

NEW ZEALAND ECONOMICS MARKET FOCUS

21 April 2011

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FLAVOUR OF THE MONTH?

ECONOMIC OVERVIEW

Sovereign issues are escalating and we offer some thoughts, including the Eurozone centricity of most issues, the ability of positive metrics (such as a high degree of economic flexibility) to offset bad metrics (higher external debt), and where NZ stands relative to a host of other nations. We await Wednesday's National Bank *Business Outlook* to see how much March's decline was real substance versus a knee-jerk reaction. The RBNZ is expected to present a patient face at next week's OCR Review, but may be getting a little uncomfortable behind the scenes.

APRIL 2011 OCR PREVIEW

We expect the Reserve Bank to leave the OCR unchanged on 28 April. The emergency cut has been effective in stabilising the economy, with the housing market and interest rate sensitive pockets showing signs of life. Although Q1 CPI was close to the March MPS forecasts, the inflation outlook for the rest of the year still looks decidedly awkward. Given growing inflation pressures, tough decisions lie ahead. But such decisions are for tomorrow and we expect the RBNZ to remain cautious while sentiment is still so fragile.

INTEREST RATE STRATEGY

Softer CPI data earlier in the week has led to a re-pricing of short term rates. However inflation challenges remain, even if the market has deferred the debate. But sovereign credit risks and bond supply are the dominant issues at present in the global and local markets respectively. While such themes would normally be something to worry about in NZ, there are clear points of differentiation between NZ and the US and Europe.

CURRENCY STRATEGY

The corrective move lower we were expecting early this week proved to be short-lived. The 0.7850 support level has held, and NZD remains solidly sought on dips. With the AUD hitting all time post-float highs and the USD still under pressure, a sustained push above 0.80 now looks to be only a matter of time for the NZD. Next week's OCR Review is unlikely to be as subdued in tone as March's. If this proves to be the case, and the upcoming NBNZ business confidence reading shows some stabilisation, then the NZD is set to continue heading higher.

ECONOMIC OVERVIEW

SUMMARY

Sovereign issues are escalating and we offer some thoughts, including the Eurozone centrality of most issues, the ability of positive metrics (such as a high degree of economic flexibility) to offset bad metrics (higher external debt), and where NZ stands relative to a host of other nations. We await Wednesday's National Bank *Business Outlook* to see how much of March's decline was real substance versus a knee-jerk reaction. The RBNZ is expected to present a patient face at next week's OCR Review, but may be getting a little uncomfortable behind the scenes.

NEXT WEEK'S EVENTS

- **National Bank Business Outlook -April** (Wednesday, April 27, 1:00pm).
- **RBNZ April OCR Review** (Thursday, April 28, 9:00am). The OCR is expected to remain at 2.5 percent. See our preview on page 6.
- **RBNZ Credit Aggregates – March** (Thursday, April 28, 3:00pm). Low annual growth rates should be evident, although credit levels are expected to continue gradually picking up.
- **SNZ Merchandise Trade – March** (Friday, April 29, 10:45am). We expect a monthly trade surplus of \$600m, with an annual surplus of around \$750m.

WHAT'S THE VIEW?

We'll start this week with some comments on **sovereign debt issue**. Indeed, in our key macro themes at the start of the year (see the January 17 *Market Focus*), we proposed that increasing attention would be drawn to various sovereigns and the sustainability of fiscal policy settings over the year. We're drawing readers' attention to this issue for four reasons.

- You don't get out of a financial crisis by replacing private sector debt with the public sector equivalent. The substitution merely buys you a bit of time.
- Public sector deleveraging carries two differentiating challenges versus the private sector version. First, there is a greater incentive to inflate your way out. Second, public sector deleveraging requires fiscal austerity, which is not always popular with voters.
- Escalating sovereign risk concerns in Europe would typically be expected to turn the NZD/USD down (given the correlation with the EUR/USD). But offsetting this, Standard & Poor's placing the US government's AAA credit rating on negative

outlook could drive the NZD/USD higher. In addition to confounding markets, which have been accustomed to buying US dollars and US Treasury bonds at times of stress (the classic "safe haven" trade), we suspect these developments will lead to even greater discrimination by global investors, particularly in relation to sovereign bonds.

- NZ Government bond supply has increase markedly. Indeed, the NZDMO issued \$700m of bonds last week and \$1bn today. But this debt is being absorbed by a hungry market as quickly as it gets issued. Clearly, international markets are desperate to diversify their sovereign bond holdings.

Suffice to say that we think:

- **The Eurozone is likely to remain in the hot seat with respect to sovereign debt issues.** This reflects both a weaker starting point, and unwillingness on the part of many European governments to address the real issues. Political tensions in some of the more fiscally responsible nations are escalating, with the question being asked, why should we bail out heavily indebted countries? Instead of targeting a return to fiscal surpluses, many are merely targeting a return to 3 percent deficits, as EC rules stipulate. This is hardly a satisfactory response.
- **The US remains somewhat in denial**, and apparently has no intention of ever achieving budget surplus. They may be the biggest, richest economy in the world, but at some point the market will call in their fiscal largesse. S&P's action this week was the first shot across the bow.
- **New Zealand stands out for the right reasons.** We have our fiscal challenges - there is no doubt about that. But when you consider New Zealand's significantly better starting point, lower overall government debt profile, and the Finance Minister's commitment to returning to surpluses, we look good compared to many other countries. It is fine to talk the talk but we're walking the walk. The past week alone has seen potentially sensitive areas, such as student loans, the family court and legal aid, put on notice in terms of looking for savings. Indeed, New Zealand was one of a handful of governments that were running surpluses before the global financial crisis, and while the deficit will blow out this fiscal year courtesy of a natural disaster (which is quite distinct from fiscal largesse), there is a plan in place to return to surplus by 2015/16. That said, our credit rating is on negative outlook and a

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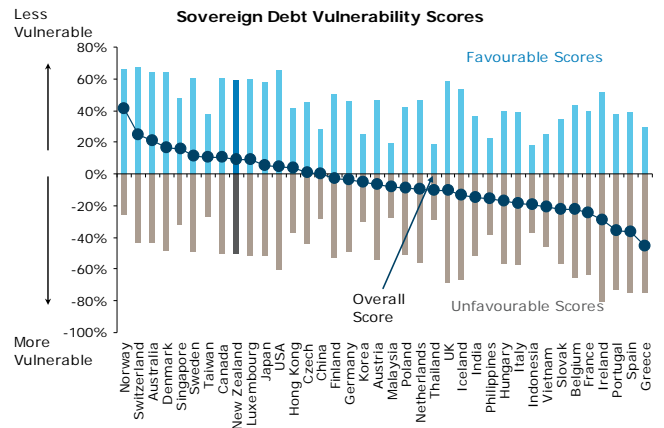
downgrade could be hard to avoid. But for a small open economy to go from AA+ to AA, we are still talking the “good”, in fact we’ll rephrase that, “exceptionally good” end of the spectrum.

