ANZ Interest Rate Strategy Weekly

25 October 2007

Inside:

Authors:

Warren Hogan
Head of Markets Economics and Strategy
+61 2 9227 1562
warren.hogan@anz.com

Sally Auld
Senior Interest Rate Strategist
+61 2 9227 1809
sally.auld@anz.com

Patricia Gacis
Market Strategist
+61 2 9227 1272
patricia.gacis@anz.com

Khoon Goh
NZ Interest Rate Strategist
+ 64 4 802 2357
gohk@anz.com

Victor Thianpiriya
Junior Analyst
vitor.thianpiriya@anz.com

Monetary Policy Update

- Although headline inflation looks to be well contained, the RBA's preferred measures, that attempt to gauge the pulse of underlying inflation, are clearly on the rise. There should be no ambiguity on how to interpret these numbers. Inflation has accelerated through this year and is now running above the RBA's target band of 2% to 3%.
- Virtually all market economists expect a rate hike in November with most anticipating at least one further 25bp move over the first half of 2008. ANZ expects three more 25bp rate hikes; one in November followed by another 25bp in February 2008 and then again in May 2008. Money markets are pricing a 90% chance of a November move and a 50% chance of a follow-up move in February.

Strategy Update

- US economic weakness and rising inflation pressure in Australia confuse the interest rate outlook. We see strategic value in government bonds around 6.50% and highlight excellent value in semi-government bonds around 7%. In the short-term these yields may fall a little but a genuine rally will have to wait for an end to the RBA tightening cycle.
- With divergent US and Australian economic fundamantals, the curve will be flatter and spreads to the US market wider than otherwise. We expect the curve to remain on an inversion path while the RBA is in play. Target a move towards -65bps on further rate hikes over the next six months.
- Spreads to the US Treasury market will also remain wide although current spreads (170bp in 10-years and 285bp in 2-years) are factoring in a significant further widening in the cash rate spread. Our estimates suggest that the current 10-year spread of 170bps is historically consistent with a front-end spread of over 400bps. With the front-end spread likely to be 225bps by mid November, we find it hard to forecast further widening in the near-term.
- Our favoured short-term trade is long the AUS 3-year bond future contracts. In the absence of back-to-back RBA rate hikes in November and Decenber we would expect the 3-year yield to rally around 20bps to 30bps over the next month.

New Zealand Strategy Update

- The RBNZ left the OCR at 8.25% today and delivered a short and reasonably balanced statement. The RBNZ views that core inflationary pressures persist, stemming from a tight labour market, strong commodity prices and food price inflation.
- The 2-year swap yield is set to continue trading within recent ranges, though we now believe that range has shifted up slightly to 8.40%-8.55%, with a bias towards the top end of the range. The front end of the curve will be well anchored which means the long end will continue to underperform any global rally. This sets the stage for further widening in the NZ-US 10-year bond spread, and a further inversion of the 2s10s swap curve though we expect the curve to eventually correct back to its -60bp to -80bp range.

Warren Hogan
Head of Market Economics and Strategy
+61 2 9227 1562
warren.hogan@anz.com

Monetary Policy Update

ANZ View: ANZ expects a 25bp increase in the cash rate to 6.75% at the November RBA Board meeting and then a further two 25bp rate hikes following the February and May 2008 meetings. The cash rate is projected to peak at 7.25% in this cycle.

Market View: The market is pricing in around a 90% chance of a 25bp rate rise from the RBA by the November board meeting, and a 50% chance of another 25bp hike next February.

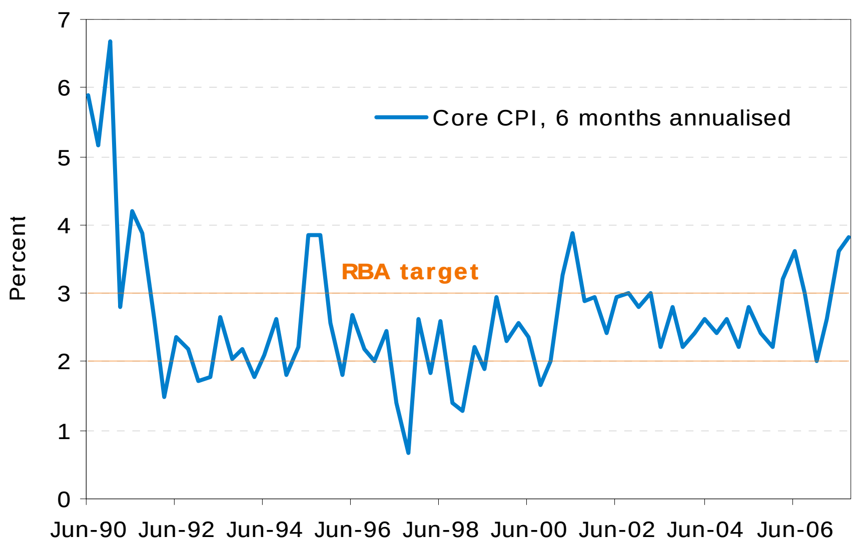
Key data and events: Events on global financial markets will remain key with the FOMC meeting on 31 October important. Domestically, the next key data release is the Q3 wage cost index to be released on 14 November. The RBA releases their quarterly Statement on 12 November.

The recent CPI data shows a clear acceleration in inflation, and is now running above the RBA's target band of 2% to 3%.

Headline inflation rose 0.7% in Q3 to be up 1.9% over the year. The RBA's two core measures rose an average 0.95% in the quarter for a 3% annual rate. Although headline inflation looks to be well contained, the RBA's preferred measures that attempt to gauge the pulse of underlying inflation are clearly on the rise. Headline inflation was held down in Q3 by a one-third fall in childcare costs due to increased government rebates, a decline in petrol prices and falling import goods prices. Rising services prices, housing costs and utilities charges drove the core measures higher in the period. Importantly, non-tradables inflation is also picking up, rising 1.1% in the quarter following rises of 0.5%, 0.7% and 0.8% over the three previous quarters. The annual rate is now back to 3.5%.

