

Seasonal nerves

20 August 2009

Inside:

| | |
|-----------------------------|---|
| Macroeconomic update | 2 |
| Interest rate markets | 4 |
| FX | 5 |
| Forecasts | 7 |

Authors:

Warren Hogan
Acting Chief Economist & Head of
Australian Economics and Interest
Rates Research
+61 2 9227 1562
Warren.Hogan@anz.com

Katie Dean
Senior Economist
+61 3 9273 1381
Katie.Dean@anz.com

Tony Morriss
Senior Rates Strategist
61 2 9226 6757
Tony.Morriss@anz.com

Julie Toth
Senior Economist
+61 3 9273 6252
Julie.Toth@anz.com

Riki Polygenis
Economist
+61 3 9273 4060
Riki.Polygenis@anz.com

Dr. Alex Joiner
Economist
+61 3 9273 6123
Alex.Joiner@anz.com

Amber Rabinov
Economist
+61 3 9273 4853
Amber.Rabinov@anz.com

Daniel Bae
Analyst
+61 2 9227 1272
Daniel.Bae@anz.com

Our Vision:

For Economics & Markets Research to be the most respected, sought-after and commercially valued source of economics and markets research and information on Australia, New Zealand, the Pacific and Asia.

Macroeconomic update: A delicate balancing act

- The RBA Governor has confirmed that a 3% cash rate was set for an “emergency” and that such extra stimulus will need to be withdrawn. The question is: when? The RBA remains mindful of the risks of undermining demand and confidence.
- The higher starting point for the Australian economy also implies that Australia’s fiscal position will be stronger than expected.
- Global public financing requirements are still expected to rise sharply. Restoring fiscal sustainability will impose an inevitable constraint on the global recovery in the years ahead.

Interest rate markets: Weak stock markets and RBA comments have capped rates, for now

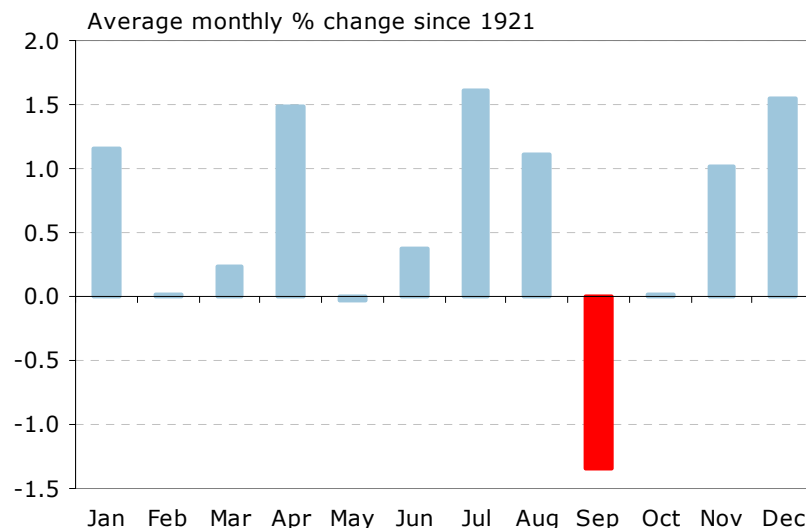
- A circumspect tone to the RBA board meeting minutes suggests a slightly tentative approach to normalising rates. But there are clear concerns that policy settings are too lax.
- More corrective price action for key global stock markets has also served to take market rates off recent highs.

FX: Equities to weigh on AUD in September

- A clear catalyst for the AUD/USD to break out of recent ranges seems unlikely over the coming week. Offshore events will continue to be the biggest driver of AUD moves in the continued absence of any significant domestic data releases.
- US equity markets ‘traditionally’ sell-off in September. Given the extremely strong correlation between moves in the AUD/USD and on the Dow at present, a decline on the Dow in September would likely see AUD/USD trade closer to 0.80 than 0.85.