To illustrate how we come to these conclusions we’ll revert to our sovereign risk ranking system. This ranks nations according to “worry” or unfavourable metrics (such as budget deficits, the scale of government debt, current account deficit, the unemployment rate and the like). We contrast these measures against “favourable” metrics (such as GDP per capita, population, the existence of a floating exchange rate, lack of corruption and the like). By comparing these metrics across countries and subtracting unfavourable scores from favourable scores, we arrive at a net score, which we use to rank countries.

As we noted in January, when we last did this analysis (source data has not been updated since then) the key conclusions from this ranking system are that:

- Europe dominates the problem end of the scale. This leaves us with a negative bent towards the EUR/USD in a strategic and medium-term sense from current levels.
- The US and UK rank poorly on the unfavourable column, but are somewhat rescued by favourable structural characteristics. This does not eliminate the issues; rather it gives them more time to work them out.
- The analysis suggests that if you’re going to go on a borrowing spree, you better have something going for you. Italy, for example, has much higher debt than Portugal, but it’s a member of the G7, being bigger, richer, and more developed. This is precisely why (for now at least) the world’s largest borrower – Uncle Sam – whose 2009 Budget deficit was larger than Australia’s GDP – is able to continue borrowing, even in the current environment.
- NZ is reasonably placed, though we need to acknowledge our international comparisons use 2010 data and there was been considerable NZ fiscal slippage since then. New Zealand ranks mid-table for unfavourable characteristics but has an above average ranking for favourable characteristics. Of course we can’t be complacent. We have positive offsets, but these tend to be qualitative (floating exchange rate, political stability). When it comes to hard-core offsets, we rank low in the income stakes, and are a tiny country. And because we can’t do much to change these offsets, we need to focus on keeping the

negatives to a minimum. Put simply, this means borrowing less and putting government spending (at least for the next decade) in a virtual straightjacket. One silver lining is that the lack of fiscal headroom for further spending increases reduces the pressure on monetary policy, with the OCR able to be lower than it otherwise would have been.



Of course, no system or framework can hope to capture all the full array of possible inputs, and S&P’s decision last week was certainly a bit of a curve ball – or more likely a message to both Republicans and Democrats to stop bickering and come up with a plan! But suffice to say we believe the ranking captures the broad themes regarding what is going on and where the real risk factors reside.

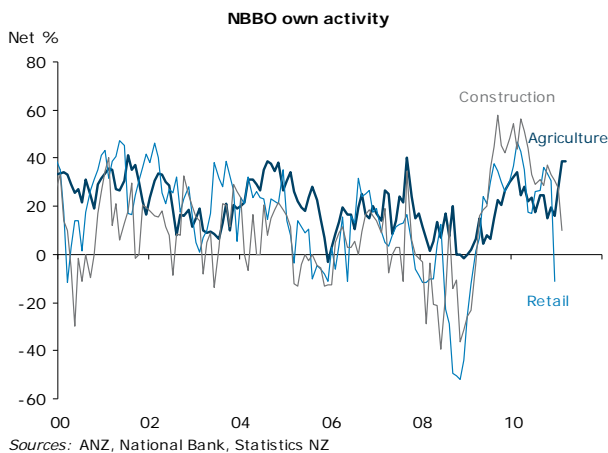
If there is one thing that we are staggered by, it is the fact that the US has no stated intention to ever return to surplus, and many European governments are focussing only on getting deficits back under the 3 percent Stability and Growth Pact limit. Similarly, whereas Europe is focussing on getting gross government debt back to 60 percent of GDP, New Zealand is already well below that level. It’s easy to get carried away and to over-emphasise the impact of the earthquake and the Crown’s fiscal challenges, but just about every country has fiscal challenges. The difference here is that we are doing something about it, and our better starting point and our world-best practice arrangements (including an independent central bank and fiscal transparency) and floating exchange rate mean we have more flexibility in relation to others.

By comparison, then, New Zealand looks good. With roughly twice as many NZ government bonds in the market as there were 2 years ago, the irony is that this has led to an increase in liquidity, making NZ a ripe market for international investors, particularly those who buy into the terms of trade

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boom story that has the potential to deliver Australian-style growth over the next few years.

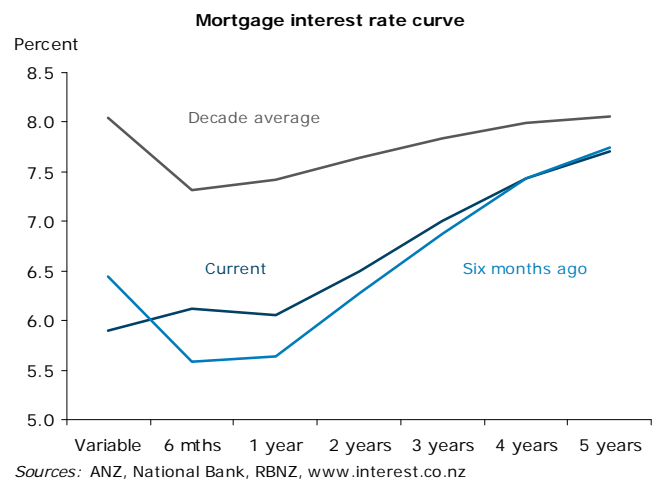
Does this mean we should be complacent? Of course not. It would be imprudent to assume export commodity prices will remain sky-high, giving us a get out of jail free card. Our net external borrowing is way too high and it remains a structural noose around the economy's neck. And it matters. The NZ Government needs to be more austere than others. Our external position requires it. At present we are seeing signs of the housing market picking up – and we suspect the RBNZ will be (or should be) closely watching Auckland. It's encouraging in a cyclical sense but our vulnerable external position means we cannot allow this pick up to turn into a boom and ignite the dis-saving habits of old. The same applies to the Christchurch rebuilding effort. If it is not going to massively blow out the current account deficit (given the increase in investment will have to be funded by someone) there will need to be a sacrificial pawn (i.e. increasing national saving), and weaker consumption looks odds on.



