

Data resilient, confidence isn't

12 February 2009

Authors:

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

Amy Auster
Head of Foreign Exchange and
International Economics Research
+61 3 9273 5417
Amy.Auster@anz.com

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

Tony Morriss
Senior Market Strategist
+61 2 92266757
Tony.Morriss@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
Daniel.Bae@anz.com
+61 2 9227 1272

Our Vision:

For ANZ 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.

Macro Update: Confidence a key

- Business and consumer confidence both remain weak despite sharply lower interest rates and considerable fiscal stimulus.
- A synchronised downturn in business and consumer spending would be calamitous. Higher unemployment remains the big risk; it could crush consumer confidence and spending as well as the housing market.
- So far the Australian labour market is holding up relatively well, with 1,200 new jobs added in January. We do however expect the labour market to weaken more quickly from here.

Interest Rate Markets: Yields develop lower ranges

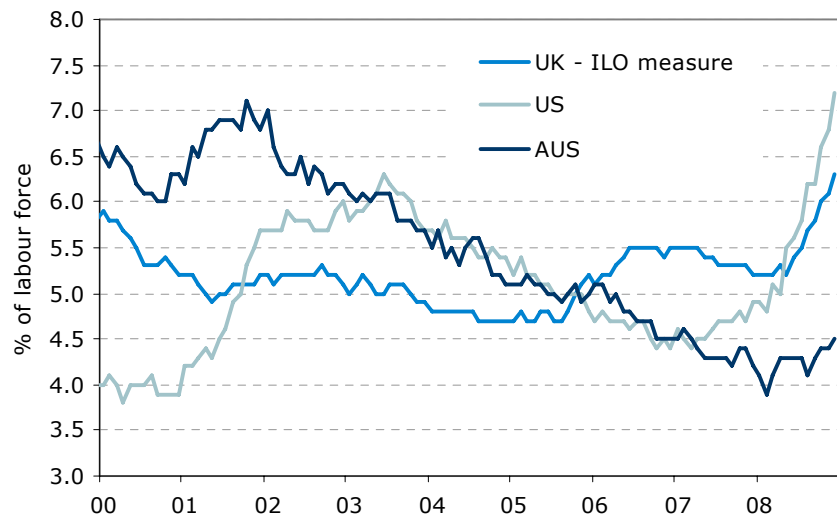
- Yields are developing lower ranges as the easing cycle matures. The strategic argument for a more measured pace of rate cuts from the RBA appears to be gaining some traction.
- Increased Australian government debt issuance has started well, meeting healthy investor demand.

FX: Look to higher base metals, not gold

- The AUD/USD traditionally moves closely with gold prices. But heightened risk aversion has seen this correlation break.
- Our analysis suggests base metals, as a proxy of global demand, offer a better correlation with the AUD/USD in these uncertain times.

Chart of the week

Figure 1: Australia's labour market remains relatively resilient



Source: Bloomberg and ANZ

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

Macro Update: Confidence a key

- Business and consumer confidence both remain weak despite sharply lower interest rates and considerable fiscal stimulus.
- A synchronised downturn in business and consumer spending would be calamitous. Higher unemployment remains the big risk; it could crush consumer confidence and spending as well as the housing market.

Business and consumers pessimistic

We received a couple of reads on confidence this week, for business and consumers, and neither were too promising (see Figure 2). The NAB business confidence index fell to a new record low of -32 in January and consumer confidence fell to a three month low of 85.5 in February. The way we look at it is that either the household sector or the business sector needs to prove resilient throughout 2009 if we are to avoid a deep recession. The 1990s experience and the 2000 mid-cycle slowdown highlight that a synchronised fall in business and consumer spending must be averted if Australia is to avoid a deep recession. Yet the risk is that with confidence now so fragile, a collapse in one sector will drag the other down with it.

The worrying thing at the moment is that poor business and consumer confidence has seemingly become entrenched. This is despite the best efforts of policy makers, with the Reserve Bank slashing interest rates and the Federal Government going into spending overdrive. This stimulatory policy will not be effective if business and householders are confident enough to respond.

