

NEW ZEALAND ECONOMICS MARKET FOCUS

7 November 2016

INSIDE

Economic Overview	2
Interest Rate Strategy	6
Currency Strategy	7
Data Event Calendar	8
Local Data Watch	10
Key Forecasts	11

NZ ECONOMICS TEAM

Cameron Bagrie Chief Economist

Telephone: +64 4 802 2212
E-mail: Cameron.Bagrie@anz.com
Twitter @ANZ_cambagrie

Philip Borkin Senior Economist

Telephone: +64 9 357 4065
Email: Philip.Borkin@anz.com

David Croy Senior Rates Strategist

Telephone: +64 4 576 1022
E-mail: David.Croy@anz.com

Kyle Uerata Economist

Telephone: +64 4 802 2357
E-mail: Kyle.Uerata@anz.com

Con Williams Rural Economist

Telephone: +64 4 802 2361
E-mail: Con.Williams@anz.com

Sharon Zöllner Senior Economist

Telephone: +64 9 357 4094
E-mail: Sharon.Zollner@anz.com

ONE AND DONE

ECONOMIC OVERVIEW

The US election is the focus this week. There are real risks to New Zealand, but also good reasons not to panic. The endgame for the political posturing and populist pushback is not good but **it's a thematic that will just need to be dealt with**. The RBNZ will cut the OCR this week because it has said it will, but strong economic data and signs of a turn in inflation suggest a risk they could be overcooking it. Risks of further cuts remain, but in our view this would require an ugly event offshore (for which there are plenty of candidates, admittedly). Data this week should continue to flag that domestic economic momentum is strong, but that housing momentum has topped out courtesy of the LVR restrictions and affordability constraints.

INTEREST RATE STRATEGY

The capitulation in short-end rates that we feared may eventuate has occurred, taking the 2-year swap rate to a four month high. The move now looks mature, and **we doubt we'll see material further upside unless the RBNZ surprises with a pause**. But equally, the lack of fresh receiving interest and widespread acceptance that this is likely to be the last easing suggests we are unlikely to see much of a relief rally either, setting the stage for range-trading. The long end is likely to be somewhat directionless ahead of the US election. However, a Donald Trump victory would likely **elicit a larger downside reaction than a "status-quo" Hillary Clinton victory**. So the risks are skewed to the downside. Looking beyond the election, the groundswell of political revolt globally is suggestive of more uncertainty and slower growth, capping the upside potential for bond yields. In coming weeks, we continue to expect a **period of "muddle through", rather than a bond bear market**.

CURRENCY STRATEGY

We retain our neutral bias towards the NZD. The fundamental picture has not changed sufficiently to warrant a reassessment or anticipate a range breakout. There is still oodles of support (growth, yield, commodity prices) for the NZD but at the same time financial conditions are now flagging a potential turn in the cycle and there are more than enough global uncertainties to fret about; this leaves us wary chasing recoils too far. A corrective bounce for the NZD/AUD is underway and we **continue to expect topside prodding with relative growth still in NZD's favour**.

THE ANZ HEATMAP

Variable	View	Comment	Risk profile (change to view)
GDP	3.3% y/y for 2017 Q2	The economy is recording decent momentum, and we expect that to generally continue. Downside risk mainly stems from offshore.	
Unemployment rate	5.0% for 2017 Q2	The unemployment rate should continue to trend lower. Wage inflation is contained, in part due to strong labour supply growth.	
OCR	1.75% by Jun 2017	With strong growth, capacity pressures emerging and inflation past its lows, further OCR cuts beyond one this week are harder to justify.	
CPI	1.1% y/y for 2017 Q2	Headline inflation is past its lows, with base effects seeing it return to the target mid-point in early 2017. Domestic and core inflation should also gradually lift.	

ECONOMIC OVERVIEW

SUMMARY

The US election is the focus this week. There are real risks to New Zealand, but also good reasons not to panic. The endgame for the political posturing and populist pushback is not good for the global economy and microeconomic policy settings. But micro-economics takes time to influence macroeconomic direction and it's a thematic that will just need to be dealt with. The RBNZ will cut the OCR this week because it has said it will, but strong economic data and signs of a turn in inflation suggest a risk they could be overcooking it. Risks of further cuts remain, but in our view this would require an ugly event offshore (for which there are plenty of candidates, admittedly). Data this week should continue to flag that domestic economic momentum is strong, but that housing momentum has topped out courtesy of the LVR restrictions and affordability constraints.

FORTHCOMING EVENTS

ANZ Truckometer – Oct (10:00am, Tuesday, 8 November).

Household Living-costs Price Indexes – Q3 (10:45am, Tuesday, 8 November). This is the first release of its kind in New Zealand, aiming to measure how inflation is felt by different groups of households.

Electronic Card Transactions – Oct (10:45am, Wednesday, 9 November). After a strong September gain, we have pencilled in a modest 0.4% m/m lift.

ANZ Monthly Inflation Gauge – Oct (1:00pm, Wednesday, 9 November).

REINZ Housing Market Statistics – Oct (10-15 November). Anecdote, together with softer new lending growth figures, suggest that market activity has continued to cool, particularly in Auckland.

RBNZ Monetary Policy Statement (9:00am, Thursday, 10 November). Despite the strong economy, the RBNZ will follow through on its well-flagged cut and take the cash rate to 1.75%. Given ongoing concerns about the NZD and inflation expectations, an easing bias will be maintained.

BNZ-BusinessNZ PMI – Oct (10:30am, Friday, 11 November). The domestic manufacturing sector is riding on the coat-tails of the strong domestic economy more generally.

Food Price Index – Oct (10:45am, Friday, 11 November). Due to weaker fruit and vegetable prices, food prices typically fall in October months.

BNZ-BusinessNZ PSI – Oct (10:30am, Monday, 14 November). Although the gauge has eased of late – perhaps due to cooler housing market activity – we expect it to hold up overall.

WHAT'S THE VIEW?

Politics will dominate economics this week with sentiment obviously on edge ahead of the US election. A lot of commentary is understandably focusing on the possible negative implications. The world needs a platform for better policy, not populist-driven rubbish. For a world built on economic integration with freer flow of goods, services, capital and people (i.e. globalisation) in recent decades, putting this process into reverse will have negative implications. Increased barriers for any of these flows comes with trade-offs and from a global perspective leads to less choice (increase trade linkages has driven much greater consumer choice), lower incomes, and reduced asset valuations.

Turning to the potential implications for New Zealand in particular:

- **Lower trade and services activity for a small, open economy such as New Zealand could be particularly painful** for many businesses.
- New Zealand remains a savings-deficit nation despite recent improvements, so **any changes to capital flows (and the cost of capital) are also important** (this could go both ways).
- **Confidence is key for global growth.** Uncertainty and political fretting is not good for businesses investing. Contagion risks from Brexit are flowing across Europe as politics becomes more and more influential and relevant.
- **Restrictions on trade are not great for Asia,** and New Zealand's future is tied to Asia.
- **Trade impacts economic growth and affluence, which influence commodity prices** – and New Zealand is a commodity exporter.
- Bad politics means a weaker currency and not a stronger one; **the NZD will be tossed around** at the whim of the other side of the currency coin.
- **People wanting to visit and live in New Zealand is another large part of the current economic story. Given the political malaise occurring offshore this is likely to continue to be a positive driver** for housing, infrastructure and general services demand. Of course the question here is how much the economy can handle and whether there will be push-back at some point, as occurred in Britain where migration played a central part in voters' decision to leave the EU.