Chart of the week: September effect in equities

Figure 1: Losses on the Dow a ‘traditional’ September occurrence



Source: ANZ, Bloomberg

Riki Polygenis
 Economist
 +61 3 9273 4060
 Riki.Polygenis@anz.com

Katie Dean
 Senior Economist
 +61 3 9273 1381
 Katie.Dean@anz.com

Macroeconomic update: A delicate balancing act

- The RBA Governor has confirmed that a 3% cash rate was set for an "emergency" and that such extra stimulus will need to be withdrawn. The question is: when? The RBA remains mindful of the risks of undermining demand and confidence.
- The higher starting point for the Australian economy also implies that Australia's fiscal position will be stronger than expected. This would suggest that the Budget deficit could return to surplus around two years earlier than envisaged by the Government in May. However we still remain sceptical about the strength of the Government's longer-term forecasts which suggest 2016-17 may still be a reasonable timeframe for the return to surplus.
- Global public financing requirements are still expected to rise sharply. Restoring fiscal sustainability will impose an inevitable constraint on the global recovery in the years ahead.

RBA weighing up the pros and cons

On Friday, the RBA Governor confirmed that a 3% cash rate was an "emergency" setting and that this stimulus would have to be withdrawn over time. Despite this, Minutes from the RBA's Board meeting released on Tuesday support our view that the case for rate hikes has not yet been made. The RBA is keenly aware of the risks of *"overstaying a very accommodative setting in a recovering economy, particularly when underlying inflation still needed to decline to reach the target"*. However it is also conscious about the hazards of hiking rates too early and *"choking off confidence and demand prematurely."*

The outlook for household spending is a particular area of uncertainty for the RBA. At 55% of GDP, this is the key area of demand that the RBA does not want to choke off. As we flagged last week, the RBA's central case forecast is for household spending to go backwards in H2. However there is scope for these forecasts to be surprised on the upside, with uncertainty around whether *"the recent growth in household spending was due mainly to the temporary fiscal measures, in which case it would probably soon fade, a more general decline in risk aversion, or the more persistent effects of lower interest rates. Information over the period ahead would be important in judging this."*

Partial indicators of consumer spending and its drivers, namely retail sales and employment data, will be critical in determining whether the RBA's forecasts will eventuate and whether we are facing rate hikes in the very near term. Consistent with market pricing, we think November will provide the first major opportunity for a rate hike should the data surprise on the upside, although there is a small chance of a hike in October. Our core view however remains for rate hikes to commence in February 2010, and for the pace of tightening to be relatively gradual.

In the meantime, the RBA appears fairly comfortable with current aggressive market pricing and the "quasi-tightening" coming through from higher term rates and fixed lending rates (and perhaps the higher currency). Governor Stevens explicitly stated on Friday that he did not want to *"encourage or dissuade"* current aggressive market pricing.

A smaller fiscal deficit?

The higher starting point for the Australian economy implies that Australia's fiscal deficit will be smaller than expected over the next few years. Expenses will be lower than forecast by the Government in May, largely due to a smaller than expected rise in the unemployment rate. Meanwhile, revenues will be higher, with stronger commodity prices reducing the hit to corporate profits (and therefore company tax receipts), while higher employment and household spending will lead to higher takes from income tax and GST revenue.

Our latest forecasts are for economic growth of around 1% in both 2008-09 and 2009-10. This compares with the Government's forecasts in May of 0% in 2008-09 and -0.5% in 2009-10. Using our estimates for growth, and assuming no other

changes to other factors such as commodity prices, we estimate the Budget deficit will be reduced by around \$25bn over four years compared with the Government's latest estimates in May. This would see a peak deficit of just over \$50bn (4.2% of GDP) in 2009-10 compared with almost \$58bn (4.9% of GDP) at Budget time.

Assuming growth for 2011-12 onwards remains as forecast by the government in May, this would see the Budget return to surplus around two years earlier than the May expectation for 2016-17. However, as we have highlighted a number of times, we are not convinced that economic growth can reach the high 4%+ rates foreshadowed by the government from 2012-13 onwards. While Australia's increasing exposure to the fast growing Asian region will support growth, the fact that this downturn will be much shallower than its two predecessors, and the comparative absence of growth-spurring micro-economic reforms in prospect for the next few years, suggests these projections are overly optimistic. As such, it may still be the case that the budget does not return to surplus until 2016-17.