Inflation data can be sliced and diced to suit any particular analytical angle. Indeed, if one excludes 70% of the CPI components you could construct a measure that shows inflation falling in this country. Silliness aside, **there should be no ambiguity on how to interpret these numbers; inflation has accelerated through this year and is now running above the RBA's target band of 2% to 3%.** The six month annualised rate of core inflation is now 3.75%, around the same level seen at previous peaks in the inflation cycle in 2000 and 1995 (see Chart 2). In our view, the inflation pulse is currently around 3.25%, up from 2.75% six months ago.

Figure 1: Core inflation on the rise



Source: ANZ and ABS

And there is little economic data to suggest that any part of the domestic economy is slowing.

The RBA has no flexibility around this because there are few signs that the economy is slowing. Future inflation is to a large extent a function of current growth momentum and with economic growth pushing above most estimates of potential over the first half of 2007, there is no reason to forecast easing inflation pressures in the near-term.

In assessing the appropriate stance of monetary policy, it should be noted that **the three rate hikes in 2006 have done little to damp domestic spending or inflation pressures**. With only one rate hike in place this year, it is clear that the current cash rate of 6.50% is inconsistent with on-going macroeconomic stability. Actual and potential inflation pressures are rising. Given that fiscal policy has been and will continue to be (no matter what side of politics wins Government on November 24) a transmission mechanism for the global commodities boom to domestic spending, **it is clear that monetary policy needs to be tighter.**

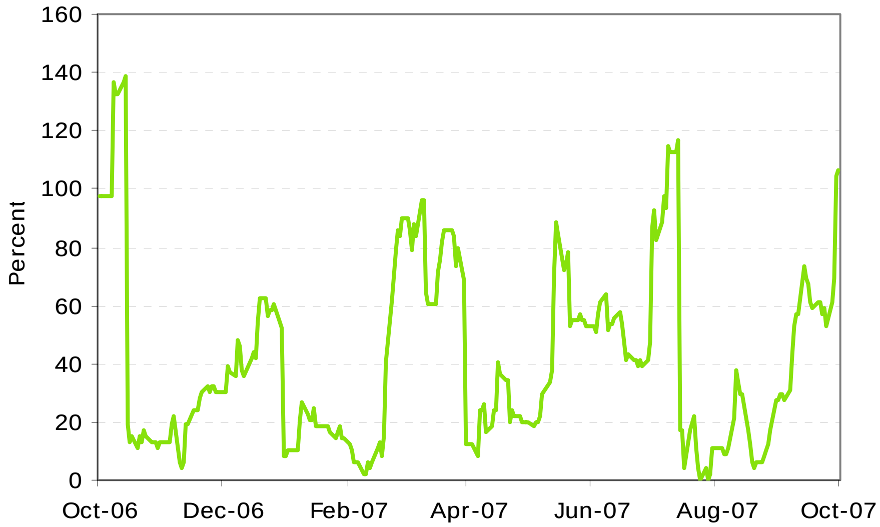
We expect three more 25bp rate hikes, to take the cash rate to 7.25% by June 2008.

The market agrees. Virtually all market economists expect a rate hike in November with most anticipating at least one further 25bp move over the first half of 2008**. At ANZ we expect three more 25bp rate hikes; one in November followed by another 25bp in February and then again in May 2008.** Money markets are pricing a 90% chance of a November move and a 50% chance of a follow-up in February.

For financial markets, the questions of concern over the weeks ahead are; what chance is there that the RBA holds fire on Melbourne Cup day? How many rate hikes are there to come? And could there be back to back rate hikes following the November and December RBA board meetings?

With markets fully priced for a rate hike in November, the RBA would need a clearly identifiable reason to hold off or be open to criticism of political influence, something the RBA Governor Glenn Stevens said would not happen at his August appearance before the federal parliamentarians. *"I do not think that there is any case for the Reserve Bank board to cease doing its work for a month, in the month that the election is going to be."* The only imaginable reason the Reserve Bank would not go would be a global financial event, which cannot be ruled out.

Figure 2: Percent chance of a 25bp RBA rate rise in the next 3 months



Source: ANZ and Bloomberg

Markets are fully priced for a rate hike in November and are pricing in around a 50% chance of a follow up hike in December.

The immediate concern for markets is the possibility of back-to-back 25bp moves in November and December. Given that the RBA is highly unlikely to move by more than 25bp at any one meeting, the better question is; is the more appropriate cash rate 6.75% or 7.00% by the end of 2007?

With core inflation at the top of the band and economic growth comfortably above trend, it is not difficult to argue that a single 25bp rate hike is unlikely to address all the inflation risks currently facing the

economy. If the RBA has learnt anything in the past few years, it is that the economy is proving more resilient to rising interest rates than most would have expected. On this basis, the probability of two consecutive rate hikes has to be somewhere between 20% and 50% at present. Extra data between meetings, particularly the Q3 wages data could prove to be important.

However, there are a number of factors which could add to RBA policy caution and see them wait out the summer after a 25bp move in November. Firstly, the US economic outlook, and indeed, the global financial outlook, is shaky. The latest US housing data confirms a residential construction recession, slowing secondary market turnover and falling aggregate prices. **The possibility of a US recession cannot be dismissed just yet, particularly if the Fed is constrained in its monetary policy easing by inflation risks**. Global bank profitability has weakened and many large institutions are still plagued by an asset overhang via SIVs. It is not clear how much of a hindrance to the global economy this will be. The risks remain skewed to tighter financial conditions.

But global uncertainties could mean that the RBA is unlikely to initiate back to back rate hikes.

Secondly, **tighter financial conditons continue to impact wholesale debt markets. Swap and credit spreads are much wider than where they were four months ago. As such, the RBA may feel that the two 25bp moves (August and potentially November) will have more impact than in the past**. If credit spreads remain on an upward trend, the RBA will be getting more 'bang for its buck' in raising rates over the back half of 2007[1]. In conjunction with the fact that rates are at 10-year highs, the RBA board may be more comfortable waiting for the next inflation figure in late January.

Finally, as interest rates rise, they get closer to the point at which households do have to pay attention. While this has not been the case so far, the prospect of an increasingly large reaction from households will add to RBA caution.