So there are some real channels of which to be mindful. But they are merely channels and there

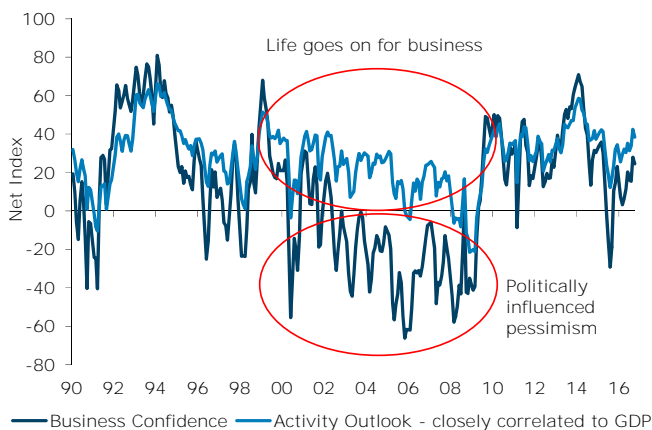
ECONOMIC OVERVIEW

is nothing really concrete that can be said at present.

Before people jump off the “deep end” and panic, some realism is also required.

- **We recall the business sector tying itself in knots post the 1999 election in New Zealand;** confidence collapsed (figure 1). However, a) the economic wheels kept turning, b) the policy platform was okay, and c) businesses went about their own business (headline confidence was weak but businesses remained upbeat about their own prospects). The economy went along okay. Moreover, the US Presidency has a framework of checks and balances around it that is lacking in New Zealand. Making domestic policy changes is not so easy. **It is entirely possible that the domestic policy lurch under a change of US Government could be smaller (and slower) than feared.**

FIGURE 1. ANZ BUSINESS CONFIDENCE AND ACTIVITY OUTLOOK



Source: ANZ

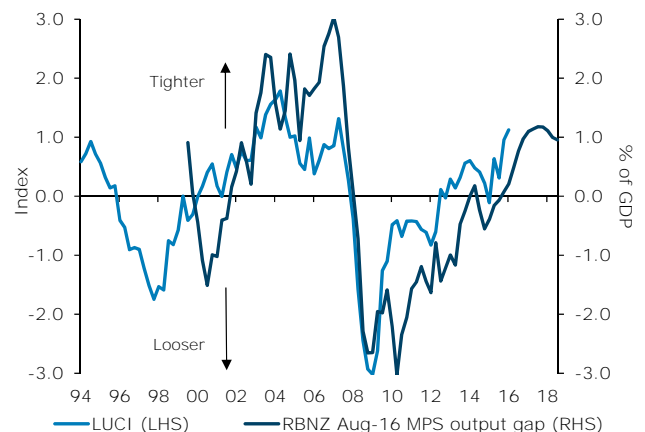
- **On the other hand, the President has a much freer hand with foreign and trade policy,** which could obviously have much more negative impacts for New Zealand, given the anti-free-trade sentiment expressed by one candidate in particular. **But even here, it isn't cut and dried.** A trade war between China and the US, for example, could open up better opportunities for those such as New Zealand who manage to stay out of the fracas.
- In addition, **let's not forget that New Zealand has the capacity to feed only 40-50 million people.** And the tourism sector is already facing capacity issues. Somehow, we doubt the opportunities door will suddenly be closed. It's not like the world has been playing fair in regard trade policy for the past 30 years! Meanwhile New Zealand has gone about its business.

- **New Zealand has its own “lightning rods” in the form of housing affordability, income inequality and migration, but they are not causing the political angst we are seeing overseas.** That might just be question of timing but is probably more a reflection of the fact that New Zealand is in the enviable position of strong growth and a declining unemployment rate. Let's not forget the US has the same, though growth is not as stellar. Indeed, the US (U3) unemployment rate is the same as New Zealand's at 4.9%, but this comparison flatters the US: New Zealand has a far higher labour force participation rate.

That's not to downplay the risks. But politics is only one of many fuses that could light a big bomb, given the state of global markets and economies.

We're still quietly confident the New Zealand economy will keep going about its business. And markets are implicitly saying the same with the NZD back up again amidst a growing view that the RBNZ doesn't really need to be cutting the OCR again, and the economy is in pretty good shape. **The RBNZ's Labour Utilisation Composite Index shows the labour market is about as tight as it was in the boom years of 2007.** And the Reserve Bank's output gap forecasts suggest this tightness isn't going to be relieved any time soon (figure 2).

FIGURE 2: ANZ ESTIMATE OF RBNZ'S LABOUR UTILISATION COMPOSITE INDEX AND OUTPUT GAP



Source: ANZ, RBNZ

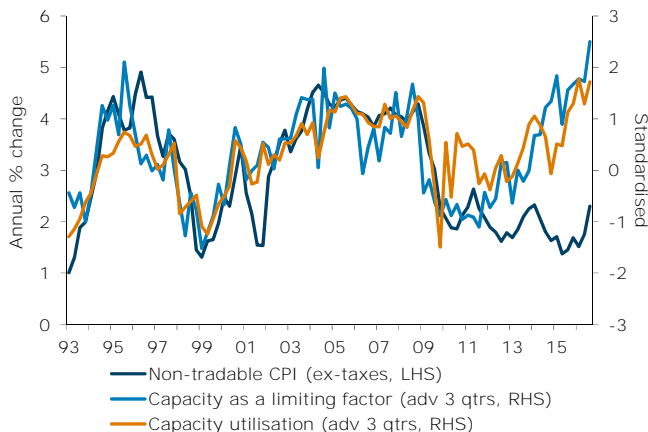
Accordingly, **while the merits of further easing can certainly be debated (as epitomised in the previous chart), the RBNZ's forward guidance and clear focus on inflation at a time growth has been strong suggests they will follow through with a 25bps OCR cut on Thursday morning.** It was only two weeks ago that Assistant Governor McDermott reinforced that cuts were still a part of the Bank's base case. And let's not forget, if

ECONOMIC OVERVIEW

the Bank doesn't move this month, the next scheduled meeting is now not until February. We expect a much milder easing bias to persist as the RBNZ attempts to walk the tightrope between turbo-charging the NZD, and acknowledging a run of strong activity data and hints of a turn in the inflation data.

Indeed, **this morning Statistics NZ revised up the Q3 CPI result from 0.2% to 0.3%**, which lifted annual CPI inflation from 0.2% to 0.4%, and non-tradables inflation from 2.1% to 2.4%. The mistake was in the calculation of the impact of ACC levy reductions. Given the RBNZ was forecasting 0.2% annual CPI and 2.2% annual non-tradable inflation in Q3, **this +0.2% surprise adds to the argument that the RBNZ is unlikely to cut the OCR further after this week in the absence of an ugly global event.** All else equal it suggests the usual relationship between capacity constraints and inflation may be starting to reassert itself, though as figure 3 below shows, there is a way to go!