Figure 2: Confidence falls again



Source: NAB, WBC/MI, ANZ

The sharp fall in business confidence in January was driven by falling profitability. We expect corporate profits, on a national accounts basis, to contract in 2009, the first fall since 1990-91. The fall will be led by sharply lower mining sector profits as the commodities bubble bursts, while the global financial crisis has substantially weakened financial corporation's profits. The combination of poor profitability, a weak economic environment and challenging financing conditions should cause business investment to contract. Our current forecast is for private investment to fall by 6% this year, but we believe there are significant downside risks to this view. Weak profit and investment will both drag on GDP growth throughout the year. Further, the impact of this weakness on the labour market poses further risks to the broader economy.

Indeed, concerns about the labour market appear to be weighing heavily on households with a sharp fall in 'expectations for family finances' leading the fall in consumer confidence in February. Continued weak consumer confidence is a

significant concern, given the RBA (and most other forecasters) are relying on household consumption to hold up relatively okay in 2009.

Employment holding up okay, so far...

So far, Australia's labour market is proving resilient with 1,200 jobs added in January. While not a great result, it was much better than expectations which were for employment to start falling. Higher population growth and labour force participation did see the unemployment rate rise to 4.8%, but this rise has not been of the scale of the precipitous increases seen in the US and UK (see Chart of the week). Despite January's better than expected result, we think the labour market will weaken more quickly from here. We are currently forecasting the unemployment rate to rise above 6% by the end of 2009 and to 7% in 2010.

Higher unemployment will keep consumer confidence subdued at current relatively low levels. The risk is that a sharper rise in unemployment rate could see consumer confidence plummet – with far reaching consequences. In a vicious circle, sharply higher unemployment will reduce incomes and prompt households to save any government handouts rather than spend them. This would push consumption growth lower and put further pressure on business, posing even more of an upside risk to the unemployment rate.

Weaker confidence poses a risk to the property market.

Weakening consumer confidence also poses a risk to the housing market. Housing finance approvals for December released this week provided one positive in a run of soft data, up 5.9% in the month, led by increased activity from first home buyers. Cuts in interest rates, solid income growth and softer prices have improved affordability markedly and encouraged people back to the property market. It has been our argument for some time that the mass of pent up demand for housing should support building activity (and house prices) once buying conditions improve. This is one of the key differences between the Australian property market and that of the US.

But the recovery in housing demand is extremely fragile. Higher unemployment poses the key risk, not only through forced sales but through the impact it would have on confidence. So it is not just actual unemployment that threatens the property market, it is also the job uncertainty that will proliferate if we enter deep recession. If this were to occur we would see the physical demand that has emerged retreat and building activity and prices would soften further as a result. With such risks in mind, we anticipate that the upswing in housing finance approvals and property market activity will be much more measured than December's figures may suggest.

The balancing act will continue

The Government and the RBA are taking significant steps to ensure some level of confidence in the economy is maintained. Government cash handouts and further cuts in interest rates going forward should go some way to supporting this cause. Their success is key to avoid a deep and painful recession.

Data wrap

- **NAB business confidence** hit a record low -32 in January and surveyed **business conditions** also fell sharply to -11.
- The **WBC/MI consumer sentiment** index fell 4.6% to 85.8 in February, despite lower interest rates and the government's fiscal package.
- The number of owner-occupied **housing finance approvals** rose a 6.4% in November, spurred by lower rates and the extended first-home owners grant.
- **Employment** surprisingly rose by 1,200 persons in January. A rise in the participation rate and higher population growth however saw the unemployment rate rise 0.3ppt to 4.8%.
- As negotiations for the passage of the **Nation Building and Jobs Plan** in the Senate continues, the Government has agreed to cut one-off payments to middle-income earners by \$50 to \$900. This will cut \$435m from the overall cost of the package, but won't meaningfully affect the Government deficit (around \$22bn in 2008-09).