[1] This entirely consistent with the theories of the credit channel of monetary policy just that all the credit response to rising interest rates has happened in the last four months rather than gradually over the course of the tightening cycle, as implied by a standard model.

Warren Hogan
Head of Market Economics and Strategy
+61 2 9227 1562
warren.hogan@anz.com

Strategy Update

- **US economic weakness and rising inflation pressure in Australia confuse the interest rate outlook. We see strategic value in government bonds between 6.00% and 6.50% and highlight excellent value in semi-government bonds around 7%. In the short-term these yields may fall a little but a genuine rally will have to wait for an end to the RBA tightening cycle.**
- **With divergent US and Australian economic fundamantals, inevitably the curve will be flatter and spreads to the US market wider than otherwise. We expect the curve to remain on an inversion path while the RBA is in play. Target a move towards -65bps on further rate hikes over the next six months.**
- **Spreads to the US Treasury market will also remain wide although current spreads (170bp in 10-years and 285bp in 2-years) are factoring in a significant further widening in the cash rate spread. Our estimates suggest that the current 10-year spread of 170bps is historically consistent with a front-end spread of over 400bps. With the front-end spread likely to be 225bps by mid November, we find it hard to forecast further widening in the near-term.**
- **Our favoured short-term trade is be long the AUS 3-year bond future contracts. In the absence of back-to-back RBA rate hikes we would expect the 3-year yield to rally around 20bps to 30bps over the next month.**

The main drivers of Australian rates markets are divergence with the US rate cycle and the uncertainty over just how much tightening the RBA will need to implement to take inflation risks out of the Australian economy. Divergent trends between the US and Australian economic and interest rate cycles seem to have become the norm rather than the exception in the past decade. So this is nothing new for the Australian market. The inevitable tension points are the shape of the curve and the yield spreads between the two markets. With US rate markets rallying and the RBA in the midst of a tightening cycle, the 3s10s yield curve will be biased to flatten, as will the 3mth/3-year curve. International spreads will push out with the Australian market clearly lagging the US rally.

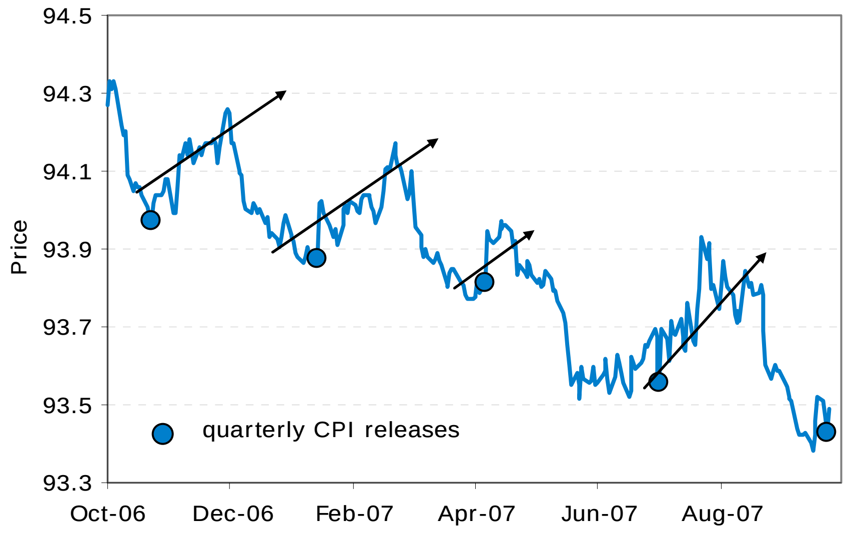
US economic data suggests the housing recession has intensified in recent months. While the Fed remains concerned about inflation risks, there is more and more public comment around the broader economic costs of a prolonged housing downturn (see Chicago Fed President Evans speech earlier this week). This suggests the Fed is closer to undertaking further rate cuts, most likely with a 25bp ease on 31 October. The market is factoring in a 4% Fed funds rate be early next year.

Any hint that the housing recession is impacting the broader economy and market rates could fall further. Evidence of some distress in the US banking system only adds to the risks. We are not forecasting a US recession and as such, expect the tone of the economic data to improve over the months ahead. That does not mean the Fed won't cut rates if inflation risks subside. We favour buying dips in US rate markets and look for further steepening of the US yield curve. With the Fed slow to ease, swap and credit spreads are likely to remain under pressure over the months ahead.

In the *Monetary Policy Update* section we concluded that there will be at least another 75bp of rate hikes in this cycle but that we would not see back-to-back moves in November and December. A 7% cash rate is almost 75% priced for February next year (a 25bp hike is fully priced and a further 25bp move in February is priced at a 50% probability). We think the market is likely to find some short-term support given that most of the bearish inflation and monetary policy news is largely priced in.

While money market yields will remain anchored to a rising cash rate, term yields could rally over the month ahead. We have identified a persistent pricing dynamic in the Australian market around the release of the quarterly CPI numbers whereby the market tends to price in most of the bad news in the lead up to the quarterly CPI release (see Figure 3 below).