Looking to the week ahead, the National Bank Business Outlook survey for April will provide an indication of how much substance there was behind the sharp March decline. While Canterbury confidence declined precipitously, the remainder of NZ was also down. Hence, the earthquake was a truly national event. We suspect there'll be considerable interest in the survey this month in terms of a) how confidence has fared a month on, which has given businesses time to assess both the quake but also policy support (i.e. OCR cut), and b) the regional split.

Next week the major focus returns to the RBNZ, with the April OCR announcement. **We expect the OCR to be maintained at 2.5 percent, with the RBNZ likely to adopt a patient approach to future OCR moves.** With inflation concerns

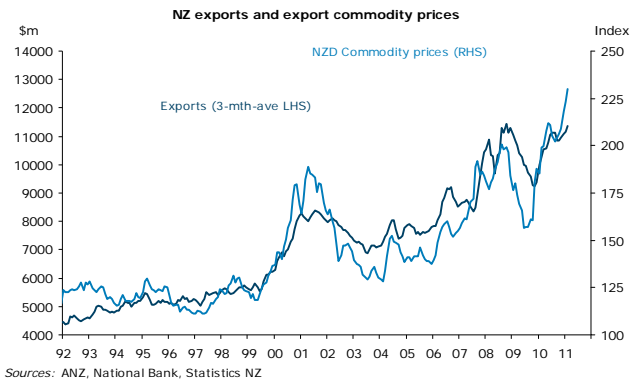
temporarily assuaged, the RBNZ will want sufficient time for their emergency cuts to work. If housing market anecdotes in Auckland are anything to go by it's working, but maybe a little too well. An OCR at 2.5 percent is still extraordinarily low and there are clear risks to the RBNZ strategy, with the housing market and other interest rate sensitive pockets of the economy showing signs of life. For now, however, the RBNZ can afford to be patient, given the considerable traction afforded to them by the positively sloped yield curve, with around three quarters of the value of mortgage borrowing at variable rates or terms of less than one year. We still see a December MPS start to policy normalisation as the most likely scenario.



Deleveraging remains a dominant influence, and we expect very low rates of annual credit growth to continue. The pick-up in housing activity should underpin a small (0.1 to 0.2 percent) monthly increase in household credit. Agricultural credit should continue to expand at a similar pace. We will be closely watching the business credit figures for further signs of improvement, hoping that seismic events have not affected investment plans.

Merchandise trade data for March is expected to signal that continued progress is being made in rebalancing the economy. We expect a March monthly surplus of \$600m, with the annual trade surplus set to remain in the \$750m region. High export commodity prices continue to underpin export receipts. However, with earthquake reconstruction and the low OCR providing stimulus to the non-traded sector of the economy as well, our external position is likely to continue grabbing the attention of overseas investors.

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RECENT LOCAL DATA

- **globalDairyTrade online auction.** Whole milk powder prices rose 0.8 percent to US \$3,912 per tonne. Whole milk powder prices eased 1.9 percent in NZD denominated terms.
- **ANZ-Roy Morgan Consumer Confidence – April.** Headline consumer confidence was unchanged at 101.4. The current conditions component eased 0.5 points to 93.4, with future conditions rising 0.2 points to 106.6.

APRIL 2011 OCR PREVIEW

SUMMARY

We expect the Reserve Bank to leave the OCR unchanged on 28 April. The emergency cut has been effective in stabilising the economy, with the housing market and interest rate sensitive pockets showing signs of life. Although Q1 CPI was close to the March MPS forecasts, the inflation outlook for the rest of the year still looks decidedly awkward. Given growing inflation pressures, tough decisions lie ahead. But such decisions are for tomorrow and we expect the RBNZ to remain cautious while sentiment is still so fragile.

SLIGHTLY UNCOMFORTABLE

The Reserve Bank made it very clear when they cut rates in March that the cut was an "emergency" move to insure against a decline in confidence following the February 22 earthquake in Christchurch, and that they **would be promptly removed once rebuilding started**. Indeed, prior to the quake, there were signs that a recovery was starting to get underway. The big unknown is whether the recovery has been derailed or merely slightly delayed.

While data has been mixed, on balance our reading is that the negative impact of the earthquake on sentiment will be relatively short-lived. Already a large amount of economic activity has found a new home and is underway again. Not all – tourism is a prime example of economic activity that is truly "lost". And quite a number of job losses will be permanent. But anecdotes abound of people "getting on with it".

And elsewhere in the country, the good news, which is easy to overlook, is starting to have an impact. Not only have monetary conditions been highly stimulatory, but the Government's stimulus package has also been providing a boost (although excluding the necessary Christchurch spend-up, fiscal policy will soon turn contractionary). **NZ's export commodity prices are at or near record highs**, which, though it is being funnelled into debt repayment in many instances, is still a real income boost that is making NZ richer. **Interest-rate sensitive sectors of the economy are starting to show signs of life**, with March house sales up strongly. The last thing the Bank wants at present is a resurgent housing market, which could call an abrupt end to consumers' new-found prudence, and a return to the unsustainable borrowing of old.

Of course we are a long way from such an outcome. But monetary conditions have been extraordinarily stimulatory in recent years, with mortgage rates at levels consistent, all else equal, with house prices

rising well in excess of a 10 percent annual pace. All else is not equal, of course. Migration is lacklustre, households remain heavily indebted, and house prices are already at unaffordable levels by historical standards. But the **housing shortages** brought about by the Christchurch earthquakes and low numbers of houses built in recent years, **provides a platform for a housing market recovery**. We will be watching coming months' data with great interest to see if higher activity is sustained.

On the inflation front, despite Q1 inflation coming in close to Bank expectations, **we can expect some ugly numbers in the next six months**. Annual headline inflation is due to hit 5.3 percent by Q2 by our calculations, driven by higher GST, petrol and food prices. Construction-related costs and rents are set to move higher given current pressures, with rising insurance costs also featuring. These are of course "one-off" shocks, which the Bank has a mandate to look through, but **with such high headline numbers it would be prudent not to just assume that inflation expectations will remain thoroughly anchored to the floor**. Our research has found that expectations are disproportionately impacted by food and petrol prices, two key areas of inflation pressure at present. If inflation expectations start to move up then the Bank could find itself scrambling to keep up, even if in an underlying sense, annual inflation is set to remain (just) within the 1 to 3 percent target band.

