
	JN	Monetary Base (Feb) - yoy	-	-0.1%	12:50
	AU	Retail Sales (Jan) - mom	0.5%	0.5%	13:30
		Current Account Balance (4Q)	-17,900m	-15,587m	13:30
		RBA Cash Rate decision	7.25%	7.00%	16:30
	<b>NZ</b>	<b>ANZ Commodity Price Index (Feb)</b>	-	<b>-1.4%</b>	<b>15:00</b>
	UK	PMI Construction (Feb)	53.0	53.9	22:30
5 Mar	US	US Federal Reserve Chairman Bernanke speaks at Community Bankers' Conference in Florida	-	-	03:00
		US Federal Reserve's Mishkin speaks to economists in Arlington, Virginia	-	-	06:15
	<b>NZ</b>	<b>Wholesale Trade Survey (4Q)</b>	-	<b>2.1%</b>	<b>10:45</b>
	JN	Capital Spending (4Q)	-	-1.2%	12:50
	UK	Nationwide Consumer Confidence (Feb)	-	81	13:01
		PMI Services (Feb)	52.2	52.5	22:30
	AU	RBA's Edey speaks on the evolving economic outlook	-	-	11:00
		GDP (4Q) - qoq	0.7%	1.0%	13:30
		GDP (4Q) - yoy	3.8%	4.3%	13:30
	GE	PMI Services (Feb)	50.9	49.2	21:55
	EU	PMI Services (Feb F)	52.3	52.3	22:00

Continued over page

Date	Country	Data/Event	Mkt.	Last	Time (NZDT)
5 Mar (cont)		PMI Composite (Feb F)	-	52.7	22:00
		Euro Zone Retail Sales (Jan) - mom	0.4%	-0.1%	23:00
		Euro Zone Retail Sales (Jan) - yoy	0.1%	-2.0%	23:00
6 Mar	US	ADP Employment Change (Feb)	40k	126k	02:15
		Non-farm Productivity (4Q F)	1.8%		02:30
		Unit Labour Costs (4Q F)	2.1%	2.1%	02:30
		Factory Orders (Jan)	-1.0%	2.3%	04:00
		ISM Non-manufacturing Composite (Feb)	48.3	44.6	04:00
		US Federal Reserve Beige Book	-	-	08:00
		US Federal Reserve's Pinalto speaks to Money Managers in New York	-	-	13:30
	<b>NZ</b>	<b>RBNZ March Monetary Policy Statement</b>	<b>8.25%</b>	<b>8.25%</b>	<b>09:00</b>
	AU	Trade Balance (Jan)	-2,800m	-1,936m	13:30
		Building Approvals (Jan) - mom	6.0%	-16.0%	13:30
		Building Approvals (Jan) - yoy	-	-0.9%	13:30
		Exports (Jan)	-		13:30
		Imports (Jan)	-		13:30
	JN	Leading Economic Index (Jan P)	30.0%	45.5%	18:00
		Coincident Index (Jan P)	22.2%	70.0%	18:00
		Machine Tool Orders (Feb P) - yoy	-	0.0%	19:00
7 Mar	GE	Factory Orders (Jan) - yoy	9.9%	5.6%	00:00
	US	Initial Jobless Claims (w/e Mar 2)	363k	373k	02:30
		Continuing Claims (w/e Feb 24)	2,820k	2,807k	02:30
		Pending Home Sales (Jan) - mom	-0.5%	-1.5%	04:00
		US Federal Reserve's Poole speaks at U. of Illinois	-	-	14:00
		US Federal Reserve's Hoenig speaks at Finance Conference in Brazil	-	-	18:00
	UK	BoE announced interest rate decision	5.25%	5.25%	01:00
	<b>NZ</b>	<b>Value of Building Work Put in Place (4Q)</b>	<b>-</b>	<b>2.1%</b>	<b>10:45</b>
	EU	ECB interest rate decision	4.00%	4.00%	01:45
		ECB's Constancio speaks at European Finance Convention	-	-	22:00
	JN	Bank of Japan Target Rate	0.50%	0.50%	-
8 Mar	GE	Industrial Production (Jan) - mom	0.3%	0.8%	00:00
		Industrial Production (Jan) - yoy	4.5%	4.1%	00:00
	US	US Federal Reserve's Mishkin speaks on Central Banking in Oslo, Norway	-	-	02:30
		Non-farm Payrolls (Feb)	40k	-17k	02:30
		Unemployment Rate (Feb)	5.0%	4.9%	02:30
		Average Hourly Earnings (Feb) - mom	0.3%	0.2%	02:30
		Average Weekly Hours (Feb)	33.7	33.7	02:30

Key: AU: Australia, EU: Euro-zone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States. Sources: Dow Jones, Reuters, Bloomberg, ANZ National Bank. All \$ values in local currency. (Note: all surveys are preliminary and subject to change).