Figure 3: AUS 3-year bond futures contracts and CPI releases



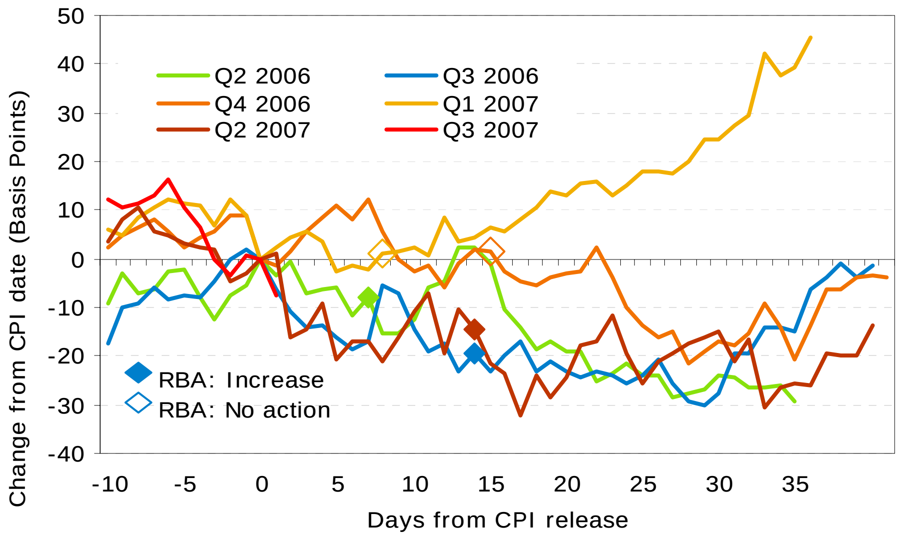
Source: ANZ and Bloomberg

The dots in Figure 3 are the CPI release days over the past year. The first and the fourth dot were followed by rate hikes, the two in between were not, although there was little difference in the price action. Price movements up to today look very similar to those around past CPI experiences. This chart is telling us that we are going to get a short sharp relief rally in AUD bonds over the next month or so.

With global uncertainty still high and global bonds rallying, the passing of the quarterly CPI should relieve pressure on the local market. The RBA has the market scared with its apparent hawkishness from August. A November rate hike looks like a done deal but the market should rally regardless. The market is now 90% priced for a November rate hike and is factoring in a 50% chance of a February move. Almost every market forecaster expects a move on the day following the Melbourne cup. So it is all there - all priced in. There is not going to be a 50bp rate hike, so all the risks are for disappointment. Even without disappointment, the 3-year looks vulnerable to rally back towards 93.60 at least, and potentially as high as 93.75.

Figure 4 shows the price action for the 10 years around recent CPI releases. The conclusion: 10-year bond futures trend downwards after CPI releases, regardless of the subsequent RBA interest rate announcement. In 2006, yields rose before the release of CPI figures, on sentiment and positioning factors given the broader trend for high inflation results and RBA rate hikes. On just about every occasion post the release, the yields would fall and continue to trend downwards in the following weeks. The exception to this observation is the price action surrounding the Q1 2007 data release. This period saw a large bearish movement in 10-year bonds in the US where yields moved over 65bps in a period of 6 weeks.

Figure 4: Change in 10-year yields from the CPI date



Source: ANZ and Bloomberg

Canada is facing a very similar economic situation to Australia yet Canadian bonds have rallied well off the highs in yield in the last few months. With global uncertainties elevated, particularly in relation to the US fianncial system, it appears we are presented with a good short-term risk/reward opportunity. The only thing that would stop bond yields experiencing a short-term rally would be the prospect of back to back hikes or a 50bp move in November - both of which seem like a low probability at this stage.

NZ Interest Rate Strategy Update

Khoon Goh
NZ Interest Rate Strategist
+64 4 802 2357
gohk@anz.com

- **The RBNZ left the OCR at 8.25% today and delivered a short and reasonably balanced statement.** Their view of the world is broadly in line with their central projections from the September *Monetary Policy Statement*. **There is a familiar hawkish undertone towards inflation pressures. The RBNZ views that core inflationary pressures persist** stemming from a tight labour market, spillover from strong commodity prices and food price inflation. But on the other hand, the housing cycle has turned though we are yet to see this flow through into easing housing-related inflation. In addition, the RBNZ cites considerable uncertainty over global financial markets and the potential downside risk to trading partner growth, as well as the high level of the New Zealand dollar.

- **Despite the General Election in NZ more than a year away, a potential easing in fiscal policy is already a concern for the RBNZ.** Certainly, the Australian experience so far, where the Government promised large tax cuts within the first week of calling the election (and matched by the Opposition), could be a precursor for New Zealand next year. The NZ Government has already signaled that tax cuts will be part of next year's Budget. With the Treasury coffers expected to reap more tax revenue from the terms of trade surge, any recycling of those additional tax revenues will lean against the RBNZ's efforts. **By making their concerns known early, the RBNZ is possibly trying to manage expectations and send a signal that there may be monetary policy consequences.**

- **While the RBNZ is in 'wait-and-see' mode, given the one-sided nature of inflation risks, any easings remain a long way off.** The rates market largely shrugged off today's OCR assessment, with the swaps curve down 1bp. Such a response suggests that the market is buying into the RBNZ's inflation concerns, and is an indication that the RBNZ will continue to get traction along the yield curve despite the recent global rally in interest rates.

- NZ rates markets are back to trading the ranges. The tenor of some of the data relating to domestic demand (specifically housing market data and credit growth) will leave the market biased towards lower rates. However, a potentially strong labour market data for Q3 due in November (particularly for wage inflation) and a likely rebound in September retail sales should see the swaps curve hold up. **Given the RBNZ's comments about fiscal policy, expect some market sensitivity in the lead up to the *Half-Year Economic and Fiscal Update* in December, which should give some indication of the fiscal parameters in the 2008 *Budget*.**

Figure 5: NZ 2-year swap yields - top of the range

Source: ANZ and Bloomberg

- The 2-year swap yield is set to continue trading within recent ranges, though we now believe that range has shifted up slightly to 8.40%-8.55%, with a bias towards the top end of the range. The front end of the curve will be well anchored which means the long end will continue to underperform any global rally. This sets the stage for further widening in the NZ-US 10-year bond spread, and a further inversion of the 2s10s swap curve though we expect the curve to eventually correct back to its -60 to -80bps range.

Patricia Gacis
Market Strategist
+61 2 9227 1272
patricia.gacis@anz.com

Trade Warehouse

- Over the past week, AUS 3-year futures contracts fell from a high of 93.52 to 93.43 following the Q3 CPI release on Wednesday but has since rallied around 6bps. We continue to expect 3-years to grind higher in the weeks ahead and continue to recommend holding long positions.

Figure 6: Trade Warehouse

	Date	Entry	Curr.	Last	Profit	Comment
Long Dec-07 3-year futures contract	25-Oct-07	93.39	93.49	93.47	10bps	Hold trade. Target 93.60. Raise stop to 93.47.

Source: ANZ. *Current levels. All profit in bps running.