The New Zealand economy is not booming, and **stimulatory monetary policy is appropriate for now**. However, given that activity looks set to pick up steadily from the second half of 2011, **maintaining the OCR at current levels is unsustainable**. The Bank indicated in March that they expect to start raising rates in early 2012. We suspect this may prove a bit too late, and **that the Bank may be taking the foot off the accelerator by the end of the year**. Given the stuttering nature of the recovery and significant downside risks – particularly around the global economic outlook – we are anticipating a fairly modest tightening cycle, despite the magnitude of the job at hand.

FINANCIAL MARKET IMPLICATIONS

Market pricing is now for a 65 percent chance of a 25bps hike in December. We expect a statement that is not inconsistent with this. It is only six weeks from the March cut. There are still challenges ahead. Core inflation is low. For now time is on the RBNZ's side. That said, we still expect a slightly firmer tone than presented in March in lieu of marginally better economic data.

INTEREST RATE STRATEGY

SUMMARY

Softer CPI data earlier in the week has led to a re-pricing of short-term interest rates. However, inflation challenges remain, even if the market has deferred the debate. But sovereign credit risks and bond supply are the dominant issues at present in the global and local markets respectively. While such themes would normally be something to worry about in NZ, there are clear points of differentiation between NZ and the US and Europe.

MARKET THEMES

- Although inflation risks remain, below-consensus Q1 CPI data has seen yields correct lower as the market defers the inflation debate.
- Global sovereign credit risks have intensified, but are unlikely to be negative for NZ.
- Today's \$1bn tender is the biggest NZGS tender ever conducted. Yet the news has been remarkably well received, and for good reason.

REVIEW AND OUTLOOK

Gentlemen prefer bonds, as a learned colleague once told me. Judging by the recent price action in the domestic bond market, this would indeed appear to be true. Indeed, no sooner had the DMO announced a record \$1bn NZGS bond tender, then all of a sudden the bond market caught the bid. Strange as it sounds, it wasn't the first time this has happened, and nor is it counterintuitive. Indeed, as we have written about in detail in other research (most notably the *Credit Focus*), the DMO's strategy of sounding out demand before announcing tenders means only one thing: **big tenders mean strong demand.** In other words, demand driven supply.

Of course, this suits the Government well – after all, there is plenty of funding to be done. But much has been done already, and if issuance continues recent trends, **the next surprise is set to be a tapering off of supply, not more of it.** NZ may have its fiscal issues, but we do compare well to other countries, and we would expect ongoing strong support. But at the same time, **we must recognise that some of the demand for bonds has been driven by relative pricing** – so we are mindful not to get too smug. **Indeed, if bonds get too expensive, demand will simply diminish.**

We remain wary of the inflation outlook, but the weaker than expected Q1 CPI print means this issue has been parked for the time being. For now, then, **domestic interest rates will be dominated by bond supply and global trends.**

PREFERRED BORROWING STRATEGIES

We continue to favour a greater than normal exposure to floating rates while taking opportunities to add to medium term hedges on dips. Broadly speaking, we favour a balance of low-cost funding with appropriate protection against rates rising in future. Given the point of the business cycle (i.e. the pre-recovery stage) and the level of long-term rates relative to historical ranges, it is tempting to think that now would be a good time to add to long-term hedges. We have a great deal of sympathy for that view, but we are also mindful of how low floating rates are, and expect the upcoming rate hike cycle to be long and drawn out, as opposed to swift and abrupt. This leaves us less eager to embrace long-term hedging. Vanilla option strategies look reasonably attractive, even if only because premiums are low in relation to the slope of the curve.

GAUGES FOR NZ INTEREST RATES

GAUGE	DIRECTION	COMMENT
RBNZ / OCR	↔/↑	OCR Review won't be as circumspect as MPS.
NZ data	↔	CPI data saw risks re-priced.
Fed Funds / front end	↔	Debate about exit strategy continues to rage.
RBA	↔	Minutes suggest that RBA is very comfortable here.
US 10 year	↔/↑	Safe haven buying after S&P comments on US rating. You must be kidding!
NZ swap curve	↔/↑	Swap curve under pressure to steepen, bonds neutral.
Flow	↔/↓	Squeeze has run its course.
Technicals	↔/↓	3.45% 2yr proved to be a hard barrier to the upside.

MARKET EXPECTATIONS FOR RBNZ OCR (BPS)

OCR DATES	LAST WEEK	THIS WEEK
Thu 28-Apr-11	0	0
Thu 9-Jun-11	+1	+1
Thu 28-Jul-11	+1	+1
Thu 15-Sep-11	+7	+1
Thu 27-Oct-11	+16	+12
Thu 8-Dec-11	+24	+16
Thu 26-Jan-12	+44	+37

TRADING THEMES WE FAVOUR AT PRESENT

Call it ironic, but the market has cottoned on to the idea that large bond tenders mean strong demand, and as a result, bond yields have held steady while swap yields have risen, further normalising swap spreads. This has been a favoured trade for some time now, and it remains so. In fact, we like NZ bonds and the NZD even more in the wake of S&P's decision to place the US on negative outlook, as it only serves to highlight the differences between NZ's fiscal position (and ambitions) relative to the US and Europe, where the real problems lie.

CURRENCY STRATEGY

SUMMARY

The corrective move lower we were expecting early this week proved to be short-lived. The 0.7850 support level has held, and NZD remains solidly sought on dips. With the AUD hitting all-time post-float highs and the USD still under pressure, a sustained push above 0.80 now looks to be only a matter of time for the NZD. Next week's OCR Review is unlikely to be quite as subdued in tone as March's. If this proves to be the case, and the upcoming NBNZ business confidence reading shows some stabilisation, then the NZD is set to continue heading higher.

MARKET THEMES

- USD weakness continues, not helped by S&P revising the outlook on the US to negative.
- Greek debt restructuring talk brushed aside for the time being.
- AUD hits another post-float high, with gold surpassing US\$1,500/oz for the first time.

REVIEW AND OUTLOOK

We said earlier this week that the NZD had gone too far too fast and that a corrective pullback was overdue. We are still of that view. But price action this week has revealed that the NZD continue to be sought after on any dips, resulting in only shallow and short-lived pullbacks. Support at 0.7850 held firm this week even after the softer than expected NZ Q1 CPI print on Monday and the risk aversion triggered global selloff on Tuesday.