FIGURE 3: QSBO CAPACITY UTILISATION AND NON-TRADABLE INFLATION



Source: NZIER, Statistics NZ, ANZ Research

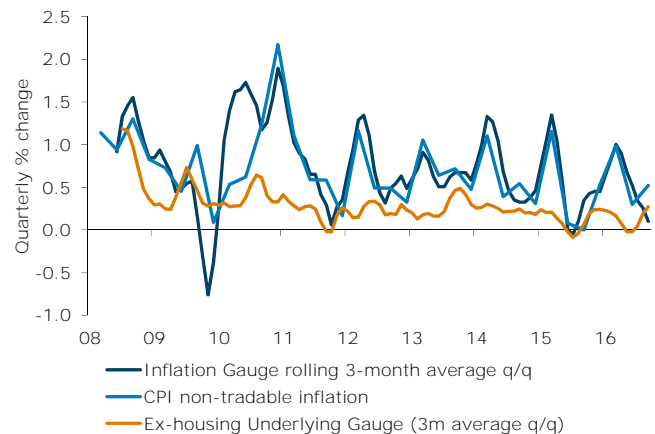
Beyond the RBNZ, there is a handful of interesting data releases this week. As always, our proprietary indicators will provide timely updates on activity and inflation trends, with October's Truckometer and Monthly Inflation Gauge providing early signals on how the December quarter is faring.

- **Truckometer:** After surging 6.8% m/m in August, the Heavy Traffic Index eased 1.4% m/m in September and while it is trending higher on a 3-month average basis, it is at a slower rate than seen earlier in the year. In some ways that is consistent with our current forecasts of slightly more modest GDP growth of 0.6% q/q in Q3 (for largely temporary reasons), but could also reflect the fact that wet spring weather has severely

impacted agricultural production, particularly in parts of the North Island.

- **Monthly Inflation Gauge:** As we wrote last week, there were hints within the Q3 CPI data that domestic inflation pressures are slowly responding to the economic cycle (particularly when you strip out the impact of central and local government charges). While that is largely confined to housing at present, we do believe it will broaden as the economic cycle continues to mature and capacity pressures intensify. Our Monthly Inflation Gauge should provide a good early signal of that.

FIGURE 4: MONTHLY INFLATION GAUGE AND NON-TRADABLE CPI



Source: ANZ, Statistics NZ

Statistics New Zealand will be releasing the first Household Living-costs Price Indexes for Q3 this week, which we welcome. While the CPI is a

well-understood measure of national inflation pressures, it is an aggregated measure representing the "average" household. Therefore, it doesn't tell us anything about how inflation is affecting different types of households. Statistics NZ have developed these indexes to help shed more light on this issue, and will present inflation indexes for different households by income quartile, income source, expenditure etc (there are 13 different household groups in all). We believe these new figures come at a fortuitous time, especially in a world where inequality issues are front of mind, when there has been a considerable divergence between asset price and consumer price inflation, and wage inflation has been low. Hopefully this data can add some more substance to the debate.

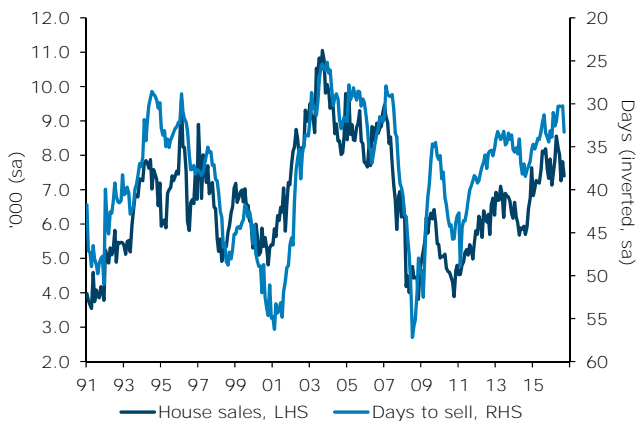
Electronic Card Transactions figures should show a reasonable underlying pace of retail sales growth. The past couple of months have been volatile for sales values, with spending dropping 1.2% m/m in August only to rebound 1.9% m/m in

ECONOMIC OVERVIEW

September. But looking through that, a decent underlying pace of spending has remained and our feeling is that that has further to run yet. The labour market is improving, consumer confidence is rising, and households are benefiting from strong net wealth gains. With petrol prices also rising over the month (which will boost the overall value of spending), we have pencilled in a 0.4% m/m lift.

Further cooling in housing market activity is likely to be seen within the REINZ figures for October (which could possibly be released later in the week). The figures for September showed seasonally adjusted sales volumes falling 6.2% m/m, which was the fourth fall in the past five months. In a number of regions, estate agents are complaining about a severe lack of new listings, which could certainly be contributing to the lower turnover levels. However, we suspect that demand has softened too (as days to sale have risen), with a clear slowing in new lending growth pointing to the RBNZ's latest round of LVR restrictions biting. We believe this cooling has further to run despite clear supports remaining from strong population growth and an ongoing housing shortage. A maturing of the interest rate cycle, increased rationing of credit by banks and affordability constraints look set to see price growth continue to moderate from the phenomenal pace seen earlier in the year.

FIGURE 5: HOUSE SALES AND DAYS TO SELL



Source: ANZ, REINZ

Finally, the BusinessNZ activity indicators for October will likely complement the signal from our own proprietary measures. The manufacturing PMI has been holding up remarkably well, and far better than international peers. It has averaged 56.5 year-to-date and if manufacturing sentiment within our Business Outlook is anything to go by, it should continue to hold up well. The services PSI did weaken in September, to 54.1, which is the softest since November 2014 and perhaps reflects the recent softening in the housing market. While

that weaker housing market theme may have further to run, like with the economy more broadly, we expect the services sector to continue to hold up okay.

LOCAL DATA

RBNZ Credit Aggregates – September. Private sector credit expanded 0.7% m/m (7.8% y/y), while household credit rose 0.8% m/m (8.8% y/y).

GlobalDairyTrade Auction. The GDT-TWI lifted 11.4% on the back of a 20% surge in whole milk powder prices.

Labour Market Statistics – Q3. In seasonally adjusted terms, employment grew 1.4% q/q, and despite a lift in the participation rate to 70.1%, the unemployment rate fell to 4.9%. Private sector LCI wage growth was modest at 0.4% q/q (1.6% y/y).

RBNZ Survey of Expectations – Q4. The key 2-year-ahead CPI inflation expectation was little changed, rising from 1.65% to 1.68%.

ANZ Commodity Price Index – October. The index rose 0.7% (4.0% y/y), with the NZD index up 1.3% (-5.3% y/y).

Government Financial Statements – September. The OBEGAL surplus for the 3 months to the end of September was \$222m, \$725m better than forecast due largely to higher-than-expected revenue.

INTEREST RATE STRATEGY

SUMMARY

The capitulation in short-end rates that we feared may eventuate has occurred, taking the 2-year swap rate to a four month high. The move now looks mature, and we doubt we'll see material further upside unless the RBNZ surprises with a pause. But equally, the lack of fresh receiving interest and widespread acceptance that this is likely to be the last easing suggests we are unlikely to see much of a relief rally either, setting the stage for range-trading. The long end is likely to be somewhat directionless ahead of the US election. However, a Donald Trump victory would likely elicit a larger downside reaction than a "status-quo" Hillary Clinton victory. So the risks are skewed to the downside. Looking beyond the election, the groundswell of political revolt globally is suggestive of more uncertainty and slower growth, capping the upside potential for bond yields. In coming weeks, we continue to expect a period of "muddle through", rather than a bond bear market.