Trade Bank 2007

Figure 7: Trade Bank

Trade	Entry	Exit	Profit/Loss
AUS-US 10y spread trade	08-Jan-07	18-Jan-07	15.1bps
AUS 2-year swap/EFP spread	16-Jan-07	24-Jan-07	-2.5bps
USD 1y1y swap	10-Jan-07	26-Feb-07	0.0bps
AUS-US 10y spread trade	25-Jan-07	26-Feb-07	-9.0bps
AUS-US 2y spread trade	15-Mar-07	22-Mar-07	-5.0bps
Rec AUS 2-year swap	13-Apr-07	3-May-07	17.0bps
AUS 2-year swap/EFP spread	07-Jun-07	12-Jun-07	-2.0bps
Sep-07 bank bill futures	07-Jun-07	03-Jul-07	12.0bps
AUS 1y1y swap	07-Jul-07	25-Jul-07	-7.0bps
3s10s curve	26-Jul-07	27-Jul-07	-3.5bps
Sep-07 bank bill futures	26-Jul-07	13-Aug-07	-7.0bps
AU-US 2y swap spread trade	15-Oct-07	18-Oct-07	-10.0bps
Total (bps running)			**-1.9bps**

Source: ANZ

Chart Pack I

Chart 1: AUS 3-year and 10-year yields

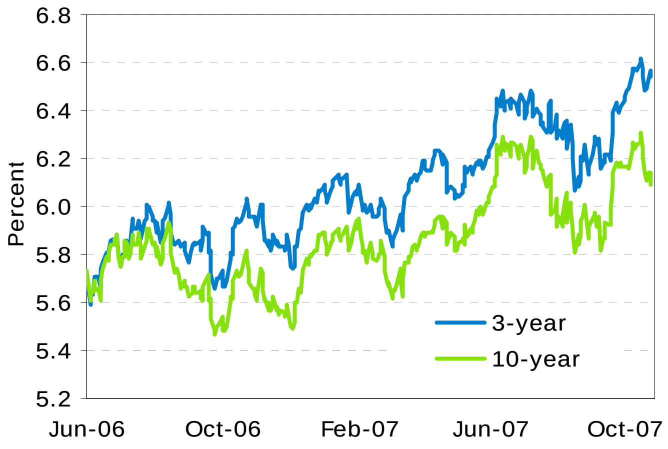


Chart 2: AUS 3s10s curve

Chart 3: AUS Bills/3s and Bills/10s curves

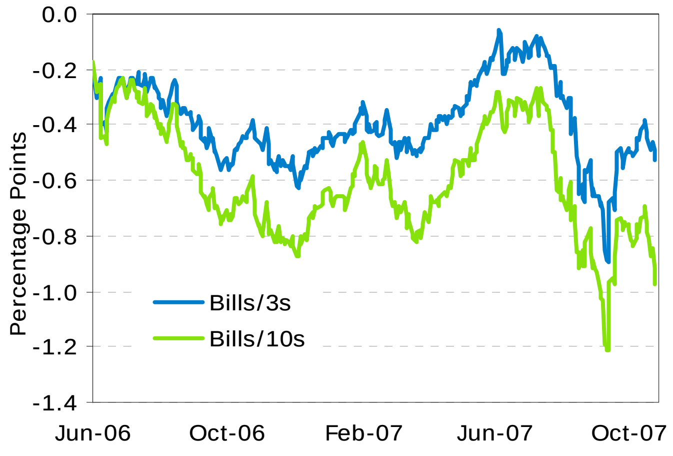


Chart 4: AUS-US 10-year spread

Chart 5: AUS 3-year semi-govt. spreads to bond

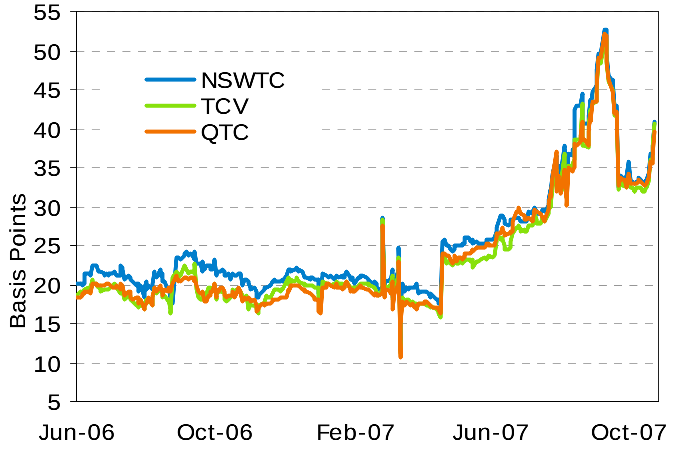
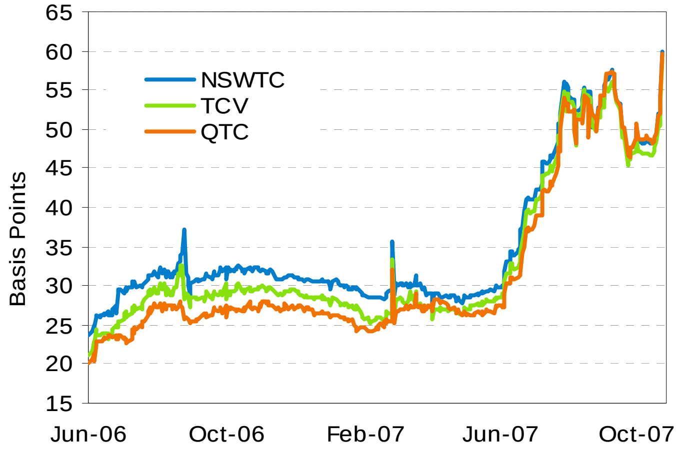