## NEW ZEALAND DATA WATCH

**Key focus over the next four weeks:** The RBNZ's *Monetary Policy Statement* this week takes centre stage. The dataflow over the next few weeks is expected to show that growth at the end of last year was modest, but a further slowdown in domestic demand is looming early this year.

Date	Data/Event	Economic Signal	Comment
Tue 4 Mar (10.45)	ANZ Commodity Price Index (Feb)	-	-
Wed 5 Mar (10.45)	Wholesale Trade Survey (Dec qtr)	Softening	Wholesale trade activity is expected to soften in line with slowing activity in the retail sector.
Thu 6 Mar (09.00)	RBNZ <i>Monetary Policy Statement</i>	Watching and waiting	We expect the OCR to remain unchanged at 8.25 percent. Inflation will again be the RBNZ's predominant concern, but the tone of the policy assessment will allude to downside growth risks.
Fri 7 Mar (10.45)	Value of Building Work Put in Place (Dec qtr)	Easing	Given an easing trend present in building consent issuance, we expect residential construction activity to detract from growth in the December quarter.
circa 10 Mar	REINZ Housing Report (Feb)	Soft	The housing market has well and truly turned. With demand soft and increased supply on the market, we expect the median number of days to sell a house to continue rising. This will place further downward pressure on prices.
Tue 11 Mar (10.45)	Overseas Trade Indexes (Dec qtr)	Terms of trade up	The impact of higher export commodity prices is expected to more than offset an increase in oil prices over the quarter and result in a further rise in the terms of trade.
Wed 12 Mar (10.45)	Food Price Index (Feb)	Solid	Given high commodity prices, annual food price inflation is expected to continue to head upwards.
Thu 13 Mar (10.45)	Retail Sales (Jan)	Flat	Both ECT and credit card spending was soft in January. We expect this to also be reflected in a soft retail sector as a whole for the month. An easing trend looks to now be firmly in place.
Fri 14 Mar (10.45)	Economic Survey of Manufacturing (Dec qtr)	Solid	Given strength in exports in the quarter, we expect this survey to be reasonably strong. However, we will be closely watching stock levels to see if the export strength came out of stocks.
Wed 19 Mar (10.45)	Electronic Card Transactions (Feb)	Still flat?	Electronic card transaction data starting to provide a good lead for retail sales. Following a soft January, particularly for core retail related transactions, some recovery could be expected although overall story one of softness.
Thu 20 Mar (10.45)	External Migration (Feb)	Steady	Unless there are any surprises in the January data, we expect annual net migration to stabilise around current levels.
Tue 25 Mar (1500)	Credit card billings (Feb)	Still flat?	Likely to show retail sales still largely flatlining.
Wed 26 Mar (01.00)	Westpac McDermott Miller consumer confidence (Q1)	Easing	Confidence to head lower given the headwinds households are facing in the form of higher food and petrol prices, and higher debt servicing costs.
Thu 27 Mar (10.45)	Balance of Payments (Q4)	Improving but still imbalanced	Dairy price effect and Tui oilfield to provide an improvement to the current account, but the level of the deficit still high and the economy still reliant on offshore capital.
	Trade Balance (Feb)	On the improve	Dry conditions to have some impact on primary exports, but flatlining retail sector should see consumer goods import growth slow.
Fri 28 Mar (10.45)	Gross Domestic Product (Q4)	Slowing	We have penciled in a 0.3 percent print, with strong exports suggesting upside risk. But domestic demand to show a slowing, with partial data pointing to continued moderation over early this year.
<b>On Balance</b>		<b>Sub-trend growth</b>	<b>Growth modest in Q4, but indicators pointing to further slowing in early 2008. But inflation pressure still high.</b>