The NZD may look extended on valuation measures, but this counts for nothing when the USD continues to be pummelled. S&P putting the US on negative outlook does not help USD's fortunes. With AUD hitting new post-float highs, gold above US\$1,500/oz for the first time ever and even the EUR – plagued as it is with talk of Greek debt restructuring – still managing to recover past 1.45, it is clear that the USD is under real downward pressure. In addition, the NZDMO has increased issuance in response to strong demand. Most of this bond demand will be from offshore, which means further demand for the NZD.

Don't fight the trend, as they say, so we have delayed the pullback view and now look for the NZD to make a sustained push above 0.80 next week. Global developments remain important to watch, fickle as they are. Should USD malaise carry on, post-float highs for the NZD seem inevitable. Downside risks for the NZD from next week's RBNZ OCR review seem unlikely. The RBNZ will not be

quite as subdued as it was in March, and Governor Bollard is unlikely to jawbone the currency lower following his speech last week. The key then will be the NBNZ business confidence reading. Following a massive earthquake-driven decline last month, how the survey fares this month will be important for the NZD.

AUD can do no wrong it seems, and new post-float highs above 1.07 have been reached. At this rate, 1.10 may not seem far-fetched. After outperforming AUD last week, **we doubt the NZD will be able to match the AUD's moves**, especially if AU Q1 CPI comes in strong. So forget about the 0.76 resistance level; we are now looking at potentially a move back lower. 0.7350 beckons.

NZD VS AUD: MONTHLY DIRECTIONAL GAUGES		
GAUGE	DIRECTION	COMMENT
Fair value	↔	Close to our fair value estimates.
Yield	↔	NZ rates squeeze halted.
Commodities	↔/↓	AU terms of trade soaring.
Partial indicators	↔/↓	Softer NZ Q1 CPI briefly interrupted NZD strength.
Technicals	↔	Support remains at 0.7300.
Sentiment	↑	Reinsurance flows support.
Other	↑	Terms of trade continue to support.
On balance	↔/↓	NZD will lag behind AUD moves for now.

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	↓	Yield differentials suggest NZD should be lower.
Commodities	↑	Soft commodities driving more exporter hedging.
Risk aversion	↔/↑	Watch equities.
Partial indicators	↔	Next week's business confidence data important.
Technicals	↑	0.7850 key support level.
AUD	↑	Post-float high.
Sentiment	↑	Reinsurance flows support.
Other	↑	USD weakness theme continues.
On balance	↔/↑	Too far too fast, yes. But sharp pullback not looking likely for now.

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
21-Apr	GE	IFO - Business Climate - APR	110.5	111.1	20:00
	GE	IFO - Current Assessment - APR	115.5	115.8	20:00
	GE	IFO - Expectations - APR	105.5	106.5	20:00
	UK	Public Finances (PSNCR) - MAR	14.0B	7.0B	20:30
	UK	PSNB ex Interventions - MAR	20.0B	11.8B	20:30
	UK	Public Sector Net Borrowing - MAR	18.7B	10.3B	20:30
	UK	Retail Sales Ex Auto Fuel(MoM) - MAR	-0.40%	-1.00%	20:30
	UK	Retail Sales Ex Auto Fuel(YoY) - MAR	0.80%	1.20%	20:30
	UK	Retail Sales w/Auto Fuel (MoM) - MAR	-0.50%	-0.80%	20:30
	UK	Retail Sales w/Auto Fuel (YoY) - MAR	1.00%	1.30%	20:30
22-Apr	US	Initial Jobless Claims - APR 16	390K	412K	00:30
	US	Continuing Claims - APR 9	3675K	3680K	00:30
	US	House Price Index MoM - FEB	-0.30%	-0.30%	02:00
	US	Leading Indicators - MAR	0.30%	0.80%	02:00
	US	Philadelphia Fed. - APR	36.8	43.4	02:00
	US	RPX Composite 28dy YoY - FEB	-	-3.39%	08:00
26-Apr	US	New Home Sales MoM - MAR	12.00%	-16.90%	02:00
	US	New Home Sales - MAR	280K	250K	02:00
	US	Dallas Fed Manf. Activity - APR	13.4	11.5	02:30
27-Apr	US	S&P/CS 20 City MoM% SA - FEB	-0.40%	-0.22%	01:00
	US	S&P/CS Composite-20 YoY - FEB	-3.27%	-3.06%	01:00
	US	Consumer Confidence - APR	64.7	63.4	02:00
	US	Richmond Fed Manufact. Index - APR	20.0	20.0	02:00
	JN	Retail Trade YoY - MAR	-	0.10%	11:50
	JN	Retail Trade MoM SA - MAR	-	0.80%	11:50
	JN	Large Retailers' Sales - MAR	-	0.50%	11:50
	NZ	NBNZ Activity Outlook - APR	-	14.7	13:00
	NZ	NBNZ Business Confidence - APR	-	-8.7	13:00
	AU	Consumer Prices (QoQ) - 1Q	1.20%	0.40%	13:30
	AU	Consumer Prices (YoY) - 1Q	3.00%	2.70%	13:30
	AU	RBA Trimmed Mean (QoQ) - 1Q	0.70%	0.30%	13:30
	AU	RBA Trimmed Mean (YoY) - 1Q	2.10%	2.20%	13:30
	AU	RBA Weighted Median (QoQ) - 1Q	0.60%	0.50%	13:30
	AU	RBA Weighted Median (YoY) - 1Q	2.10%	2.30%	13:30
	GE	GfK Consumer Confidence Survey - MAY	5.8	5.9	18:00
	UK	GDP (QoQ) - 1Q A	-	-0.50%	20:30
	UK	GDP (YoY) - 1Q A	-	1.50%	20:30
	UK	Index of Services (MoM) - FEB	-	1.30%	20:30
	EC	Industrial New Orders NSA (YoY) - FEB	-	20.90%	21:00
	EC	Industrial New Orders SA (MoM) - FEB	1.80%	0.10%	21:00
28-Apr	US	Durable Goods Orders - MAR	1.50%	-0.90%	00:30
	US	Durables Ex Transportation - MAR	2.20%	-0.60%	00:30
	US	FOMC Rate Decision - APRIL	0.25%	0.25%	04:30
	NZ	RBNZ Official Cash Rate - APRIL	2.50%	2.50%	09:00
	UK	GfK Consumer Confidence Survey - APR	-	-28.0	11:01
	JN	Job-To-Applicant Ratio - MAR	-	62.00%	11:30
	JN	Overall Hhold Spending (YoY) - MAR	-	-0.20%	11:30
	JN	Jobless Rate - MAR	-	4.60%	11:30