Chart 6: AUS 10-year semi-govt. spreads to bond



Source: ANZ and Bloomberg

Chart Pack II

Chart 7: AUS swap curves

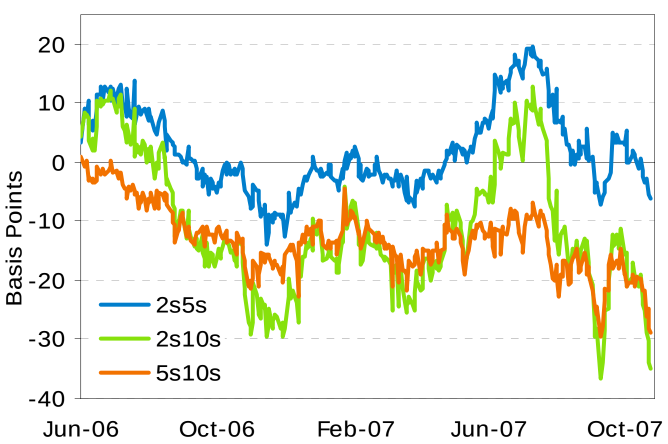


Chart 8: AUS swap yields

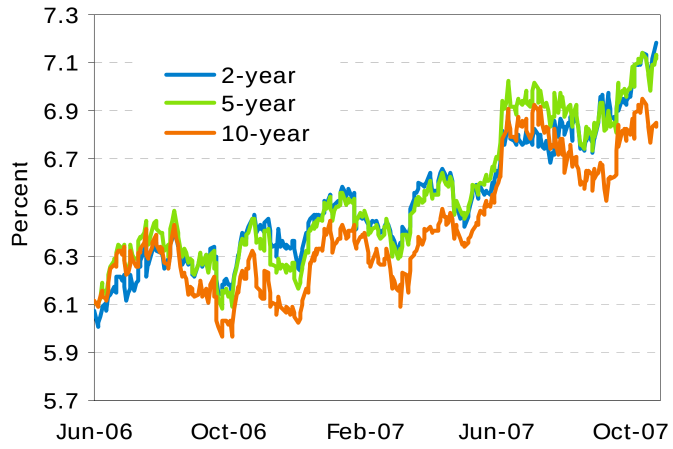


Chart 9: AUS swap/EFP spreads

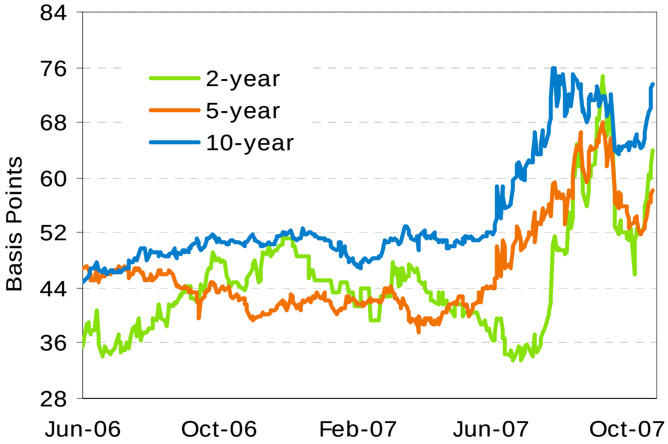


Chart 10: AUS Drop to spot

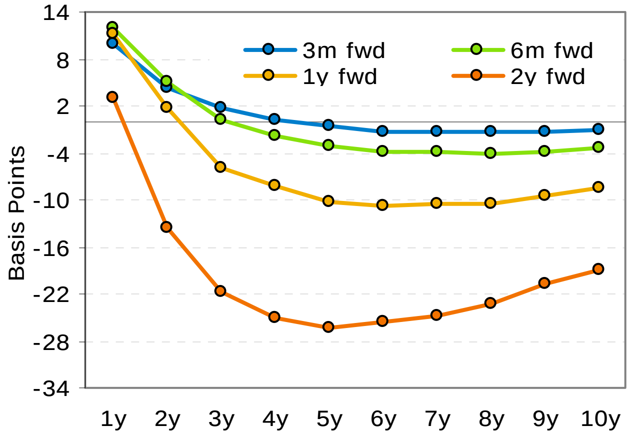


Chart 11: AUS Forward curves

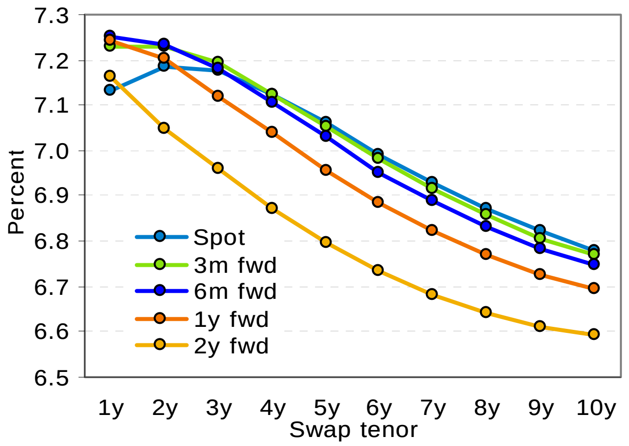
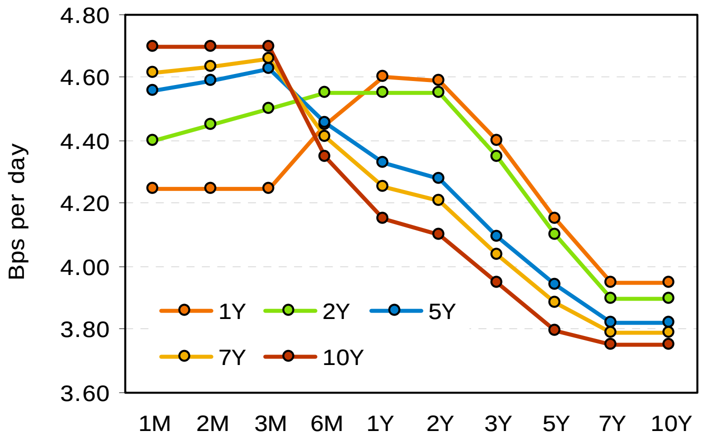