## SUMMARY OF KEY ECONOMIC FORECASTS

	Dec-06	Mar-07	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
GDP (% qoq)	0.7	1.2	0.8	0.5	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.5</b>	<b>0.6</b>
GDP (% yoy)	2.0	2.4	3.2	3.3	<b>2.9</b>	<b>1.9</b>	<b>1.4</b>	<b>1.2</b>	<b>1.4</b>	<b>1.7</b>
CPI (% qoq)	-0.2	0.5	1.0	0.5	1.2	<b>0.6</b>	<b>0.8</b>	<b>0.9</b>	<b>0.8</b>	<b>0.5</b>
CPI (% yoy)	2.6	2.5	2.0	1.8	3.2	<b>3.3</b>	<b>3.0</b>	<b>3.4</b>	<b>3.0</b>	<b>2.9</b>
Employment (% qoq)	0.1	1.2	0.6	-0.3	1.1	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.3</b>	<b>0.1</b>
Employment (% yoy)	1.4	1.7	1.6	1.6	2.5	<b>1.8</b>	<b>1.5</b>	<b>2.0</b>	<b>1.2</b>	<b>0.9</b>
Unemployment Rate (% sa)	3.8	3.7	3.6	3.5	3.4	<b>3.5</b>	<b>3.6</b>	<b>3.7</b>	<b>3.9</b>	<b>4.0</b>
Current Account (% GDP)	-8.6	-8.2	-8.1	-8.3	<b>-8.0</b>	<b>-7.6</b>	<b>-7.0</b>	<b>-6.7</b>	<b>-6.8</b>	<b>-6.9</b>
Terms of Trade (% qoq)	2.5	1.5	0.4	3.7	<b>2.7</b>	<b>0.5</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-0.4</b>	<b>-0.6</b>
Terms of Trade (% yoy)	3.8	4.5	2.3	8.4	<b>8.5</b>	<b>7.4</b>	<b>6.4</b>	<b>2.1</b>	<b>-1.0</b>	<b>-2.1</b>

## KEY ECONOMIC INDICATORS

	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08
Retail Sales (% mom)	1.1	-0.4	0.2	0.3	1.1	-0.4	1.7	0.1	..	..
Retail Sales (% yoy)	6.7	4.8	5.7	6.3	4.1	5.8	7.2	5.4	..	..
Credit Card Billings (% mom)	1.1	1.7	0.1	0.9	2.0	-0.6	1.2	0.4	0.1	..
Credit Card Billings (% yoy)	5.9	8.9	7.9	8.6	9.4	7.7	9.5	7.6	8.6	..
Car Registrations (% mom)	6.1	-4.7	7.0	1.1	-6.7	5.6	-3.6	-2.6	5.6	..
Car Registrations (% yoy)	-2.5	-1.5	7.0	10.9	0.1	4.7	2.3	1.4	1.7	..
Building Consents (% mom)	5.2	12.3	-15.9	4.7	-9.2	-5.4	1.2	-3.9	3.3	..
Building Consents (% yoy)	3.6	32.9	-4.5	-2.1	-15.2	-16.5	-4.3	-6.3	-4.5	..
REINZ House Price (% yoy)	14.8	12.1	10.4	12.9	12.3	8.0	6.7	4.5	4.0	..
Household Lending Growth (% mom)	1.0	1.2	0.8	0.9	0.8	0.8	0.8	0.7	0.7	..
Household Lending Growth (% yoy)	13.5	13.5	13.5	13.4	13.0	12.8	12.6	12.2	11.8	..
Roy Morgan Consumer Confidence	122.1	121.0	121.1	122.4	121.3	122.0	121.9	126.6	121.2	116.0
NBNZ Business Confidence	-48.3	-37.2	-38.5	-33.8	-26.5	-12.9	-19.6	-24.9	..	-43.9
NBNZ Own Activity Outlook	7.8	14.8	12.4	16.7	17.2	20.3	15.7	18.2	..	2.4
Trade Balance (\$m)	8	-518	-808	-947	-572	-774	-621	33	-320	..
Trade Balance (\$m annual)	-5900	-6226	-6340	-6336	-6282	-5883	-5685	-5306	-4801	..
ANZ World Commodity Price Index (% mom)	2.6	6.3	4.6	1.4	0.4	1.8	0.8	0.0	-1.4	..
ANZ World Commodity Price Index (% yoy)	21.1	29.8	35.1	36.3	35.7	37.8	35.9	30.9	27.4	..
Net Migration (sa)	420	600	470	730	670	250	470	10	60	..
Net Migration (annual)	10682	10078	8966	8730	8309	7517	6588	5491	4799	..