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
28-Apr	JN	Natl CPI YoY - MAR	--	0.00%	11:30
	JN	Natl CPI Ex-Fresh Food YoY - MAR	--	-0.30%	11:30
	JN	Natl CPI Ex Food, Energy YoY - MAR	--	-0.60%	11:30
	JN	Industrial Production (MoM) - MAR P	--	1.80%	11:50
	JN	Industrial Production YOY% - MAR P	--	2.90%	11:50
	NZ	Money Supply M3 YoY - MAR	--	5.20%	15:00
	JN	Vehicle Production (YoY) - MAR	--	-5.50%	16:00
	JN	Housing Starts (YoY) - MAR	--	10.10%	17:00
	JN	Annualized Housing Starts - MAR	--	0.872M	17:00
	JN	Construction Orders (YoY) - MAR	--	19.50%	17:00
	GE	Unemployment Change (000's) - APR	-34K	-55K	19:55
	GE	Unemployment Rate (s.a) - APR	7.00%	7.10%	19:55
	JN	BOJ Target Rate - APR	--	0.10%	--
29-Apr	US	Chicago Fed Nat Activity Index - MAR	--	-4.00%	00:30
	US	GDP QoQ (Annualized) - 1Q A	1.80%	3.10%	00:30
	US	GDP Price Index - 1Q A	2.50%	0.40%	00:30
	US	Core PCE QoQ - 1Q A	1.30%	0.40%	00:30
	US	Personal Consumption - 1Q A	2.10%	4.00%	00:30
	US	Initial Jobless Claims - APR 23	--	--	00:30
	US	Continuing Claims - APR 16	--	--	00:30
	US	Pending Home Sales MoM - MAR	1.50%	2.10%	02:00
	US	Pending Home Sales YoY - MAR	--	-9.30%	02:00
	NZ	Trade Balance - MAR	200M	194M	10:45
	NZ	Exports - MAR	4.20B	3.87B	10:45
	NZ	Imports - MAR	3.90B	3.68B	10:45
	AU	RP Data-Rismark House Px MoM N - MAR	--	0.70%	12:30
	AU	Private Sector Credit MoM% - MAR	0.40%	0.50%	13:30
	AU	Private Sector Credit YoY% - MAR	3.30%	3.40%	13:30
	CH	MNI Business Condition Survey - APR	--	69.3	13:35
	EC	Euro-Zone M3 s.a. (YoY) - MAR	2.20%	2.00%	20:00
	EC	Euro-Zone CPI Estimate (YoY) - APR	2.70%	2.60%	21:00
	EC	Euro-Zone Consumer Confidence - APR F	-11.0	-11.4	21:00
	EC	Euro-Zone Economic Confidence - APR	107.0	107.3	21:00
	EC	Euro-Zone Indust. Confidence - APR	7.0	6.6	21:00
	EC	Euro-zone Services Confidence - APR	10.5	10.8	21:00
	EC	Euro-Zone Unemployment Rate - MAR	9.90%	9.90%	21:00
30-Apr	US	Employment Cost Index - 1Q	0.60%	0.40%	00:30
	US	PCE Core (MoM) - MAR	0.10%	0.20%	00:30
	US	Personal Spending - MAR	0.50%	0.70%	00:30
	US	PCE Core (YoY) - MAR	--	0.90%	00:30
	US	PCE Deflator (YoY) - MAR	1.90%	1.60%	00:30
	US	Personal Income - MAR	0.40%	0.30%	00:30
	US	Chicago Purchasing Manager - APR	70.0	70.6	01:45
	US	U. of Michigan Confidence - APR F	70.0	69.6	01:55
	US	NAPM-Milwaukee - APR	--	66.0	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: Events this week were a mixed bag, with a heightened mood of consumer caution still evident. Next Wednesday's National Bank Business Outlook will show how business sentiment has fared. The April OCR dominates next week's events, with the RBNZ expected to stick to the script and give the insurance cut time to work. The economic data over the coming months will remain noisy. We continue to watch for signs of rebuilding activity and for strengthening activity within interest rate sensitive sectors.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Wed Apr 27 (1:00pm)	National Bank Business Outlook - Apr	- -	- -
Thur Apr 28 (9:00am)	April OCR Review	On hold	The RBNZ will want to give March MPS insurance cuts time to work. We expect the RBNZ to remain on hold until December.
Thur Apr 29 (3:00pm)	RBNZ Credit Aggregates - March	Crawling	Small rates of annual credit growth are expected. We will closely monitor business credit for signs of seismic impacts.
Fri Apr 29 (10:45am)	Overseas Merchandise Trade- March	Seasonal	We expect a monthly surplus of about \$600m. The annual trade surplus should hover around the \$750m mark.
Fri Apr 29 (10:45am)	Building Consents – Feb	Holding	Residential consent numbers should hold at weak levels of 1,000 consents. A strong Q3 pick-up looms from rebuilding.
Mon 2 May (1:00pm)	ANZ Commodity Price Index – April	- -	- -
Tue 3 May (10:45am)	Labour Cost Index – 2011Q1	Firming	Private sector LCI wages should rise 0.6 percent (2.2 percent y/y). Larger increases are expected in the unadjusted LCI.
Tue 3 May (10:45am)	Quarterly Employment Survey – 2011Q1	Tightening	Private ordinary time average earnings growth to accelerate to 2.7 percent y/y. Filled jobs and paid hours to rise 1 percent.
Wed 4 May (6:00am)	<i>globalDairyTrade</i> auction	Consolidation	We expect whole milk powder prices to consolidate around the US \$3,700 tonne level.
Wed 4 May (10:45am)	External Migration – March	Easing	A net PLT inflow of 200 persons is expected. Lower Asian visitor numbers should see a 2 percent fall in visitor arrivals.
Wed 4 May (10:45am)	Building Consents – March	Flat	Dwelling consent numbers should remain broadly unchanged. Large falls in Canterbury to be offset elsewhere.
Thur 5 May (10:45am)	HLFS – 2011Q1	See-saw	We expect a 0.9 percent increase in employment, with the unemployment rate set to decline to 6.5 percent.
Tue 10 May (10:45am)	Electronic Card Transactions - April	Improving	March data showed resilience and we expect a small climb in retail transaction values.
Fri 13 Mar (10:00am)	REINZ housing market data - April	Firming	We expect a 4 percent increase in sales numbers. Days to sell are expected to ease further, with prices broadly stable.
Fri 13 Mar (10:45am)	Retail Trade Survey - 2011Q1	Up	Retail ECT data and rising car registrations suggest a 2.5 percent increase to nominal retail values. Core retail is expected to rise 1.5 percent, in line with the core ECT data. Retail volumes are expected to rise 1.5 percent, with core volumes up 0.7 percent.
Wed 18 May (10:45am)	Producers Price Index – 2011Q1	Up	Higher oil and commodity prices should boost input prices by 1 percent. Output prices should rise by around 0.8 percent.
Wed 18 May (10:45am)	Capital Goods Price Index – 2011Q1	Down	The high NZD/USD should lower capital prices by 0.3 percent. Construction costs Could fall, but look set to firm over 2011.
Wed 18 May (1:00pm)	ANZ-Roy Morgan Consumer Confidence	- -	- -
Fri 20 May (10:45am)	International Travel and Migration – April	Easing	A net PLT inflow of 100 persons is expected. Visitor arrival numbers should remain unchanged at low levels.
On Balance		Mixed	A real economy and pricing side dichotomy may start to emerge but with recent signs of life in housing and retail.