The inevitable global fiscal drag

The fiscal positions of other advanced economies are also benefiting from better than expected economic conditions. According to the White House, fewer bank failures than anticipated mean the 2009 US budget deficit will now be around US\$262bn less than forecast. But at 11.2% of GDP it is still the biggest deficit since at least 1960. Indeed, public deficits across most major advanced economies are still likely to be the most severe since World War II. The IMF estimates this will see the average ratio of debt to GDP for G-20 advanced economies exceed 100% in the next few years (Australia's net debt to GDP ratio in contrast was, at Budget time, expected to peak at just 14%).

This unprecedented global fiscal response is not necessarily to be criticised. If governments had not pulled out all stops, the global recession would have undoubtedly been more severe. Indeed, the fruits of public spending have shown up clearly in recent Q2 GDP reads, with surprisingly strong outcomes in Germany, France, Korea, China (and also most likely Australia), all owing much to expansionary fiscal policy as opposed to a rebound in underlying private demand.

But the longer-term implications of this unparalleled fiscal response are unclear. The process of unwinding these massive public financing programs and facilitating a smooth transition in the drivers of growth from the public back to the private sector is fraught with risk. For now, the biggest risk is further upward pressure on global term interest rates. This will occur as the massive public sector funding requirement begins to compete with and possibly crowd out private sector funding requirements. There is also now the higher risk of a government debt default, highlighted again this week by comments from the UK's Opposition Leader David Cameron that the British Government could default on its debts if borrowing continues to rise. While we think this is a low probability event, markets will continue to price in an elevated risk premium for such a disaster.

There is also the task of unwinding this massive global fiscal spend. Pressure to return fiscal positions back to sustainable levels will inevitably see government spending pull back and thus become a drag on growth. In many countries, new revenue measures, most likely via higher taxation rates, will also likely be required.

Hence while providing crucial short-term support, fiscal policy looks like it will be a potential constraint on the pace of global recovery over the coming years. As the IMF's Economic Counsellor Olivier Blanchard warned this week: *"In nearly all countries, the costs of the crisis have added to the fiscal burden, and higher taxation is inevitable...this means that we may not go back to the old growth path, that potential output may be lower than it was before the crisis"*¹.

Data wrap

- The **Westpac Leading Index** showed an easing in the pace of contraction from an annualised pace of -5.3% in May to -3.3% in June.

¹ "Sustaining a Global Recovery", <http://www.imf.org/external/pubs/ft/fandd/2009/09/blanchardindex.htm>

Tony Morriss
 Senior Rates Strategist,
 61 2 9226 6757
 Tony.Morriss@anz.com

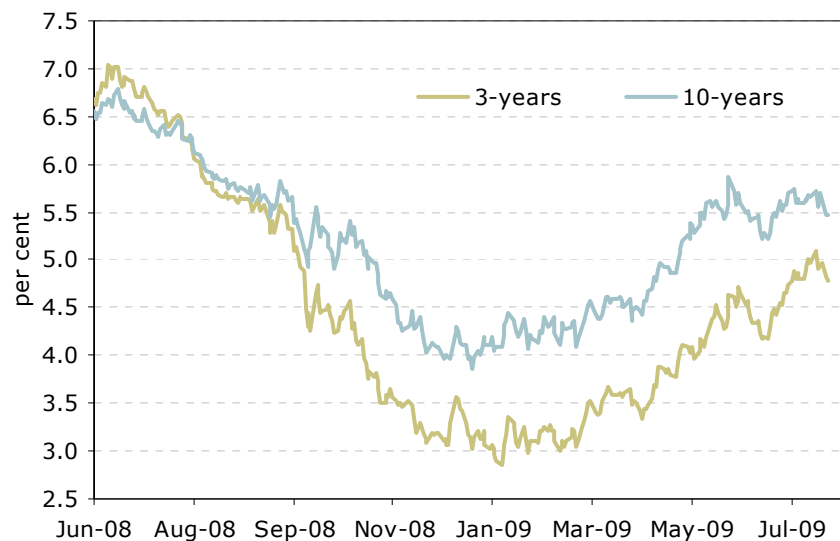
Interest rate markets: Weak stock markets and RBA comments have capped rates, for now.