THEMES

- The RBNZ faces a tricky balancing act – CPI revisions and growth numbers suggest more easing isn't needed, but not delivering on the flagged cut risks an outsized NZD and rates reaction. The lack of scope for mortgage rates to be cut should make the decision easier.
- The last time the 2-year swap was here (~2.20%) the OCR was 2.25%. It will be 1.75% by the end of the week. Save a surprise pause, we see limited scope for further upside.
- The race to the bottom/search for yield at all costs is over. At face value that takes the shine off high-yielders like New Zealand. But as the baton passes to FX markets, prospects for NZD strength should keep offshore investment coming.

MONETARY POLICY AND SHORT END

The capitulation we feared may happen has now occurred – and as always it came sooner than we expected. **From here, we are far more neutral** – largely on the view that we still expect a cut. As discussed in our *OCR Preview* (just published), it's difficult to see how the Bank can back-pedal from a cut now given the forward guidance already delivered, especially if it will help ease pressure on spot Kiwi, but it likely won't be passed on in full to mortgage rates.

In terms of market pricing, we note that **the 2-year swap is already ~2.20%, 45bps above the 1.75% OCR we expect on Thursday**. That's 5bps higher than the ~40bps spread the 2-year reached at the peak of the December 2015 "one and done" capitulation. That being the case, **barring a surprise pause, we see limited scope for further upside. Downside won't be as difficult to come by**, but with no further cuts likely and an easing bias really just a token gesture towards inflation and global risks (and to forestall TWI strength), **we doubt the bellwether 2 year will go below 2% again**.

GLOBAL MARKETS AND LONG END

We are also fairly neutral at the long end. Within the context of a "muddle through" outlook, it's difficult to see a sharp break out of established ranges, with the upside capped by global political and economic uncertainty, and the downside limited by the reality that negative real yields can't be sustained (let alone negative nominal yields). **Broadly speaking, we expect global sovereign bond yields to gradually grind higher as the growth outlook improves and deflation risks attenuate.** That's quite different from a bear market. We are also mindful that statistically, the world is "due" for a black swan event.

However, for NZGS, the principal attraction going forward is prospects for the NZD, rather than their (relatively) high yields. NZD performance has always been a consideration (hedging any investment has always been prohibitive), but whereas the primary driver in past years has been the yield on offer, now that outright yields are higher everywhere, and few expect another broad rally, the focus has shifted to FX. Having a higher yield of course helps, but with any super-normal returns now likely to come from the FX side of the equation, the outlook for the Kiwi becomes that much more critical. **And we expect the NZD to hold up well, underscoring potential unhedged returns for offshore investment into NZ.**

STRATEGY

Investors: It's difficult to have significant conviction ahead of key event risk this week, but on balance we prefer to be long (outright and on a spread).

Borrowers: **We are more confident now than we were a few months ago that the lows for yields are in. We see merit in adding to hedges.** But with BKBM biased lower, some caution is required.

KEY VIEWS

SECTOR	DIRECTION	COMMENT
Short end	Neutral/bullish	Difficult to see 2yr break higher unless we see the RBNZ pause. Cash-2yr technically stretched here.
Long end	Muddling thru	The lows are in for global yields, but we don't expect a full-blown bear market. NZ/US spread can tighten.
Yield Curve	Biased steeper	Not a strong view especially with NZ/US spread narrowing, but the result of opposing short/long end views.
Geographic spreads	Neutral/Narrower	Difficult to be bearish NZ/US spread at current levels (~95bps) given OCR cut this week & Fed hike next month, and our muddle-through/NZD views. Correction at short end (after capitulation) would help.
Swap spreads	Neutral/wider	NZGS demand so-so: real risks lie in potential corporate flow. Pay flow likely to lift post-US election/MPS.
NZD/TWI	Holding up	NZ now scores the highest on 6 of our 8 scorecard metrics. Will rally if RBNZ doesn't cut on Thursday.

CURRENCY STRATEGY

SUMMARY

We retain our neutral bias towards the NZD. The fundamental picture has not changed sufficiently to warrant a reassessment or anticipate a range breakout. There is still oodles of support (growth, yield, commodity prices) for the NZD but at the same time financial conditions are now flagging a potential turn in the cycle and there are more than enough global uncertainties to fret about; this leaves us wary chasing recoils too far. A corrective bounce for the NZD/AUD is underway and we continue to expect topside prodding with the relative growth profiles still in NZD's favour.

TABLE 1: KEY VIEWS			
CROSS	GUIDE	MONTH	YEAR
NZD/USD	↔	Range-trade, local factors supportive	Muddling through = stability
NZD/AUD	↔	Also range-trading	0.93/0.98 range
NZD/EUR	↔/↑	Up for good reasons	Divided outlooks
NZD/GBP	↔/↓	Topsy ~0.59	GBP stabilising
NZD/JPY	↔/↑	Threats of lower rates capping JPY	USD/JPY ~100 untenable for BoJ

THEMES AND RISKS

- Politics to trump economics this week.
- China focus with FX reserves set to fall markedly.
- RBNZ done and dusted this week, but a hard job to communicate the same for fear of NZD reprisals.
- New Zealand's economic juggernaut rolls on. Tightening labour market to the fore.
- Corrected NZ Q3 CPI data a significant change; cements view that this week's cut will be the last.

ASSESSMENT

We retain our neutral bias towards the NZD. We didn't get overly excited with the mild correction over October and are not getting bullied up over the climb back up the stairs.

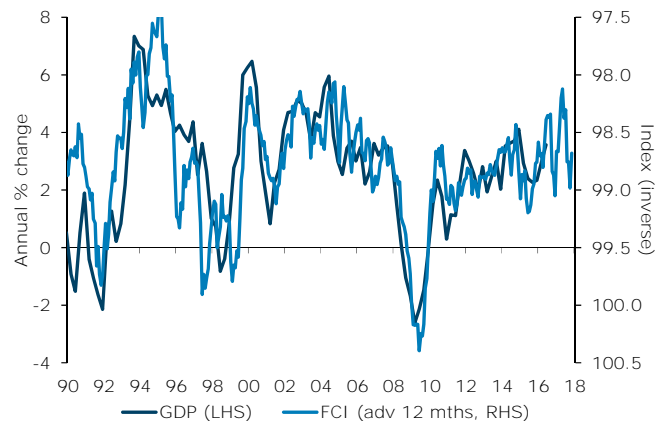
In our mind the fundamental picture has not changed sufficiently to warrant a reassessment or anticipate a range breakout.

- Both sides of the yield equation (the Fed and RBNZ) have been reassessed higher; the former to hike, and the latter to ease by less, in effect neutralising one another. Yields in Japan and Europe are off their lows as deflation risks dissipate. But remain low in level terms.
- We haven't seen a material shift in the profile for real yields around the globe.
- The allure of carry remains high but that is tempered by oscillating risk appetites.
- There is nothing in the local picture that would suggest currency weakness. In fact the signals mostly point up! Growth is strong, commodity

(dairy) prices are up, the terms of trade are at an elevated level, and internal imbalances (i.e. a widening current account) are absent (to date).

We have, however, started to see financial conditions tighten. That – in combination with capacity constraints – points to a moderation in growth in 2017. **That's a material reason not to chase the recent movement in the NZD too far.**

NZ GDP VS FINANCIAL CONDITIONS INDEX



Source: ANZ, Statistics NZ, Bloomberg

Global wildcards remain and China is the key one we are focused on. The yuan continues to head lower and FX reserves are falling. In a world where rates are off their lows and leverage is high, there is no shortage of candidates to be the next economic focal point. China in some shape or form will be tied up in it.