KEY FORECASTS AND RATES

	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
GDP (% qoq)	0.1	-0.2	0.2	-0.4	0.1	1.4	1.8	0.7	0.9	0.9
GDP (% yoy)	1.9	1.5	0.8	-0.3	-0.3	1.3	2.9	4.1	4.9	4.4
CPI (% qoq)	0.2	1.1	2.3	0.8	1.0	0.8	0.7	0.6	0.8	0.7
CPI (% yoy)	1.7	1.5	4.0	4.5	5.3	5.0	3.3	3.1	2.9	2.7
Employment (% qoq)	-0.3	1.1	-0.5	0.9	0.2	0.5	0.5	0.5	0.4	0.5
Employment (% yoy)	0.0	1.9	1.3	1.2	1.7	1.1	2.1	1.7	1.9	1.9
Unemployment Rate (% sa)	6.9	6.4	6.8	6.5	6.7	6.6	6.4	6.3	6.2	6.1
Current Account (% GDP)	-3.0	-2.2	-2.2	0.5	0.2	-1.2	-1.2	-4.2	-4.8	-4.8
Terms of Trade (% qoq)	2.0	3.0	0.6	2.5	1.5	1.5	0.5	-0.8	-0.8	-0.8
Terms of Trade (% yoy)	12.7	17.9	12.2	8.3	7.8	6.3	6.1	2.8	0.5	-1.8

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Retail ECT (% mom)	0.3	-0.7	2.3	0.9	1.0	-0.9	2.4	-0.2	1.3	..
Retail ECT (% yoy)	4.4	1.7	5.0	4.8	6.3	4.4	5.7	6.2	6.6	..
Credit Card Billings (% mom)	-1.2	0.7	1.0	0.6	0.0	-1.7	3.4	-0.3	..	..
Credit Card Billings (% yoy)	2.6	2.2	4.2	4.7	3.8	2.1	5.5	5.3	..	..
Car registrations (% mom)	-6.4	0.0	2.6	-3.8	13.5	-8.6	1.0	-1.1	-0.2	..
Car registrations (% yoy)	16.0	19.0	19.2	9.4	23.5	6.4	6.8	2.8	-1.0	..
Building consents (% mom)	3.3	-17.6	0.9	-1.9	8.0	-18.4	9.1	-9.7	..	..
Building consents (% yoy)	25.1	-3.1	-9.5	-17.4	-9.1	-26.5	-14.8	-28.9	..	..
REINZ House Price Index (% yoy)	1.8	0.9	-1.3	-3.5	-1.9	-1.6	-2.6	-0.7	-1.8	..
Household Lending Growth (% mom)	0.2	0.1	0.2	0.1	0.0	0.0	0.1	0.1	..	..
Household Lending Growth (% yoy)	2.5	2.3	2.3	2.0	1.8	1.6	1.6	1.5	..	..
ANZ Roy Morgan Consumer Confidence	115.6	116.3	116.4	113.6	114.5	112.2	117.1	108.1	101.4	101.4
NBNZ Business Confidence	27.9	16.4	13.5	23.7	33.2	29.5	..	34.5	-8.7	..
NBNZ Own Activity Outlook	32.4	25.7	26.7	30.5	35.3	34.5	..	36.6	14.7	..
Trade Balance (\$m)	-186	-430	-455	-220	-177	-223	-3	194	..	..
Trade Balance (\$m ann)	585	871	978	1259	1363	1166	893	758	..	..
ANZ World Commodity Price Index (% mom)	-0.8	-1.4	2.8	3.5	4.5	2.0	3.8	2.7	4.7	..
ANZ World Commodity Price Index (% yoy)	47.3	38.6	32.9	31.4	23.7	23.0	27.2	25.9	29.6	..
Net migration (sa)	930	870	1010	510	600	720	450	460	..	..
Net migration (annual)	15221	14507	13914	12610	11519	10451	8689	8249	..	..

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

KEY MARKET FORECASTS AND RATES

FX RATES	ACTUAL			Forecast (end month)						
	Feb-11	Mar-11	Today	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
NZD/USD	0.752	0.762	0.796	0.74	0.75	0.75	0.74	0.72	0.71	0.70
NZD/AUD	0.739	0.737	0.745	0.73	0.71	0.73	0.73	0.72	0.72	0.73
NZD/EUR	0.545	0.538	0.549	0.53	0.55	0.56	0.56	0.54	0.53	0.52
NZD/JPY	61.53	63.31	65.70	62.9	64.5	66.0	66.6	66.2	66.0	66.5
NZD/GBP	0.463	0.475	0.486	0.46	0.47	0.47	0.47	0.46	0.45	0.45
NZ\$ TWI	66.4	66.7	68.7	65.6	66.4	67.3	67.0	65.7	64.9	64.4
INTEREST RATES	Feb-11	Mar-11	Today	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12
NZ OCR	3.00	2.50	2.50	2.50	2.50	2.75	3.25	3.50	3.75	4.00
NZ 90 day bill	2.86	2.63	2.65	2.70	2.70	3.10	3.70	3.80	4.20	4.30
NZ 10-yr bond	5.54	5.66	5.75	6.10	6.40	6.50	6.70	6.60	6.60	6.40
US Fed funds	0.25	0.25	0.25	0.25	0.25	0.25	0.75	1.50	2.00	2.00
US 3-mth	0.31	0.30	0.27	0.35	0.35	0.35	0.85	1.60	2.10	2.10
AU Cash Rate	4.75	4.75	4.75	4.75	5.00	5.25	5.25	5.50	5.75	5.75
AU 3-mth	4.97	4.93	4.84	5.00	5.30	5.50	5.60	5.90	6.00	6.00