- A circumspect tone to the RBA board meeting minutes suggests a slightly tentative approach to normalising rates. But there are clear concerns that policy settings are too lax.
- More corrective price action for key global stock markets has also served to take market rates off recent highs.

There is a risk that the RBA might look to remove some policy accommodation sooner rather than later. Comments from RBA Governor Stevens last week clearly revealed some discomfort with current "emergency" policy settings, notwithstanding the risk to domestic demand if rates rise.

However, the next retail sales (July) and employment (Aug) reads will not be available until the 9th and 10th of September, after the next RBA Board meeting on September 1. The retail data for July should be boosted by the tax cuts. August retail trade data is not available until 30 September, prior to the October board meeting on October 6. The RBA may also want to wait for the September employment data which are due on 8 October, but it is now clear that labour market conditions are better than previously thought. We feel the Bank is more likely to wait until later to move rates higher as the RBA minutes this week highlighted a risk that an early move on rates might *"choke off confidence and demand prematurely."*

Figure 2: Three and ten-year bond yields



Source: ANZ & Bloomberg

And markets have found a renewed focus on equity market performance. Market rates have moved lower in response to the recent correction to stock markets. The risk to an early move to start normalising rates would appear to be represented by extended seasonal weakness in global equity markets or a further sharp correction to Chinese stocks that had previously posted a +100% gain from December lows on the back of expansionary credit conditions. This can be seen for government bond yields in the chart above.

Curve flattening has remained a major feature of local rates markets in recent weeks heading into the more hawkish than expected Parliamentary testimony of RBA Governor Stevens last week. A relatively early move to more normal policy helps to anchor inflation expectations, while weak readings on global inflation and still high levels of excess capacity are helping to allay fears that the exit from extra-ordinary policy setting will be accompanied by a rise in inflation. Maintenance of low cash rates in the rest of the world appears to have prompted a general move out along the curve. This will allow borrowers some time to consider hedging strategies.

Amber Rabinov
 Economist
 +61 3 9273 4853
 Amber.Rabinov@anz.com

FX: Equities to weigh on AUD in September

Recommendation

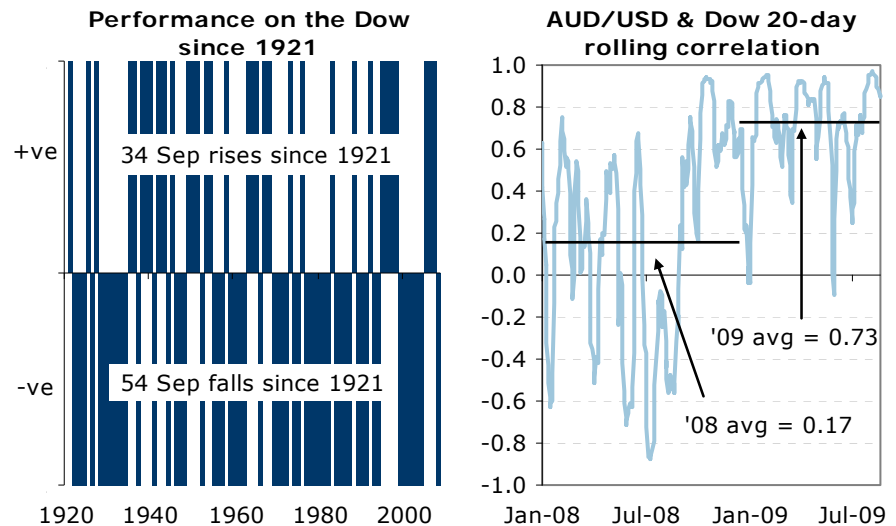
A clear catalyst for the AUD/USD to break out of recent ranges seems unlikely over the coming week. Offshore events will continue be the biggest driver of AUD moves in the continued absence of any significant domestic data releases. AUD/USD buyers should look to take advantage of dips towards 0.8180, while spikes towards 0.8380 should present good AUD/USD buying opportunities.