TABLE 2: NZD VS AUD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔/↑	Fair value is 0.93. Divergent economic momentum = elevated NZD/AUD cross.
Yield	↔/↑	Going NZ's way. NZ-AU spread elevated.
Commodities	↔	Heading the same way for both.
Data	↔/↑	NZ growth tipped at 3½-4%; AU 3% max
Techs	↔/↑	Break of 0.9580 opens upside to ~0.97.
Sentiment	↔/↑	Revised NZ CPI data a significant shock.
Other	↔/↑	Price action very positive near term.
On balance	↔/↑	0.97/0.9750 beckons.

TABLE 3: NZD VS USD: MONTHLY GAUGES

GAUGE	GUIDE	COMMENT
Fair value	↔/↑	Below fair value estimate of ~0.75.
Yield	↔/↑	Spreads still favour NZ.
Commodities	↔/↑	GDT bounce last week spectacular.
Risk aversion	↔	Still a potential Achilles heel.
Data	↔/↑	US pulse ho-hum. NZ strong.
Techs	↔/↑	Break of 0.72 then 0.7314 sees ~0.7380.
Other	↔/↑	CPI error reinforces Thur's cut the last.
On balance	↔/↑	NZ now tops 6 of 8 categories on our balanced scorecard. Very significant.

POSITIONING

NZD positioning is slightly short, but long USD positioning a bigger risk (of a downside USD move).

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME	
7-Nov	AU	ANZ Job Advertisements MoM - Oct	--	-0.3%	13:30	
	AU	Foreign Reserves - Oct	--	A\$65.8B	18:30	
	GE	Factory Orders MoM - Sep	0.2%	1.0%	20:00	
	GE	Factory Orders WDA YoY - Sep	3.5%	2.1%	20:00	
	UK	Halifax House Prices MoM - Oct	0.2%	0.1%	21:30	
	UK	Halifax House Price 3Mths/Year - Oct	4.9%	5.8%	21:30	
	GE	Markit Construction PMI - Oct	--	52.4	21:30	
	GE	Markit Retail PMI - Oct	--	53.0	22:10	
	EC	Markit Retail PMI - Oct	--	49.6	22:10	
	EC	Sentix Investor Confidence - Nov	8.6	8.5	22:30	
	EC	Retail Sales MoM - Sep	-0.3%	-0.1%	23:00	
	EC	Retail Sales YoY - Sep	1.2%	0.6%	23:00	
	8-Nov	CH	Foreign Reserves - Oct	\$3132.5B	\$3166.4B	UNSPECIFIED
		US	Consumer Credit - Sep	\$17.50B	\$25.87B	09:00
NZ		ANZ Truckometer Heavy MoM - Oct	--	-1.4%	10:00	
AU		ANZ-RM Consumer Confidence Index - 6-Nov	--	114.1	11:30	
AU		NAB Business Conditions - Oct	--	8	13:30	
AU		NAB Business Confidence - Oct	--	6	13:30	
GE		Industrial Production SA MoM - Sep	-0.5%	2.5%	20:00	
GE		Industrial Production WDA YoY - Sep	2.0%	1.9%	20:00	
GE		Trade Balance - Sep	€22.4B	€20.1B	20:00	
GE		Current Account Balance - Sep	€24.5B	€17.9B	20:00	
GE		Exports SA MoM - Sep	-0.8%	3.4%	20:00	
GE		Imports SA MoM - Sep	-0.2%	1.9%	20:00	
UK		Industrial Production MoM - Sep	0.0%	-0.4%	22:30	
UK		Industrial Production YoY - Sep	0.8%	0.7%	22:30	
UK		Manufacturing Production MoM - Sep	0.4%	0.2%	22:30	
UK		Manufacturing Production YoY - Sep	-0.1%	0.5%	22:30	
CH		Trade Balance - Oct	\$51.70B	\$41.99B	UNSPECIFIED	
CH		Exports YoY - Oct	-6.0%	-10.0%	UNSPECIFIED	
CH		Imports YoY - Oct	-1.1%	-1.9%	UNSPECIFIED	
US		Mortgage Delinquencies - Q3	--	4.66%	8-11 Nov	
US		MBA Mortgage Foreclosures - Q3	--	1.64%	8-11 Nov	
9-Nov		US	NFIB Small Business Optimism - Oct	94.1	94.1	00:00
		UK	NIESR GDP Estimate - Oct	--	0.40%	04:00
		US	JOLTS Job Openings - Sep	5469	5443	04:00
		NZ	Card Spending Retail MoM - Oct	0.4%	1.9%	10:45
		NZ	Card Spending Total MoM - Oct	--	2.0%	10:45
		AU	Westpac Consumer Conf Index - Nov	--	102.4	12:30
		AU	Westpac Consumer Conf SA MoM - Nov	--	1.1%	12:30
	JN	BoP Current Account Balance - Sep	¥1975.8B	¥2000.8B	12:50	
	JN	BoP Current Account Adjusted - Sep	¥1630.0B	¥1975.7B	12:50	
	JN	Trade Balance BoP Basis - Sep	¥668.8B	¥243.2B	12:50	
	NZ	ANZ Monthly Inflation Gauge MoM - Oct	--	0.2%	13:00	
	CH	CPI YoY - Oct	2.1%	1.9%	14:30	
	CH	PPI YoY - Oct	0.9%	0.1%	14:30	
	UK	Visible Trade Balance GBP/Mn - Sep	-£11300	-£12112	22:30	
	UK	Trade Balance Non EU GBP/Mn - Sep	-£3400	-£3756	22:30	

Continued on following page

DATA EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	MKT.	LAST	NZ TIME
9-Nov	UK	Trade Balance - Sep	-£3950	-£4733	22:30
10-Nov	US	MBA Mortgage Applications - 4-Nov	--	-1.2%	01:00
	US	Wholesale Inventories MoM - Sep F	0.2%	0.2%	04:00
	US	Wholesale Trade Sales MoM - Sep	0.5%	0.7%	04:00
	NZ	RBNZ Official Cash Rate - Nov	1.75%	2.00%	09:00
	AU	Consumer Inflation Expectation - Nov	--	3.7%	13:00
	UK	RICS House Price Balance - Oct	18%	17%	13:01
	AU	Home Loans MoM - Sep	-1.6%	-3.0%	13:30
	AU	Investment Lending - Sep	--	0.1%	13:30
	AU	Owner-Occupier Loan Value MoM - Sep	--	-1.6%	13:30
	NZ	REINZ House Sales YoY - Oct	--	-9.5%	10-14 Nov
	CH	Money Supply M0 YoY - Oct	6.3%	6.6%	10-15 Nov
	CH	Money Supply M1 YoY - Oct	23.3%	24.7%	10-15 Nov
	CH	Aggregate Financing CNY - Oct	1000.0B	1720.0B	10-15 Nov
	CH	New Yuan Loans CNY - Oct	676.0B	1220.0B	10-15 Nov
	CH	Money Supply M2 YoY - Oct	11.40%	11.50%	10-15 Nov
11-Nov	US	Initial Jobless Claims - 5-Nov	260k	265k	02:30
	US	Continuing Claims - 29-Oct	2022k	2026k	02:30
	US	Monthly Budget Statement - Oct	-\$78.5B	\$33.4B	08:00
	NZ	BusinessNZ Manufacturing PMI - Oct	--	57.7	10:30
	NZ	Food Prices MoM - Oct	--	-0.9%	10:45
	GE	Wholesale Price Index MoM - Oct	--	0.4%	20:00
	GE	Wholesale Price Index YoY - Oct	--	-0.3%	20:00
	GE	CPI MoM - Oct F	0.2%	0.2%	20:00
	GE	CPI YoY - Oct F	0.8%	0.8%	20:00
	GE	CPI EU Harmonized MoM - Oct F	0.2%	0.2%	20:00
	GE	CPI EU Harmonized YoY - Oct F	0.7%	0.7%	20:00
	UK	Construction Output SA MoM - Sep	0.0%	-1.5%	22:30
	UK	Construction Output SA YoY - Sep	-0.4%	0.2%	22:30
12-Nov	US	U. of Mich. Sentiment - Nov P	87.9	87.2	04:00