Chart 12: Swaption volatility



Source: ANZ and Bloomberg

Chart Pack III

Chart 13: Credit Curves

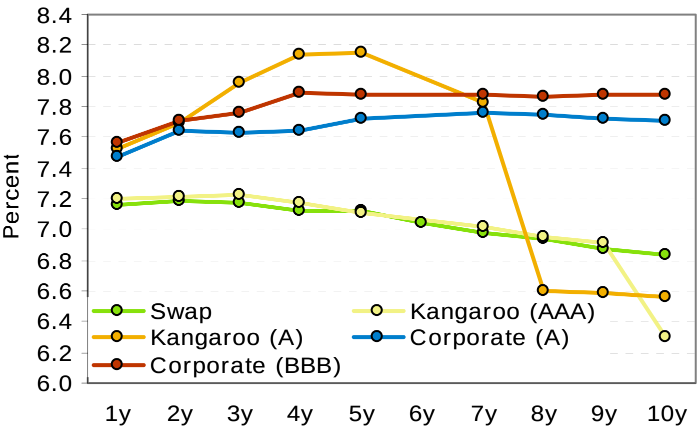


Chart 14: Government and Semi-Government Curves

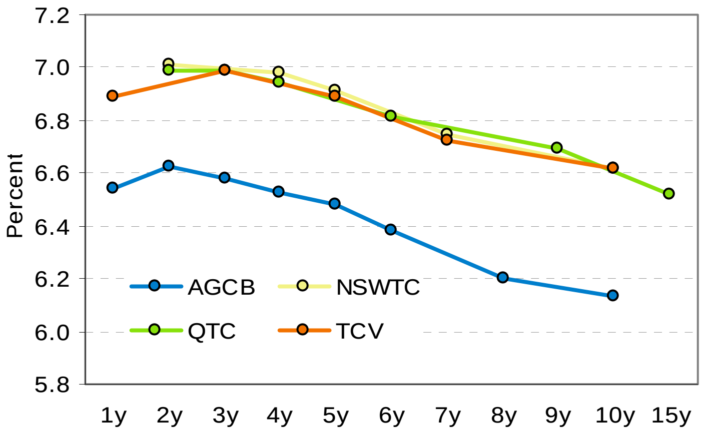


Chart 15: Corporate bonds spreads to ACGBs

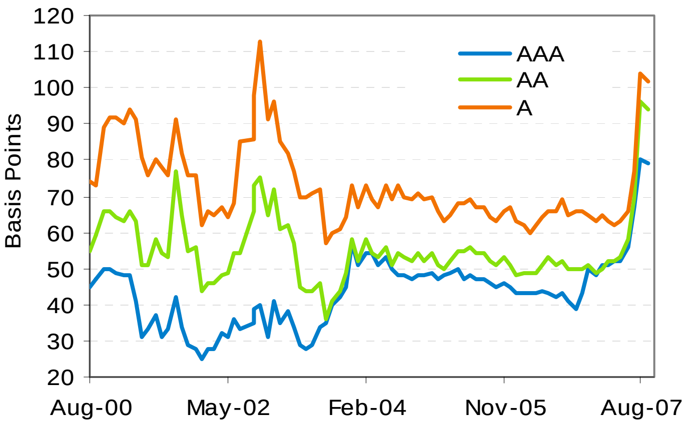


Chart 16: 5-year CDS spreads

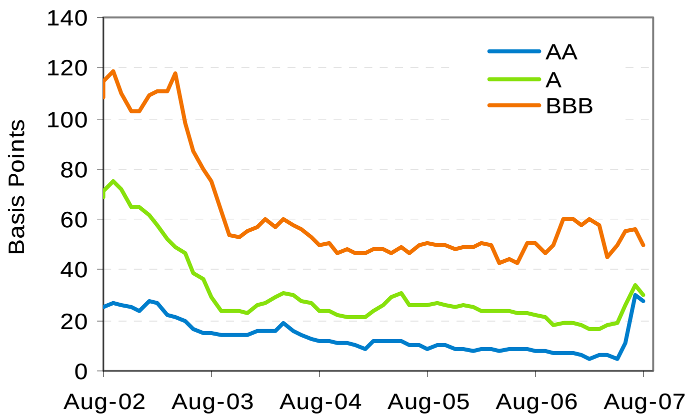


Chart 17: AUD/USD Basis swap spreads

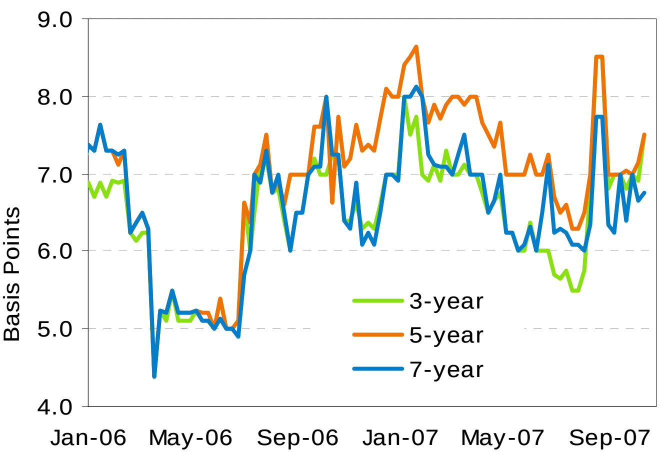
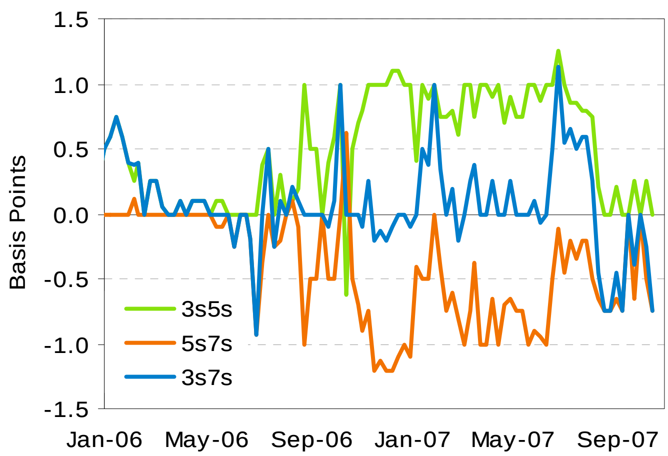