	22 Mar	18 Apr	19 Apr	20 Apr	21 Apr	22 Apr
Official Cash Rate	2.50	2.50	2.50	2.50	2.50	..
90 day bank bill	2.62	2.65	2.65	2.65	2.65	..
NZGB 04/13	3.43	3.60	3.45	3.50	3.51	..
NZGB 04/15	4.29	4.56	4.48	4.54	4.56	..
NZGB 03/19	5.39	5.64	5.54	5.60	5.62	..
NZGB 05/21	5.59	5.78	5.69	5.74	5.76	..
2 year swap	3.27	3.45	3.34	3.39	3.39	..
5 year swap	4.35	4.64	4.59	4.68	4.68	..
RBNZ TWI	64.6	68.8	68.3	68.7	68.7	..
NZD/USD	0.7373	0.7853	0.7841	0.7931	0.7965	..
NZD/AUD	0.7330	0.7571	0.7490	0.7495	0.7456	..
NZD/JPY	59.71	66.00	64.64	65.83	65.74	..
NZD/GBP	0.4519	0.4830	0.4825	0.4852	0.4859	..
NZD/EUR	0.5183	0.5549	0.5513	0.5511	0.5490	..
AUD/USD	1.0059	1.0455	1.0468	1.0582	1.0682	..
EUR/USD	1.4224	1.4472	1.4224	1.4392	1.4509	..
USD/JPY	80.98	84.05	82.44	83.00	82.53	..
GBP/USD	1.6315	1.6260	1.6252	1.6347	1.6393	..
Oil (US\$/bbl)	102.36	105.75	107.18	107.18	110.84	..
Gold (US\$/oz)	1429.15	1457.75	1496.40	1499.60	1501.85	..
Electricity (Haywards)	4.26	8.42	5.36	5.25	8.21	..
Baltic Dry Freight Index	1543	1284	1271	..	..	..
Milk futures (US\$/contract)	159	161	161	161	..	..

IMPORTANT NOTICE

NEW ZEALAND DISCLOSURE INFORMATION

The Bank (in respect of itself and its principal officers) makes the following investment adviser disclosure to you pursuant to section 41A of the Securities Markets Act 1988.

The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

Qualifications, experience and professional standing Experience

The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice on those securities, to customers as a core part of its business for many years, drawing on the extensive research undertaken by the Bank and its related companies and the skills of specialised staff employed by the Bank. The Bank is represented on many bank, finance and investment related organisations and keeps abreast of relevant issues by running seminars and workshops for relevant staff and having its investment adviser staff attend external seminars where appropriate. The Bank subscribes to relevant industry publications and, where appropriate, its investment advisers will monitor the financial markets.

Relevant professional body

The Bank is a member of the following professional bodies relevant to the provision of investment advice:

- New Zealand Bankers Association;
- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

Professional indemnity insurance

The Bank (and its subsidiaries), through its ultimate parent company Australia and New Zealand Banking Group Limited, has professional indemnity insurance which covers its activities including those of investment advisers it employs.

This insurance covers issues (including 'prior acts') arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank.

The insurer is ANZcover Insurance Pty Limited.

Dispute resolution facilities

The Bank has a process in place for resolving disputes. Should a problem arise, you can contact any branch of the Bank for more information on the Bank's procedures or refer to any of the Bank's websites.

Unresolved complaints may ultimately be referred to the Banking Ombudsman, whose contact address is PO Box 10-573, Wellington.

Criminal convictions

In the five years before the relevant investment advice is given none of the Bank (in its capacity as an investment adviser and where applicable an investment broker) or any principal officer of the Bank has been:

- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- Adjudicated bankrupt;
- Prohibited by an Act or by a court from taking part in the management of a company or a business;

- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

Fees

At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

Other interests and relationships

When a security is sold by the Bank, the Bank may receive a commission, either from the issuer of a security or from an associated person of the Bank. Whether that commission is received and, if received, its value depends on the security sold. At the time of providing this disclosure statement it is not practicable to provide a detailed list of each security that may be advised on, the name of the issuer of that security and the rate of the commission received by the Bank. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

In addition to the interest that the Bank has in products of which it is the issuer, the Bank, or an associated person of the Bank, has the following interests or relationships that a reasonable person would find reasonably likely to influence the Bank in providing the investment advice on the securities listed below:

- ANZ Investment Services (New Zealand) Limited (ANZIS), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. ANZIS may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- UDC Finance Limited (UDC), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. UDC may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- OnePath (NZ) Limited, as a wholly owned subsidiary of the Bank, is an associated person of the Bank. OnePath and its related companies may receive remuneration from a third party relating to a security sold by the Investment Adviser.
- Direct Broking Limited (DBL), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. DBL may receive remuneration from a third party relating to a security sold by the Investment Adviser.

Securities about which investment advice is given

The Bank provides investment advice on the following types of securities:

- Debt securities including term and call deposits, government stock, local authority stock, State-Owned Enterprise bonds, Kiwi bonds and corporate bonds and notes;
- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY

If you wish to pay investment money to the Bank you can do this in several ways such as by:

- Providing cash;



IMPORTANT NOTICE

- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

Record Keeping

The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

Auditing

The Bank's systems and operations are internally audited on a regular basis. The financial statements of the Bank and its subsidiaries are audited annually by KPMG. However, this does not involve an external audit of the receipt, holding and disbursement of the money and other property.

Use of Money and Property

Money or property held by the Bank for a specific purpose communicated to the Bank (e.g. the purchase of an interest in a security) may not be used by the Bank for its own purposes and will be applied for your stated purpose. No member of the Bank's staff may use any money or property deposited with the Bank, for their own purposes or for the benefit of any other person. In the absence of such instructions, money deposited with the Bank may be used by the Bank for its own purposes, provided it repays the money to you upon demand (or where applicable, on maturity), together with interest, where payable.

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The Bank does not provide investment advice tailored to an investor's personal circumstances. It is the investor's responsibility to understand the nature of the security subscribed for, and the risks associated with that security. To the maximum extent permitted by law, the Bank excludes liability for, and shall not be responsible for, any loss suffered by the investor resulting from the Bank's investment advice.

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