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

## SUMMARY OF KEY MARKET FORECASTS

NZ FX rates	Actual		Current	Forecast (end month)						
	Jan 08	Feb 08	3 Mar 08	Jun 08	Sep 08	Dec 08	Mar 09	Jun 09	Sep 09	Dec 09
NZD/USD	0.772	0.797	0.798	0.767	0.723	0.680	0.653	0.637	0.627	0.613
NZD/AUD	0.876	0.873	0.857	0.821	0.792	0.764	0.760	0.767	0.783	0.793
NZD/EUR	0.524	0.540	0.526	0.516	0.500	0.483	0.478	0.480	0.487	0.492
NZD/JPY	83.2	85.5	82.7	82.3	76.2	70.9	69.3	69.2	69.6	69.9
NZD/GBP	0.392	0.406	0.402	0.395	0.377	0.359	0.349	0.344	0.342	0.338
NZ\$ TWI	71.2	73.0	71.9	69.8	66.5	63.3	61.8	61.4	61.6	61.5
NZ interest rates	Jan 08	Feb 08	3 Mar 08	Jun 08	Sep 08	Dec 08	Mar 09	Jun 09	Sep 09	Dec 09
OCR	8.38	8.38	8.25	8.25	7.75	7.25	6.75	6.75	6.75	6.75
90 day bill	8.75	8.82	8.83	8.40	7.90	7.40	7.00	7.00	7.00	7.00
10 year bond	6.28	6.40	6.38	6.40	6.10	5.80	5.40	5.30	5.30	5.50
International	Jan 08	Feb 08	3 Mar 08	Jun 08	Sep 08	Dec 08	Mar 09	Jun 09	Sep 09	Dec 09
US Fed funds	3.00	3.00	3.00	2.25	2.00	2.00	2.00	2.00	2.50	3.25
US 3-mth	3.11	3.40	3.06	2.21	2.15	2.18	2.30	2.52	3.00	3.67
AU cash	6.75	7.00	7.00	7.50	7.50	7.50	7.50	7.50	7.50	7.50
AU 3-mth	7.35	7.55	7.99	7.90	7.80	7.70	7.70	7.70	7.70	7.70

## KEY RATES

	29 Jan	25 Feb	26 Feb	27 Feb	28 Feb	29 Feb
Official Cash Rate	8.25	8.25	8.25	8.25	8.25	8.25
90 day bank bill	8.74	8.83	8.84	8.81	8.84	8.83
NZGB 07/09	7.18	7.41	7.43	7.41	7.40	7.33
NZGB 11/11	6.94	7.13	7.16	7.14	7.11	7.03
NZGB 04/13	6.84	7.00	7.03	7.00	6.97	6.88
NZGB 12/17	6.29	6.47	6.50	6.49	6.45	6.37
2 year swap	8.36	8.60	8.57	8.51	8.47	8.39
5 year swap	7.94	8.17	8.14	8.08	8.06	7.98
RBNZ TWI	71.5	73.7	74.0	73.8	73.6	71.85
NZD/USD	0.7777	0.8076	0.8110	0.8146	0.8157	0.8159
NZD/AUD	0.8759	0.8742	0.8731	0.8716	0.8646	0.8598
NZD/JPY	83.07	86.72	87.52	87.19	86.74	85.69
NZD/GBP	0.3906	0.4106	0.4124	0.4099	0.4111	0.4095
NZD/EUR	0.5265	0.5452	0.5469	0.5427	0.5399	0.5364
AUD/USD	0.8879	0.9238	0.9289	0.9346	0.9434	0.9308
EUR/USD	1.4771	1.4813	1.4828	1.5009	1.5107	1.5180
USD/JPY	106.81	107.38	107.92	107.04	106.34	105.35
GBP/USD	1.9911	1.9667	1.9665	1.9871	1.9840	1.9887
Oil	91.66	99.03	99.40	100.83	99.59	101.78
Gold	923.45	948.30	931.10	954.30	956.60	974.10
Electricity (Haywards)	13.09	17.27	16.91	18.67	18.86	18.15
Milk futures (US\$/contract)	143	133	131	131	130	132
Baltic Dry Freight Index	5615	7296	7312	7299	7332	7613

**Disclaimer**

This document has been prepared by ANZ National Bank Limited (the "Bank"), is provided for informational purposes only and does not constitute an offer to sell or solicitation to buy any security or other financial instrument. No part of this document can be reproduced, altered, transmitted to, copied to or distributed to any other person without the prior express permission of the Bank.

This document is a necessarily brief and general summary of the subjects covered and does not constitute advice. You should obtain professional advice before acting on the basis of any opinions or information contained in it. The information contained in this document is given in good faith, has been derived from sources perceived by it to be reliable and accurate and the Bank shall not be obliged to update any such information after the date of this document. Neither the Bank nor any other person involved in the preparation of this document accepts any liability for any opinions or information (including the accuracy or completeness thereof) contained in it, or for any consequences flowing from its use.

ANZ, Level 7, 1 Victoria Street, Wellington 6011, New Zealand Phone 64-4-802 2000 Fax 64-4-496 8639  
<http://www.anz.com/nz> e-mail [ecnmcs@anz.com](mailto:ecnmcs@anz.com)