Interest Rate Markets

Yields develop lower ranges as easing cycle matures

Increased Government debt issuance has started well

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

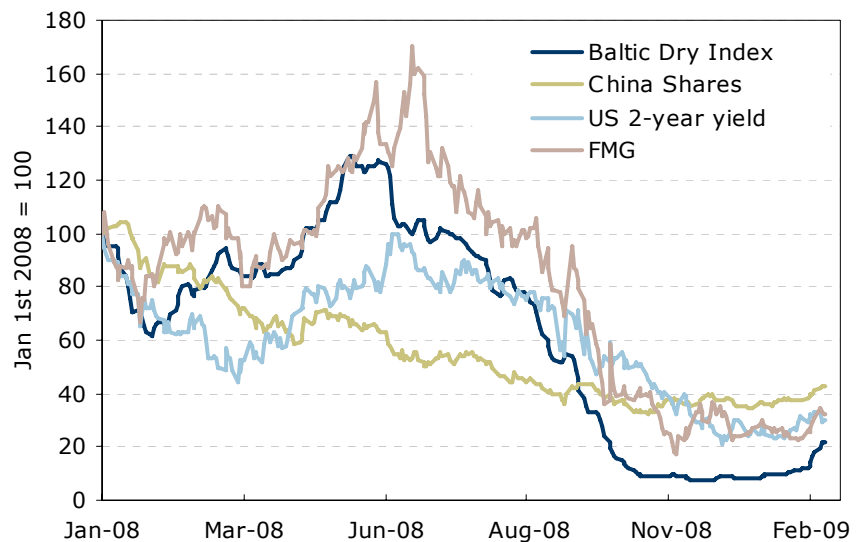
The paring back of market expectations for the scope of further RBA rate cuts over coming months has seen yields back up from the lows seen over January. We are looking for a more measured approach to easing here in coming months after the front-loaded rate cuts seen in recent months. Focus has shifted to expansionary fiscal policy.

This shift means significant deficit financing, here and abroad. The increased supply of bonds means that yields have to be at relatively attractive levels to entice investors. However longer-dated yield might still develop ranges near recent lows considering the conflicting factors at work (increased supply versus low short-term rates and possible quantitative easing).

Official cash rates continue to head lower and the market has not moved too far from expecting the cash rate to move towards 2.0% by the middle of the year. Other central banks are still cutting rates as global growth continues to contract: Sweden and Korea have cut over the past day while the BoE Governor signalled rates there could hit zero. The ECB is set to cut again next month.

There have been some signs of stabilisation in leading indicators recently. This has put some upward pressure on yields – see Figure 2 below. Much has been made of a sharp rise in shipping rates (Baltic Dry Index) although the recent rise in the index bring rates back into line with costs, so it could be argued that recent weakness was unsustainable anyway. (OTC shipping rates fell sharply overnight as a reminder that the outlook for activity remains challenging). Resource shares such as Fortescue Metals (FMG) have followed, while Chinese shares are also on the up after falling over 2008.

Figure 3: Signs of stabilization – is it enough?



Source: ANZ & Bloomberg

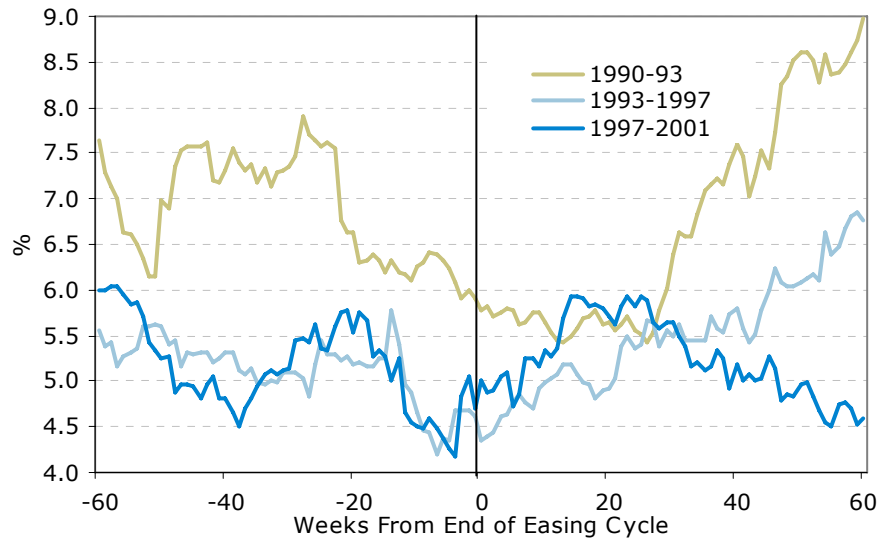
What is interesting is the correlation with 2-year US bond yields. These have stopped falling as the Fed hit zero rates at the end of last year, but are likely to be anchored for the foreseeable future. We would need to see broader and more convincing signs of stabilisation to see US and global bond yields rise too far.