September equity market sell-off fears to weigh on AUD/USD

A quiet period for economic data releases has seen the focus shift even more towards equity markets as a driver of currencies this week. Yesterday we saw a 4.3% decline on the Shanghai exchange weigh heavily on risk currencies, only to rebound overnight after a rally on Wall Street. Markets have speculated that this month's general consolidation on the US equity market has been partially in anticipation of a 'traditional' sell-off in September. While the reasons behind this belief are somewhat fuzzy (the timing of the month falling between quarterly corporate reporting rounds? overspending during the August US summer break period leading to profit taking upon return from holidays?), it is possible to assess whether there is any truth to this theory.

Analysing the US equity market's (Dow Jones) monthly closes since 1921, we found that prices fell 43% of the time. However, when isolating September data, we found that the occurrence of monthly falls increased to 61%. Moreover, stocks have lost 1.3% on average every September since 1921, with positive gains recorded in every other month (averaging 0.8%). This trend was even more common during the 1970s and 1980s when US stocks fell in 16 out of 20 Septembers (80% of the time). Perhaps it is the memory of this period that carries over to today, or even last September's collapse of Lehmans which triggered a 6% monthly decline on the Dow (see Brett Arends, '[For stocks, September may be the cruellest month.](#)' *Wall Street Journal*, 11 August 2009, for further studies). Whatever the reason, the fact that US stocks tend to underperform in September is well established.

Figure 3: AUD/USD could lose ground if the Dow declines in September

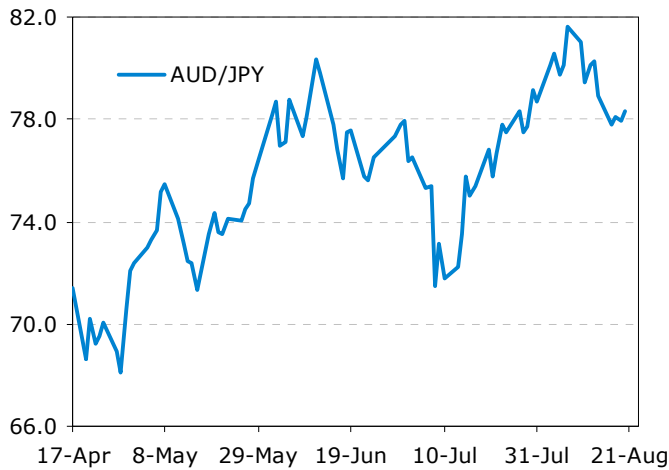


Source: ANZ, Bloomberg

But what does this mean for the current market? The strong rally in equity prices since early March has begun to consolidate, and the analysis above suggest a correction is more than a 50% probability in September. Given the extremely strong correlation between moves in the AUD/USD and on the Dow at present, a decline on the Dow in September would likely see AUD/USD trade closer to 0.80 than 0.85, and limit moves higher against the major crosses.

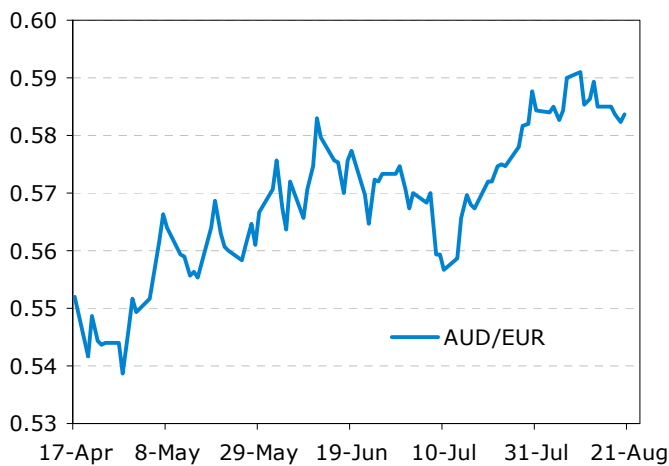
AUD/USD Key levels: 0.8120 – 0.8430. The currency continues to range trade. Should AUD/USD fall through 0.8160, look to support lower at 0.8120. Upside moves may be limited to 0.8380, although spikes to 0.8430 are possible.