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

Source: Dow Jones, Reuters, Bloomberg, ANZ Bank New Zealand Limited. All \$ values in local currency

Note: All surveys are preliminary and subject to change

LOCAL DATA WATCH

Domestic economic momentum is solid, with downside risks mainly stemming from offshore. While reasons for possible further cuts remain (NZD and low inflation expectations), on balance we now see it as more likely that the RBNZ maintains the OCR at 1.75% after its 'well flagged' cut this week.

DATE	DATA/EVENT	ECONOMIC SIGNAL	COMMENT
Tue 8 Nov (10:00am)	ANZ Truckometer – Oct	--	--
Wed 9 Nov (10:45am)	Electronic Card Transactions – Oct	Decent	Monthly volatility aside, a solid underlying pace of retail spending growth is expected to continue.
Wed 9 Nov (1:00pm)	ANZ Monthly Inflation Gauge – Oct	--	--
10-15 Nov	REINZ Housing Market statistics – Oct	Cooling	Anecdote, together with softer new lending growth figures, suggests that market activity has continued to cool.
Thu 10 Nov (9:00am)	RBNZ Monetary Policy Statement	25bp cut	Despite the strong growth picture, low inflation and inflation expectations, together with the strong NZD, mean a 25bp cut is highly likely. We expect a mild easing bias to be maintained.
Fri 11 Nov (10:30am)	BNZ-BusinessNZ PMI – Oct	Resilient	The domestic manufacturing sector is riding on the coat-tails of the strong domestic economy more generally.
Fri 11 Nov (10:45am)	Food Price Index – Oct	Seasonal fall	Due to weaker fruit and vegetable prices, food prices typically fall in October months.
Mon 14 Nov (10:30am)	BNZ-BusinessNZ PSI – Oct	Holding up	Although the gauge has eased of late – perhaps due to cooler housing market activity – we expect it to hold up overall.
Tue 15 Nov (10:45am)	Retail Trade Survey – Q3	Solid	Stronger retail-related price gains may dent overall spending relative to Q3, but we still expect a solid lift in sales volumes.
Wed 16 Nov (early am)	GlobalDairyTrade Auction	Lifting	Supply has been curtailed, which has been price supportive, but building on last auction's surge would be quite an ask.
Thu 17 Nov (10:00am)	ANZ Job Ads – Oct	--	--
Thu 17 Nov (10:45am)	PPI – Q3	Lift	Small lifts in input and output prices look likely, led by higher oil and other commodity prices.
Thu 17 Nov (1:00pm)	ANZ-Roy Morgan Consumer Confidence – Nov	--	--
Tue 22 Nov (10:45am)	International Travel & Migration – Oct	Strong	We don't see much change in the net migrant and visitor arrivals numbers; they should remain strong.
Fri 25 Nov (10:45am)	Overseas Merchandise Trade – Oct	Deficit	While dairy prices have lifted, the impact of weak production and low inventories should weight on export receipts.
Wed 30 Nov (9:00am)	RBNZ Financial Stability Report	Further changes coming	The financial system is sound, but risks remain. We will be looking for further information on possible debt-to-income restrictions.
Wed 30 Nov (10:45am)	Building Consent Issuance – Oct	Still trending up	Putting monthly volatility aside, a modest upward trend in issuance should continue for a while yet.
Wed 30 Nov (1:00pm)	ANZ Business Outlook – Nov	--	--
Wed 30 Nov (3:00pm)	RBNZ Credit Aggregates – Oct	Peaked	News lending growth has slowed, which should eventually see the rate of overall credit growth slow too.
Thu 1 Dec (10:45am)	Overseas Trade Indexes – Q3	Modest fall	The terms of trade should have dipped a little further, but we're probably close to a cycle low. Export volumes will be soft.
Fri 2 Dec (10:45am)	Value of Building Work – Q3	Tea break	After some strong quarterly growth rates, we suspect Q3 building work volumes eased a touch in the quarter.
On balance		Data watch	Momentum is decent at present, albeit with risks. Inflation remains low.

KEY FORECASTS AND RATES

	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
GDP (% qoq)	0.9	0.6	1.1	1.0	0.7	0.7	0.6	0.6	0.5	0.5
GDP (% yoy)	3.6	3.4	3.6	3.6	3.3	3.4	2.9	2.5	2.4	2.2
CPI (% qoq)	0.4	0.3	0.0	0.6	0.3	0.6	0.1	0.7	0.5	0.8
CPI (% yoy)	0.4	0.4	0.9	1.3	1.2	1.6	1.7	1.8	2.0	2.1
Employment (% qoq)	2.4	1.4	0.7	0.6	0.5	0.4	0.4	0.4	0.4	0.3
Employment (% yoy)	4.5	6.1	5.9	5.2	3.3	2.2	1.9	1.7	1.6	1.5
Unemployment Rate (% sa)	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.5	4.4	4.4
Current Account (% GDP)	-2.9	-3.0	-3.0	-3.2	-3.3	-3.3	-3.3	-3.3	-3.3	-3.3
Terms of Trade (% qoq)	-2.1	-0.8	0.5	0.8	0.9	0.8	0.5	0.3	0.4	0.1
Terms of Trade (% yoy)	-3.9	-0.9	1.6	-1.7	1.4	3.1	3.1	2.6	2.1	1.4