Chart 18: AUD/USD Basis swap curves



Source: ANZ, RBA and Bloomberg

Interest Rate Forecasts

	Current	Dec-07	Mar-08	Jun-08	Sep-08	Dec-08
United States						
Fed funds rate	**4.75**	4.50	4.50	4.50	4.50	4.50
2-year note	**3.73**	4.00	4.15	4.30	4.75	5.25
10-year note	**4.33**	4.60	4.55	4.70	5.10	5.35
2s10s spread (bps)	**60**	60	40	40	35	10
Australia						
RBA cash rate	**6.50**	6.75	7.00	7.25	7.25	7.25
90-day rate	**6.97**	7.10	7.30	7.50	7.45	7.45
3-year bond	**6.52**	6.85	6.75	6.75	7.00	7.15
10-year bond	**6.07**	6.40	6.25	6.30	6.60	6.85
3s10s curve (bps)	**-45**	-45	-50	-45	-40	-30
10-year spread to US (bps)	**173**	180	170	160	150	150
3-year swap spread (bps)	**65**	55	55	50	45	45
10-year swap spread (bps)	**74**	70	70	60	60	55
New Zealand						
NZ OCR	**8.25**	8.25	8.25	8.25	8.00	7.50
90-day rate	**8.63**	8.65	8.55	8.55	8.03	7.53
2-year bond	**7.01**	7.29	7.28	7.32	7.10	6.83
10-year bond	**6.32**	6.51	6.50	6.58	6.73	6.75
2s10s curve (bps)	**-69**	-78	-78	-74	-37	-8
10-year spread to US (bps)	**199**	191	195	188	163	140
Foreign Exchange						
AUD/USD	**0.9021**	0.88	0.90	0.92	0.92	0.90
NZD/USD	**0.7537**	0.74	0.72	0.71	0.70	0.68
AUD/NZD	**1.1968**	1.19	1.25	1.30	1.31	1.32
USD/JPY	**113.97**	116	115	113	112	110
EUR/USD	**1.4264**	1.43	1.45	1.45	1.42	1.39
GBP/USD	**2.0466**	2.04	2.05	2.03	2.00	1.99
USD/CHF	**1.1716**	1.16	1.15	1.15	1.18	1.21

Source: ANZ and Bloomberg

ANZ Research

ANZ Research

Saul Eslake
Chief Economist
+61 3 9273 6251
saul.eslake@anz.com

ANZ Investment Bank

Warren Hogan Head of Markets Economics and Strategy +61 2 9227 1562 Warren.hogan@anz.com	**Sally Auld** Senior Interest Rate Strategist +61 2 9227 1809 sally.auld@anz.com	**Tony Morriss** Senior Currency Strategist +61 2 9226 6757 anthony.morriss@anz.com	**David Croy** Senior Market Strategist, UK +44 20 3229 2070 croyd@anz.com
Cherelle Murphy Senior Economist, Markets +61 3 9273 1995 Cherelle.murphy@anz.com	**Mark Pervan** Senior Commodity Strategist +61 3 9273 3716 mark.pevan@anz.com	**Patricia Gacis** Market Strategist +61 2 9227 1272 patricia.gacis@anz.com	
Sarah Percy-Dove Head of Credit Research +61 2 9227 1142 sarah.percy-dove@anz.com ANZIB			

Economics

Tony Pearson Head of Australian Economics +61 3 9273 5083 tony.pearson@anz.com	**Amy Auster** Head of International Economics +61 3 9273 5417 amy.auster@anz.com	**Paul Braddick** Head of Financial System Analysis +61 3 9273 5987 paul.braddick@anz.com	
Julie Toth Senior Economist Industry +61 3 9273 6252 julie.toth@anz.com	**Jasmine Robinson** Senior Economist International +61 3 9273 6289 jasmine.robinson@anz.com	**Ange Montalti** Senior Economist +61 3 9273 6288 ange.montalti@anz.com	**Mark Rodrigues** Senior Economist Australia +61 3 9273 6286 mark.rodrigues@anz.com
Katie Dean Senior Economist, International +61 3 9273 5466 katie.dean@anz.com	**Riki Polygenis** Economist +61 3 9273 4060 riki.polygenis@anz.com	**Amber Rabinov** Economist, International +61 3 9273 4853 amber.rabinov@anz.com	**Alex Joiner** Economist, Financial System Analysis +61 3 9273 6123 alex.joiner@anz.com
Fiona Allen Business Manager +61 3 9273 6224 fiona.allen@anz.com	**Cherelle Murphy** Senoir Economist, Markets +61 3 9273 1995 cherelle.murphy@anz.com	**Wain Yuen** Economist, Australia +61 3 9273 6295 wain.yuen@anz.com	

ANZ New Zealand

Cameron Bagrie Chief Economist +64 4 802 2212 bagriec@anz.com	**Khoon Goh** Interest Rate Strategist +64 4 802 2357 gohk@anz.com	**Sean Comber** Economist +64 4 802 2286 combers@anz.com	**Philip Borkin** Economist +64 4 802 2199 borkinp@anz.com
Mark Elliott Technical Analyst +64 9 357 4080 elliottm@anz.com	**Steve Edwards** Economist +64 4 802 2217 edwards1@anz.com	**Kevin Wilson** Rural Analyst +64 4 802 2361 wilsonk1@anz.com	

Important Notice

Australia and New Zealand Banking Group Limited is represented in:

AUSTRALIA by:

Australia and New Zealand Banking Group Limited ABN 11 005 357 522

10th Floor 100 Queen Street, Melbourne 3000, Australia

Telephone +61 3 9273 6224 Fax +61 3 9273 5711

UNITED KINGDOM by:

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom

Telephone +44 20 3229 2121 Fax +44 20 7378 2378

UNITED STATES OF AMERICA by:

ANZ Securities, Inc. (Member of NASD and SIPC)

6th Floor 1177 Avenue of the Americas

New York, NY 10036, United States of America

Tel: +1 212 801 9160 Fax: +1 212 801 9163

NEW ZEALAND by:

ANZ National Bank Limited

Level 7, 1-9 Victoria Street, Wellington, New Zealand

Telephone +64 4 802 2000