AUD cross view



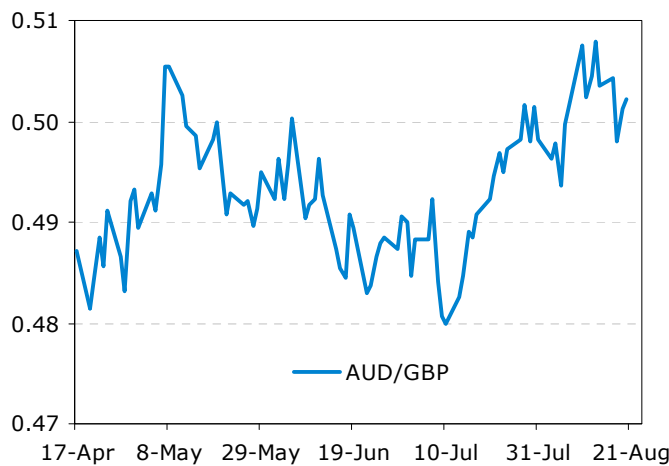
AUD/JPY Key levels: 75.30 – 81.50

- The consolidation in AUD/JPY over the past week appears to have found a base just below 78. The rapid rebuilding of net long speculative positions by Japanese retail FX margin traders however leaves the cross vulnerable to a move lower towards the 100-day moving average of 75.30.
- With AUD/USD likely to continue to range trade over the coming week, and in the absence of any obvious triggers, sharp moves in AUD/JPY are also likely to be limited. Look to potentially more volatile moves in the cross with Wednesday's release of Japanese merchandise trade data for July, and Thursday's Australian Q2 CAPEX survey.



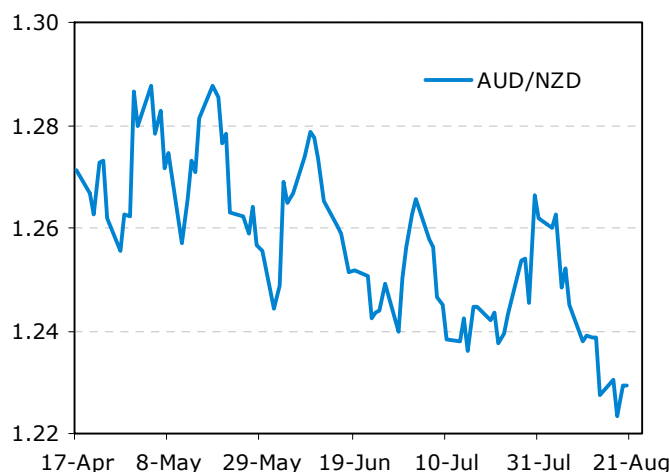
AUD/EUR Key levels: 0.5780 – 0.5920

- Range trading remains the dominant theme in the AUD/EUR market. With both AUD and EUR being heavily swayed by moves on Wall Street, we see limited opportunities for trading in the cross to break out of this pattern over the coming week.
- Euro zone purchasing managers' surveys due for release tomorrow could surprise on the upside and see AUD/EUR push lower towards 0.5780. This is a possibility given last week's better than expected Q2 GDP read, although a return to expansionary levels is only an outside chance. A resurgence on US equity markets could see AUD rally and lift the cross to 0.5880 then higher towards 0.5920.



AUD/GBP Key levels: 0.4930 – 0.5090

- AUD/GBP appears very settled in the upper reaches of its four-month 0.48 to 0.51 trading range. The cross has been well bid due to a softer GBP on the back of concerns regarding the UK economy, while the trifecta of solid equity markets, commodity prices and widening yields have helped keep AUD well supported. In the week ahead, downside moves should be limited to 0.4920, while last week's 13-year peak of 0.5090 remains the topside target.
- Tonight's UK retail sales data for July and next week's August house prices are the major risk factors ahead on the data calendar for AUD/GBP.