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Retail ECT (% mom)	0.4	0.7	0.1	0.8	-0.2	1.2	0.2	-1.2	1.9	--
Retail ECT (% yoy)	5.2	9.2	6.2	7.8	3.3	6.8	5.8	3.2	6.1	--
Credit Card Billings (% mom)	1.8	-0.3	-1.3	2.4	0.2	-1.0	2.5	-1.1	2.6	--
Credit Card Billings (% yoy)	8.1	7.3	4.9	9.0	6.1	4.1	5.7	2.0	8.2	--
Car Registrations (% mom)	-2.8	5.7	-3.8	6.3	-3.7	-1.0	-0.4	2.1	-2.7	--
Car Registrations (% yoy)	-1.1	7.4	-0.2	8.7	4.2	-1.2	-1.9	2.6	-0.8	--
Building Consents (% mom)	-8.1	10.9	-9.8	8.0	-0.7	20.4	-8.7	-1.5	0.2	--
Building Consents (% yoy)	4.5	26.9	0.4	13.7	10.1	39.9	7.8	11.8	14.5	--
REINZ House Price Index (% yoy)	10.7	11.9	13.3	14.5	14.7	14.2	16.3	11.7	9.7	--
Household Lending Growth (% mom)	0.6	0.6	0.6	0.8	0.7	0.8	0.9	0.8	0.8	--
Household Lending Growth (% yoy)	7.5	7.6	7.7	7.9	8.1	8.3	8.6	8.7	8.8	--
ANZ Roy Morgan Consumer Conf.	121.4	119.7	118.0	120.0	116.2	118.9	118.2	117.7	121.0	122.9
ANZ Business Confidence	..	7.1	3.2	6.2	11.3	20.2	16.0	15.5	27.9	24.5
ANZ Own Activity Outlook	..	25.5	29.4	32.1	30.4	35.1	31.4	33.7	42.4	38.4
Trade Balance (\$m)	12	367	189	350	343	107	-351	-1243	-1436	--
Trade Bal (\$m ann)	52764	52831	52599	52626	52854	52660	52078	51900	51986	--
ANZ World Commodity Price Index (% mom)	-2.3	0.5	-1.3	-0.8	1.0	3.5	2.1	3.2	5.1	--
ANZ World Comm. Price Index (% yoy)	-14.7	-17.8	-22.4	-16.8	-11.7	-5.6	1.9	11.1	10.6	--
Net Migration (sa)	6080	6010	5340	5510	5550	5710	5640	5660	6330	--
Net Migration (ann)	65911	67391	67619	68110	68432	69090	69015	69119	69954	--
ANZ Heavy Traffic Index (% mom)	-4.3	1.7	3.3	-2.5	-2.4	5.2	-6.2	6.8	-1.4	--
ANZ Light Traffic Index (% mom)	-1.4	2.4	0.8	0.3	-1.4	-1.6	-0.5	1.0	0.4	--

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

KEY FORECASTS AND RATES

FX RATES	ACTUAL			FORECAST (END MONTH)						
	Sep-16	Oct-16	Today	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
NZD/USD	0.729	0.715	0.732	0.71	0.69	0.67	0.65	0.64	0.64	0.65
NZD/AUD	0.951	0.941	0.953	0.93	0.93	0.93	0.93	0.94	0.97	0.98
NZD/EUR	0.649	0.653	0.659	0.66	0.65	0.64	0.63	0.62	0.61	0.62
NZD/JPY	73.84	75.07	76.19	74.6	69.0	67.0	65.0	64.0	67.2	71.5
NZD/GBP	0.562	0.588	0.586	0.58	0.56	0.56	0.55	0.52	0.51	0.52
NZ\$ TWI	75.7	75.6	78.6	75.5	73.5	72.3	70.8	70.0	70.4	72.0
INTEREST RATES	Sep-16	Oct-16	Today	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
NZ OCR	2.00	2.00	2.00	1.75	1.75	1.75	1.75	1.75	1.75	1.75
NZ 90 day bill	2.20	2.14	2.12	2.10	2.00	2.00	2.00	2.00	2.00	2.00
NZ 10-yr bond	2.27	2.71	2.78	2.30	2.20	2.20	2.30	2.40	2.60	2.70
US Fed funds	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50
US 3-mth	0.85	0.88	0.88	0.93	0.93	1.30	1.30	1.55	1.55	1.80
AU Cash Rate	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
AU 3-mth	1.74	1.75	1.76	1.70	1.70	1.70	1.70	1.70	1.70	1.70

	4 Oct	31 Oct	1 Nov	2 Nov	3 Nov	4 Nov
Official Cash Rate	2.00	2.00	2.00	2.00	2.00	2.00
90 day bank bill	2.20	2.14	2.13	2.13	2.12	2.13
NZGB 03/19	1.94	2.00	2.00	2.04	2.05	2.09
NZGB 05/21	2.01	2.19	2.19	2.23	2.24	2.30
NZGB 04/23	2.13	2.39	2.40	2.44	2.44	2.50
NZGB 04/27	2.39	2.71	2.72	2.75	2.73	2.77
2 year swap	2.04	2.13	2.14	2.18	2.18	2.21
5 year swap	2.19	2.42	2.43	2.47	2.47	2.51
RBNZ TWI	77.60	77.18	77.29	77.65	78.30	78.46
NZD/USD	0.7285	0.7150	0.7174	0.7261	0.7306	0.7326
NZD/AUD	0.9503	0.9405	0.9350	0.9489	0.9522	0.9548
NZD/JPY	74.61	75.07	75.31	75.07	75.26	75.55
NZD/GBP	0.5707	0.5878	0.5861	0.5914	0.5874	0.5853
NZD/EUR	0.6520	0.6527	0.6522	0.6551	0.6591	0.6576
AUD/USD	0.7666	0.7602	0.7673	0.7652	0.7673	0.7673
EUR/USD	1.1174	1.0955	1.0999	1.1084	1.1084	1.1141
USD/JPY	102.42	104.99	104.97	103.39	103.01	103.12
GBP/USD	1.2765	1.2163	1.2241	1.2277	1.2437	1.2517
Oil (US\$/bbl)	48.80	48.72	46.83	46.66	45.32	44.66
Gold (US\$/oz)	1310.25	1277.20	1277.25	1290.90	1305.80	1298.58
Electricity (Haywards)	5.11	4.91	5.12	5.06	4.98	5.60
Baltic Dry Freight Index	860	857	838	834	849	855
NZX WMP Futures (US\$/t)	2775	2960	3000	3280	3300	3300

IMPORTANT NOTICE

The distribution of this document or streaming of this video broadcast (as applicable, "publication") may be restricted by law in certain jurisdictions. Persons who receive this publication must inform themselves about and observe all relevant restrictions.

1. Disclaimer for all jurisdictions, where content is authored by ANZ Research:

Except if otherwise specified in section 2 below, this document is issued and distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN11 005 357 522) ("ANZ"), on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (collectively, "recipient"). This document is confidential and may not be reproduced, distributed or published by any recipient for any purpose. It is general information and has been prepared without taking into account the objectives, financial situation or needs of any person. Nothing in this document is intended to be an offer to sell, or a solicitation of an offer to buy, any product, security, instrument or investment, to effect any transaction or to conclude any legal act of any kind. If, despite the foregoing, any services or products referred to in this document are deemed to be offered in the jurisdiction in which this document is received or accessed, no such service or product is intended for nor available to persons resident in that jurisdiction if it would be contradictory to local law or regulation. Such local laws, regulations and other limitations always apply with non-exclusive jurisdiction of local courts. Certain financial products may be subject to mandatory clearing, regulatory reporting and/or other related obligations. These obligations may vary by jurisdiction and be subject to frequent amendment. Before making an investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

The views and recommendations expressed in this publication are the author's. They are based on information known by the author and on sources which the author believes to be reliable, but may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this publication and are subject to change without notice; and, all price information is indicative only. Any of the views and recommendations which comprise estimates, forecasts or other projections, are subject to significant uncertainties and contingencies that cannot reasonably be anticipated. On this basis, such views and recommendations may not always be achieved or prove to be correct. Indications of past performance in this publication will not necessarily be repeated in the future. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Additionally, this publication may contain 'forward looking statements'. Actual events or results or actual performance may differ materially from those reflected or contemplated in such forward looking statements. All investments entail a risk and may result in both profits and losses. Foreign currency rates of exchange may adversely affect the value, price or income of any products or services described in this publication. The products and services described in this publication are not suitable for all investors, and transacting in these products or services may be considered risky. ANZ and its related bodies corporate and affiliates, and the officers, employees, contractors and agents of each of them (including the author) ("Affiliates"), do not make any representation as to the accuracy, completeness or currency of the views or recommendations expressed in this publication. Neither ANZ nor its Affiliates accept any responsibility to inform you of any matter that subsequently comes to their notice, which may affect the accuracy, completeness or currency of the information in this publication. Except as required by law, and only to the extent so required: neither ANZ nor its Affiliates warrant or guarantee the performance of any of the products or services described in this publication or any return on any associated investment; and, ANZ and its Affiliates expressly disclaim any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this publication.