The domestic focus has clearly shifted to fiscal stimulus and a modest but important change in tone in the RBA's *Monetary Policy Statement*. While growth and inflation forecasts were cut, the Bank saw "expansionary" monetary and fiscal policy helping to cushion the economy, a mild recovery for the economy into 2010 and an improvement in financial conditions. The international outlook

remains challenging, but further deterioration was expected to be at "a slower pace."

Looking at previous easing cycles, there is a tendency for yields to hit bottom ahead of the end of RBA easing cycles. The problem with historical precedence is that there are only 3 easing cycles in recent history and the 1990-93 experience pre-dates formal RBA inflation targeting. Also, it is more likely we are looking at a protracted base to the cycle, possibly similar to 1997 when the RBA cut rates in 1998 in response to the LTCM crisis 14 months after a cycle of 250bp of rate cuts in 1996 and 1997.

Figure 4: 3-year yields through previous easing cycles



Source: ANZ and Bloomberg

Figure 4 above highlights that 3-year yields bottomed 4 to 7 weeks before the bottom of the last two rate easing cycles.

The market continues to look for the RBA to hit a "terminal" rate in June (the board meets on 2nd June). If so, yields should hit bottom sometime in April. The major uncertainty and risk remains whether the RBA will decide to save some policy flexibility to respond to extended weakness, in which case rates might not hit terminal until well after June. This would argue for the development of trading ranges near recent lows as the market might look for a more protracted move to the lows for official cash rates.

If comments from board member McKibbin are any guide to discussions on the significance of the size of fiscal stimulus now being proposed, then the strategic argument for a more measured approach might be gaining some traction. He said: "The current package is too large at this stage of the global economic slowdown... Given the circumstances in Australia, the package should be less than the 2 percent of GDP average stimulus recommended by the International Monetary Fund."

We estimate the shift in Government expenditure to be worth around 5.8% of GDP over the four years to 2011-12. The US Congress is set to pass a new stimulus package this week worth more than 5% of GDP.

And on a positive note, the accelerated AOFM issuance program to borrow up to \$A24bn by the end of the financial year has got off to a good start. A solid bid to bonds on issue ratio of 2.6 times for both tenders over the past week reflects healthy investor demand. The start of a new T-Note program would most likely be well received by local investors. There is also likely to be good offshore interest in a greater range of official assets at the front of the curve.

FX: Look to higher base metals, not gold

Recommendation

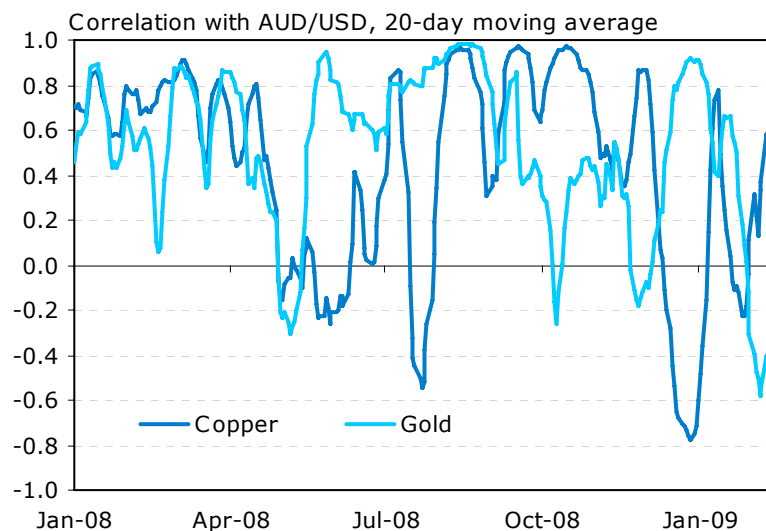
AUD sellers had a good short-term opportunity this week but risks remain to the downside. Tonight's US retail sales release is the next cue for the equity markets and the AUD. Next week will be big for central banks and could keep volatility high, so continue to take advantage of persistent wide trading ranges.