AUD/NZD Key levels: 1.2200 - 1.2470

- AUD/NZD dipped close to 1.22 this week, below last week's downside target of 1.2340. A break below this 1.22 level in the days ahead could see the cross move towards 1.2050. On the topside, we target 1.2350-80, then higher towards 1.2470.
- The divergent economic fundamentals of Australia and NZ suggest AUD/NZD should be trading considerably above current levels, but the NZD continues to be pushed around on the whims of the global market amidst limited liquidity.
- In terms of the higher-frequency data, beware of next week's July trade balance data out in NZ.

ANZ economic and financial market forecasts

| Australian economic indicators | 2008 | 2009f | 2010f | 2011f |
|--|------------|------------|------------|------------|
| Economic activity (annual % change) | | | | |
| Private final demand | 4.1 | -1.0 | 1.0 | 3.6 |
| Household consumption | 2.2 | 1.8 | 1.6 | 3.0 |
| Dwelling investment | 2.5 | -6.2 | 6.5 | 5.9 |
| Business investment | 13.8 | -7.9 | -3.3 | 4.9 |
| Public demand | 5.3 | 1.9 | 6.8 | 4.2 |
| Domestic final demand | 4.4 | -0.4 | 2.3 | 3.7 |
| Inventories (contribution to GDP) | -0.6 | -0.2 | 0.3 | 0.1 |
| Gross National Expenditure (GNE) | 3.8 | -0.5 | 2.6 | 3.8 |
| Exports | 3.9 | 1.2 | 0.2 | 4.5 |
| Imports | 10.3 | -12.3 | 4.1 | 9.5 |
| Net Exports (contribution to GDP) | -1.5 | 3.2 | -0.8 | -1.1 |
| Gross Domestic Product (GDP) | 2.3 | 0.8 | 1.5 | 3.2 |
| Prices and wages (annual % change) | | | | |
| Inflation: Headline CPI | 4.4 | 1.8 | 2.6 | 2.1 |
| Underlying* | 4.4 | 3.7 | 2.4 | 2.1 |
| Wages | 4.2 | 3.6 | 2.9 | 3.3 |
| Labour market | | | | |
| Employment (annual % change) | 2.2 | -0.1 | -0.3 | 1.8 |
| Unemployment rate (%) | 4.3 | 5.9 | 7.3 | 7.2 |
| External sector | | | | |
| Current account balance: A\$ bn | -51.0 | -36.3 | -49.0 | -58.2 |
| % of GDP | -4.3 | -3.0 | -3.9 | -4.4 |

*Average of RBA weighted median and trimmed mean statistical measures.

| Australian interest rates | Current | Sep 09f | Dec 09f | Mar 10f | Jun 10f | Sep 10f |
|-------------------------------------|---------|---------|---------|---------|---------|---------|
| RBA cash rate | 3.00 | 3.00 | 3.00 | 3.25 | 3.50 | 3.75 |
| 90 day bill | 3.28 | 3.40 | 3.45 | 3.55 | 3.80 | 4.30 |
| 3 year bond | 4.81 | 5.00 | 5.00 | 5.15 | 5.10 | 5.20 |
| 10 year bond | 5.48 | 5.70 | 5.60 | 5.65 | 5.60 | 5.80 |
| 3s10s yield curve | 0.67 | 0.70 | 0.60 | 0.50 | 0.50 | 0.60 |
| 3 year swap | 5.16 | 5.30 | 5.30 | 5.45 | 5.40 | 5.67 |
| 10 year swap | 6.04 | 6.10 | 5.95 | 5.95 | 5.90 | 6.35 |
| International interest rates | | | | | | |
| RBNZ cash rate | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| NZ 90 day bill | 2.78 | 2.80 | 2.80 | 2.80 | 2.80 | 2.80 |
| US Fed funds note | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 |
| US 2 year note | 1.02 | 1.10 | 1.00 | 1.25 | 1.50 | 2.00 |
| US 10 year note | 3.49 | 4.25 | 4.00 | 4.15 | 4.30 | 4.50 |
| Japan call rate | 0.10 | 0.10 | 0.10 | 0.10 | 0.10 | 0.25 |
| ECB refinance rate | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| UK repo rate | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*.