If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. ANZ and its Affiliates do not accept any Liability as a result of electronic transmission of this publication.

ANZ and its Affiliates may have an interest in the subject matter of this publication as follows:

- They may receive fees from customers for dealing in the products or services described in this publication, and their staff and introducers of business may share in such fees or receive a bonus that may be influenced by total sales.
- They or their customers may have or have had interests or long or short positions in the products or services described in this publication, and may at any time make purchases and/or sales in them as principal or agent.
- They may act or have acted as market-maker in products described in this publication.

ANZ and its Affiliates may rely on information barriers and other arrangements to control the flow of information contained in one or more business areas within ANZ or within its Affiliates into other business areas of ANZ or of its Affiliates. This document is published in accordance with ANZ's policies on Conflicts of Interest and Information Barriers.

Please contact your ANZ point of contact with any questions about this publication including for further information on these disclosures of interest.

2. Country/region specific information:

Australia. This publication is distributed in Australia by ANZ. ANZ holds an Australian Financial Services licence no. 234527. A copy of ANZ's Financial Services Guide is available at <http://www.anz.com/documents/AU/aboutANZ/FinancialServicesGuide.pdf> and is available upon request from your ANZ point of contact. If trading strategies or recommendations are included in this publication, they are solely for the information of 'wholesale clients' (as defined in section 761G of the Corporations Act 2001 *Cth*). Persons who receive this publication must inform themselves about and observe all relevant restrictions.

Brazil. This publication is distributed in Brazil by ANZ on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this publication, and no securities have been and will not be registered with the Securities Commission – CVM.

Brunei. Japan. Kuwait. Malaysia. Switzerland. Taiwan. This publication is distributed in each of Brunei, Japan, Kuwait, Malaysia, Switzerland and Taiwan by ANZ on a cross-border basis.

Cambodia. APS222 Disclosure. The recipient acknowledges that although ANZ Royal Bank (Cambodia) Ltd. is a subsidiary of ANZ, it is a separate entity to ANZ and the obligations of ANZ Royal Bank (Cambodia) Ltd. do not constitute deposits or other liabilities of ANZ and ANZ is not required to meet the obligations of ANZ Royal Bank (Cambodia) Ltd.

European Economic Area ("EEA"): United Kingdom. ANZ in the United Kingdom is authorised by the Prudential Regulation Authority ("PRA"). Subject to regulation by the Financial Conduct Authority ("FCA") and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This publication is distributed in the United Kingdom by ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the PRA and the FCA. **Germany.** This publication is distributed in Germany by the Frankfurt Branch of ANZ solely for the information of its clients. **Other EEA countries.** This publication is distributed in the EEA by ANZ Bank (Europe) Limited ("ANZBEL") which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, to persons who would come within the FCA definition of "eligible counterparty" or "professional client" in other countries in the EEA. This publication is distributed in those countries solely for the information of such persons upon their request. It is not intended for, and must not be distributed to, any person in those countries who would come within the FCA definition of "retail client".

Fiji. For Fiji regulatory purposes, this publication and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this publication.

Hong Kong. This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong. If in doubt about the contents of this publication, you should obtain independent professional advice.

IMPORTANT NOTICE

India. This publication is distributed in India by ANZ on a cross-border basis. If this publication is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing. Further copying or duplication of this publication is strictly prohibited.

Myanmar. This publication is intended to be of a general nature as part of customer service and marketing activities provided by ANZ in the course of implementing its functions as a licensed bank. This publication does not take into account your financial situation or goals and is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013). The contents of this publication have not been reviewed by any regulatory authority in Myanmar. If in doubt about the contents of this publication, you should obtain independent professional advice.

New Zealand. This publication is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008.

Oman. This publication has been prepared by ANZ. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this publication is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and by receiving this publication, the person or entity to whom it has been dispatched by ANZ understands, acknowledges and agrees that this publication has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this publication is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China ("PRC"). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If and when the material accompanying this document is distributed by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ") or an affiliate (other than Australia and New Zealand Bank (China) Company Limited ("ANZ C")), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ C, the following statement and the text below is applicable: This document is distributed by ANZ C in the Mainland of the PRC.

Qatar. This publication has not been, and will not be lodged or registered with, or reviewed or approved by, the Qatar Central Bank ("QCB"), the Qatar Financial Centre ("QFC") Authority, QFC Regulatory Authority or any other authority in the State of Qatar ("Qatar"); or authorised or licensed for distribution in Qatar; and the information contained in this publication does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this publication have not been, and will not be registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar. Accordingly, the financial products or services described in this publication are not being, and will not be, offered, issued or sold in Qatar, and this publication is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this publication and distribution of this publication is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this publication must abide by this restriction and not distribute this publication in breach of this restriction. This publication is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. This publication is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore. In respect of any matters arising from, or in connection with the distribution of this publication in Singapore, contact your ANZ point of contact.

United Arab Emirates. This publication is distributed in the United Arab Emirates ("UAE") or the Dubai International Financial Centre (as applicable) by ANZ. This publication: does not, and is not intended to constitute an offer of securities anywhere in the UAE; does not constitute, and is not intended to constitute the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the United Arab Emirates Ministry of Economy; does not, and is not intended to constitute an offer of securities within the meaning of the Dubai International Financial Centre Markets Law No. 12 of 2004; and, does not constitute, and is not intended to constitute, a financial promotion, as defined under the Dubai International Financial Centre Regulatory Law No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority ("DFSA"). The financial products or services described in this publication are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules. In addition, ANZ has a representative office ("ANZ Representative Office") in Abu Dhabi regulated by the Central Bank of the United Arab Emirates. ANZ Representative Office is not permitted by the Central Bank of the United Arab Emirates to provide any banking services to clients in the UAE.

United States. ANZ Securities, Inc. ("ANZSI") is a member of the Financial Industry Regulatory Authority ("FINRA") (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). Except where this is an FX-related publication, this publication is distributed in the United States by ANZSI (a wholly owned subsidiary of ANZ), which accepts responsibility for its content. Information on any securities referred to in this publication may be obtained from ANZSI upon request. This publication or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this publication you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this publication and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this publication in any way. Non-U.S. Analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with subject company, public appearances and trading securities held by the analysts. Where this is an FX-related publication, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). Commodity-related products are not insured by any U.S. governmental agency, and are not guaranteed by ANZ or any of its affiliates. Transacting in these products may involve substantial risks and could result in a significant loss. You should carefully consider whether transacting in commodity-related products is suitable for you in light of your financial condition and investment objectives.

Vietnam. This publication is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ. Please note that the contents of this publication have not been reviewed by any regulatory authority in Vietnam. If you are in any doubt about any of the contents of this publication, you should obtain independent professional advice.

This document has been prepared by ANZ Bank New Zealand Limited, Level 10, 171 Featherston Street, Wellington 6011, New Zealand, Ph 64-4-802 2212, e-mail nzeconomics@anz.com, <http://www.anz.co.nz>