Overview

The 6½ month high in the gold price of close to USD950/oz has been grabbing headlines all week. Traditionally, such moves would be indicative of strength in the AUD/USD. Indeed, since the start of 2008, the correlation between the AUD/USD and the gold price has been strong, measuring 0.67. However, since the end of the New Year holiday period, rising risk aversion and the deteriorating global outlook have persistently weighed upon the AUD. This week the AUD/USD failed yet again to break the key 0.6850 level which has formed the upper band of the currency's trading range over the past 5 weeks.

The reason behind this conundrum is that the very same factor that has had the strongest influences on recent movements in the gold price and AUD – the appetite for risk – affects these two variables in opposite ways. Gold is increasingly favoured as a good asset to hold given its function over millennia as a good (and liquid) store of wealth, particularly in this environment of USD uncertainty. Meanwhile, the AUD is considered a relatively risky 'commodity' currency, with the fortune of the Australian economy tied strongly to the outlook of the global economy and its demand for Australian exports of resources. With demand for major Australian resource exports having fallen sharply as the outlook for the global economy has deteriorated, so too has the value of the AUD/USD.

Figure 5: Strong correlation between AUD/USD and copper has re-emerged

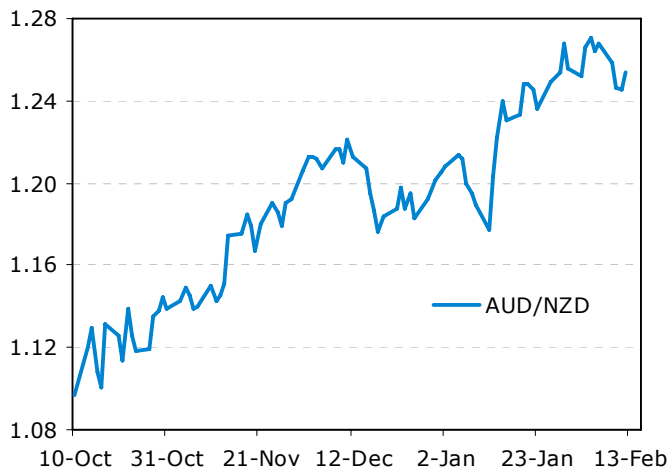


Source: ANZ & Bloomberg

In fact, the AUD/USD displays a stronger correlation with base metals prices than it does with gold. The strongest is copper, with a correlation of 0.97 over the past 12 months, indicating that movements in the AUD are better aligned with the demand for these resources vital for industrial production than with that of gold. So it is these base metals prices, and global demand for exports as represented by such measures such as the Baltic Dry Index, that should be looked to as cues for future movements in the AUD.

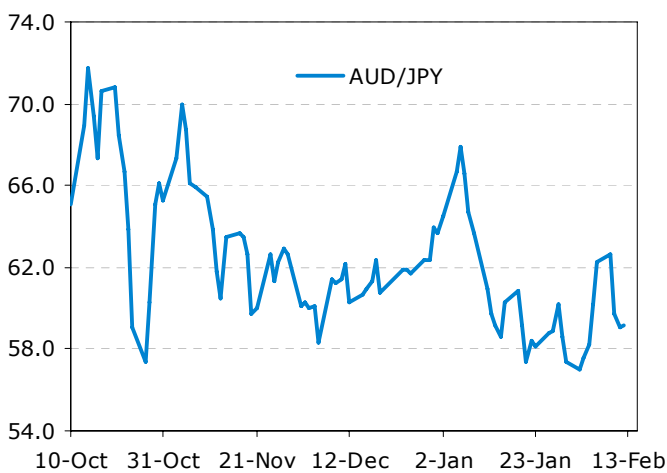
AUD/USD Key levels: 0.6250 – 0.6850. The 0.6850 level remains a key topside barrier, while 0.6250 is the major downside level. A narrower 0.6340 – 0.6710 range should contain the majority of next week's action.