| Foreign exchange rates | Current | Sep 09f | Dec 09f | Mar 10f | Jun 10f | Sep 10f |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| Australian exchange rates | | | | | | |
| A\$/US\$ | 0.8298 | 0.82 | 0.80 | 0.80 | 0.83 | 0.84 |
| NZ\$/US\$ | 0.6749 | 0.66 | 0.64 | 0.59 | 0.59 | 0.60 |
| A\$/¥ | 78.32 | 80.36 | 80.00 | 84.00 | 89.64 | 92.40 |
| A\$/€ | 0.5835 | 0.58 | 0.58 | 0.58 | 0.59 | 0.60 |
| A\$/£ | 0.5023 | 0.50 | 0.48 | 0.47 | 0.48 | 0.49 |
| A\$/NZ\$ | 1.2295 | 1.24 | 1.25 | 1.36 | 1.41 | 1.40 |
| A\$/CA\$ | 0.9101 | 0.90 | 0.86 | 0.84 | 0.87 | 0.88 |
| A\$/CHF | 0.8857 | 0.90 | 0.91 | 0.91 | 0.94 | 0.95 |
| A\$/CNY | 5.670 | 5.60 | 5.46 | 5.46 | 5.67 | 5.73 |
| A\$ Trade weighted index | 65.80 | 65.45 | 63.85 | 64.46 | 67.22 | 67.43 |
| International cross rates | | | | | | |
| US\$/¥ | 94.39 | 98.0 | 100.0 | 105.0 | 108.0 | 110.0 |
| €/US\$ | 1.4221 | 1.42 | 1.38 | 1.38 | 1.40 | 1.40 |
| €/¥ | 134.23 | 139 | 138 | 145 | 151 | 154 |
| £/US\$ | 1.6521 | 1.65 | 1.68 | 1.70 | 1.72 | 1.73 |
| €/£ | 0.8607 | 0.86 | 0.82 | 0.81 | 0.81 | 0.81 |
| US\$/CA\$ | 1.0968 | 1.10 | 1.07 | 1.05 | 1.05 | 1.05 |
| US\$/CHF | 1.0674 | 1.10 | 1.14 | 1.14 | 1.13 | 1.13 |
| US\$ index | 78.61 | 79.1 | 80.3 | 80.5 | 80.0 | 80.1 |
| Asia exchange rates | | | | | | |
| US\$/CNY | 6.832 | 6.83 | 6.83 | 6.83 | 6.83 | 6.82 |
| US\$/HKD | 7.751 | 7.75 | 7.75 | 7.75 | 7.76 | 7.77 |
| US\$/IDR | 10115 | 10250 | 9750 | 9500 | 10000 | 9500 |
| US\$/INR | 48.80 | 48.50 | 48.00 | 47.00 | 47.50 | 47.00 |
| US\$/KRW | 1250 | 1225 | 1125 | 1175 | 1225 | 1100 |
| US\$/MYR | 3.54 | 3.55 | 3.50 | 3.48 | 3.45 | 3.40 |
| US\$/PHP | 48.53 | 49.00 | 48.00 | 48.00 | 47.00 | 47.00 |
| US\$/SGD | 1.45 | 1.48 | 1.46 | 1.45 | 1.45 | 1.44 |
| US\$/THB | 34.03 | 35.00 | 34.50 | 34.00 | 34.00 | 33.50 |
| US\$/TWD | 32.98 | 32.50 | 32.00 | 31.50 | 31.00 | 30.30 |
| US\$/VND | 17813 | 17800 | 18500 | 18500 | 18500 | 18500 |
| Pacific exchange rates | | | | | | |
| PGK/US\$ | 0.379 | 0.395 | 0.374 | 0.392 | 0.381 | 0.395 |
| FJD/US\$ | 0.496 | 0.483 | 0.472 | 0.469 | 0.476 | 0.480 |

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

100 Queen Street, Melbourne, Victoria, 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 FINRA [www.finra.org] and SEC)

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

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK and regulated by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ solely for the information of its eligible counterparties and professional clients (as defined by the FSA). It is not intended for and must not be distributed to any person who would come within the FSA definition of "retail clients". 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 FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees 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 the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.