AUD cross view



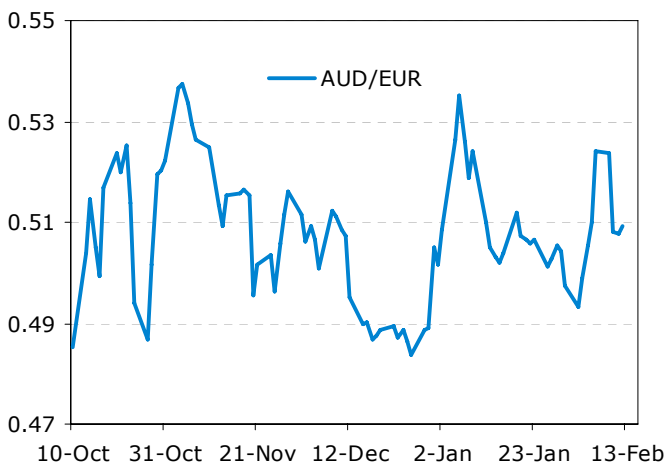
AUD/NZD Key levels: 1.2280 – 1.2750

- The AUD has been unable to test the 29 January high above AUD/NZD1.28, with a cap emerging at the 1.2750 level. The cross has declined but appears well supported at 1.2480. A dip below here could see the cross head towards 1.2280.
- The local data calendar is light on both sides of the Tasman next week. The key risk lies around the release of the RBA minutes on Tuesday – the market will be hoping that it contains more insight into future Australian interest rate moves than the statement released following last week's meeting.



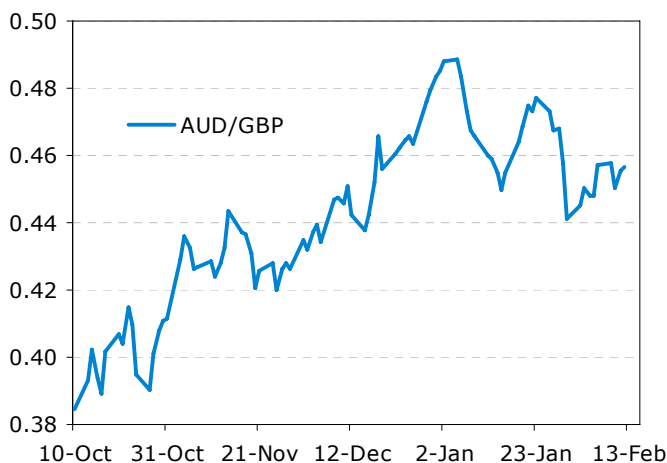
AUD/JPY Key levels: 55.50 – 61.00

- The AUD was unable to sustain its rally against the JPY last week, with the AUD/JPY retracing to around 59. Safe-haven flows prompted by continued uncertainty in the US have supported the JPY whilst weighing on the AUD. Tonight's US retail sales data is the next cue for these flows.
- The release of Japanese GDP data on Monday is unlikely to have a major currency impact – the market is already prepared for the worst. A significant upside surprise could see the JPY strengthen back towards USD/JPY88.



AUD/EUR Key levels: 0.4900 – 0.5240

- The AUD/EUR shot up towards 0.5250 early this week on a short-term resurgence in risk appetite as equity markets put in a solid performance. A subsequent retracement has found good support above 0.5030. A sustained break above 0.5150 could see the cross retest this week's high, although persistent trade below 0.4980 could see 0.4900 soon in sight.
- The release of Euro zone industrial production tonight, and then Q4 GDP data on Friday will be another case of "prepare for the worst, hope for the best." The risks lie to the downside.



AUD/GBP Key levels: 0.4370 – 0.4820

- The AUD/GBP continued to grind higher this week following the slide below 0.4370 at the start of the month. The 50-day moving average has now crossed the 200 day moving average, with a sustained break above 0.4680 necessary to maintain the current upward trend.
- Evidence backing further rate cuts by the BoE in this week's quarterly inflation report has maintained the cross above 0.4520 – look for confirmation of this in next week's releases of UK CPI data and the February BoE monetary policy meeting minutes.

ANZ economic and financial market forecasts

Australian economic indicators	2007	2008f	2009f	2010f
Economic activity (annual % change)				
Private final demand	6.0	3.7	-1.3	0.1
Household consumption	4.3	2.2	0.9	1.2
Dwelling investment	2.7	0.9	-4.8	11.9
Business investment	13.9	12.3	-5.9	-8.2
Public demand	2.7	5.8	5.4	6.0
Domestic final demand	5.4	4.1	0.2	1.5
Inventories (contribution to GDP)	0.6	-0.2	-0.1	0.0
Gross National Expenditure (GNE)	5.9	4.0	0.1	1.4
Exports	3.3	3.9	-5.6	2.9
Imports	11.4	11.0	-5.0	1.0
Net Exports (contribution to GDP)	-1.7	-1.7	0.0	0.3
Gross Domestic Product (GDP)	4.0	2.3	0.1	1.9
Prices and wages (annual % change)				
Inflation: Headline CPI	2.3	4.4	3.0	3.0
Underlying*	3.1	4.5	3.5	2.8
Wages	4.1	4.2	3.6	3.5
Labour market				
Employment (annual % change)	2.8	2.3	-0.1	-0.2
Unemployment rate (%)	4.4	4.2	5.4	6.8
External sector				
Current account balance: A\$ bn	-68.2	-51.1	-58.9	-83.0
% of GDP	-6.3	-4.3	-4.9	-6.6

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

Australian interest rates	Current	Mar 09f	Jun 09f	Sep 09f	Dec 09f	Mar 10f
RBA cash rate	3.25	3.00	2.75	2.50	2.50	2.50
90 day bill	3.15	3.45	2.80	2.80	2.80	3.15
3 year bond	3.08	2.55	2.75	2.85	3.15	3.65
10 year bond	4.21	3.90	4.15	4.15	4.25	4.55
3s10s yield curve	1.14	1.35	1.40	1.30	1.10	0.90
3 year swap	3.52	3.15	3.20	3.35	3.65	4.15
10 year swap	4.54	4.40	4.60	4.65	4.75	5.05
International interest rates						
RBNZ cash rate	3.50	2.75	2.50	2.50	2.50	2.50
NZ 90 day bill	3.52	3.04	2.85	2.77	2.75	2.75
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.50
US 2 year note	0.91	0.60	0.70	0.75	1.00	1.50
US 10 year note	2.78	2.90	3.20	3.75	3.80	4.20
Japan call rate	0.10	0.10	0.10	0.10	0.25	0.50
ECB refinance rate	2.00	1.25	1.25	1.25	1.25	1.75
UK repo rate	1.00	1.00	0.75	0.75	0.75	1.00

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

Foreign exchange rates	Current	Mar 09f	Jun 09f	Sep 09f	Dec 09f	Mar 10f
Australia and NZ exchange rates						
A\$/US\$	0.6426	0.63	0.58	0.56	0.54	0.54
NZ\$/US\$	0.5108	0.50	0.45	0.43	0.41	0.42
A\$/¥	57.38	61.74	58.00	56.56	55.08	56.70
A\$/€	0.5011	0.50	0.48	0.50	0.49	0.50
A\$/£	0.4456	0.44	0.40	0.38	0.36	0.35
A\$/NZ\$	1.258	1.26	1.29	1.30	1.32	1.29
A\$/CA\$	0.7929	0.76	0.70	0.69	0.70	0.71
A\$/CHF	0.7461	0.76	0.73	0.75	0.76	0.77
A\$/CNY	4.391	4.31	3.97	3.83	3.69	3.69
A\$ Trade weighted index	53.10	53.53	50.21	49.32	47.86	47.93
International cross rates						
US\$/¥	89.3	98	100	101	102	105
€/US\$	1.283	1.25	1.20	1.12	1.10	1.08
€/¥	114.5	123	120	113	112	113
£/US\$	1.442	1.42	1.46	1.48	1.50	1.55
€/£	0.8974	0.88	0.82	0.76	0.73	0.70
US\$/CA\$	1.244	1.20	1.20	1.24	1.30	1.32
US\$/CHF	1.160	1.20	1.25	1.34	1.40	1.42
US\$ index	85.70	88.1	90.4	94.7	96.3	97.5
Asia exchange rates						
US\$/CNY	6.833	6.84	6.84	6.84	6.84	6.84
US\$/HKD	7.751	7.76	7.77	7.80	7.80	7.80
US\$/IDR	11870	11350	11500	11900	11600	11600
US\$/INR	48.71	49.00	49.00	48.00	48.00	47.00
US\$/KRW	1396.7	1375	1400	1400	1375	1350
US\$/MYR	3.611499	3.64	3.74	3.80	3.80	3.80
US\$/PHP	47.14	47.50	48.50	49.30	49.50	49.50
US\$/SGD	1.509	1.54	1.58	1.62	1.66	1.66
US\$/THB	35.16	35.80	37.60	39.40	39.40	38.80
US\$/TWD	34.02	34.20	35.20	36.00	36.00	35.50
US\$/VND	17486	17500	17800	18100	18500	18500
Pacific exchange rates						
PGK/US\$	0.370	0.37	0.36	0.36	0.35	0.35
FJD/US\$	0.550	0.53	0.51	0.49	0.48	0.48

Contacts

ANZ Economics & Markets Research

Saul Eslake	Chief Economist	+61 3 9273 6251	Saul.Eslake@anz.com
Fiona Allen	Business Manager	+61 3 9273 6224	Fiona.Allen@anz.com

Australian Economics and Interest Rates Research

Warren Hogan	Head of Australian Economics and Interest Rates Research	+61 2 9227 1562	Warren.Hogan@anz.com
Tony Morriss	Senior Rates Strategist	+61 2 9226 6757	Tony.Morriss@anz.com
Katie Dean	Senior Economist	+61 3 9273 1381	Katie.Dean@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
Daniel Bae	Analyst	+61 2 9227 1272	Daniel.Bae@anz.com

Foreign Exchange and International Economics Research

Amy Auster	Head of Foreign Exchange and International Economics Research	+61 3 9273 5417	Amy.Auster@anz.com
Amber Rabinov	Economist	+61 3 9273 4853	Amber.Rabinov@anz.com

Commodities and Industry Research

Mark Pervan	Head of Commodities Research	+61 3 9273 3716	Mark.Pervan@anz.com
Julie Toth	Senior Economist	+61 3 9273 6252	Julie.Toth@anz.com
Doug Whitehead	Soft Commodity Strategist	+61 3 9273 6684	Doug.Whitehead@anz.com
Paul Deane	Rural and Regional Economist	+61 3 9273 6295	Paul.Deane@anz.com

Property and Financial System Research

Paul Braddick	Head of Property and Financial System Research	+61 3 9273 5987	Paul.Braddick@anz.com
Ange Montalti	Senior Economist	+61 3 9273 6288	Ange.Montalti@anz.com
Dr. Alex Joiner	Economist	+61 3 9273 6123	Alex.Joiner@anz.com

Foreign Exchange and Interest Rates Research (London)

Tim Riddell	Currency and Interest Rate Strategist		Tim.Riddell@anz.com
-------------	---------------------------------------	--	--------------------------------------------------------------

Asian Economics Research (Singapore)

Paul Gruenwald	Head of Asian Economics	+65 6419 7902	Paul.Gruenwald@anz.com
Ivy Tan	Associate Director, Credit Research	+65 6419 7914	Ivy.Tan@anz.com
Tamara Henderson	Director, Currency & Rates Strategy	+65 6216 1845	Tamara.Henderson@anz.com
Chang Wei Liang	Research Intern, Markets Asia	+65 6216 1838	WeiLiang.Chang@anz.com

New Zealand Economics Research (Wellington)

Cameron Bagrie	Chief Economist, New Zealand	+64 4 802 2212	Cameron.Bagrie@anz.com
Khoon Goh	Senior Economist	+64 4 802 2357	Khoon.Goh@anz.com
Philip Borkin	Economist	+64 4 802 2199	Philip.Borkin@anz.com
Steve Edwards	Economist	+64 4 802 2217	Steve.Edwards@anz.com
Kevin Wilson	Rural Economist	+64 4 802 2361	wilsonk1@anz.com
David Croy	Interest Rate Strategist	+64 4 802 2286	David.Croy@anz.com

Research and Information Services

Marilla Rough	Senior Information Officer	+61 3 9273 6263	Marilla.Rough@anz.com
Manesha Jayasuriya	Publications Coordinator	+61 3 9273 4121	Manesha.Jayasuriya@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

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 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

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 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 for the information of its market counterparties and intermediate customers only. It is not intended for and must not be distributed to private customers. In the UK, ANZ is regulated by the FSA. 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.