Markets Monthly

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In this issue

Spotlight: When politics dominate
Equities: Maintain a moderate overweight
Fixed Income: Stick with high grade corporates
Currencies: EUR to stabilise
Commodities: Price gains to be mild

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ANZ

When politics dominate

The timing and outcome of political events may be unnerving, but they tend to have little impact on the medium term market cycle.

Looking ahead, it is not just "fundamentals" that will be critical for markets. They will continue to be hostage to event risk. Key US political events (sequester, budget funding, debt ceiling and mid-term elections) will interact with Federal Open Markets Committee (FOMC) deliberations to cloud the timing of the QE tapering timetable. While our base case is for the US not to default if or when the debt ceiling is reached, the combination of these events makes it a highly volatile environment.

The market has run on a no taper view despite data being somewhat mixed and the US budget/debt ceiling issue being unresolved. A risk in the months ahead is that the threat of continued brinkmanship may see a more negative market reaction this time around. Last time around, the equity market was supported by the expectation of QE being deferred but this won't be as powerful this time around if there is an impasse on the budget/debt ceiling. There are potentially more downside risks this time. In the coming month we will be monitoring markets closely to assess these evolving risks.

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The best way to frame our investment view is that we are now living through a period where the "Political Economy" dominates the "Market Economy". In its current guise, this is resulting in a long, flat, economic cycle, without the market extremes that one usually expects to see at the top of bull markets or at the bottom of bear markets (and that are more regular in a "Market Economy" phase). We see the current cycle as heavily impacted by governmental policy settings, as developed markets continue to de-leverage from extreme positions in the mid-2000's, and emerging markets try to cope with the loss of developed consumers and their own growth. As a result, we are likely to see low global growth, low inflation and relatively low investment returns compared to most of our working experience.

As this current phase is being driven by policy and impacted by politics, which is inherently unpredictable, there will be volatile political events which occur from time-to-time, such as the US budget debates and the ongoing developments in the European politic. The unpredictability of these events in both timing and outcome generally has little to do with the medium-term market cycle but will continue to unnerve investors used to a market economy. Therefore, unless we see these events turning into something more cyclical, we will not aim to anticipate the outcome/s, as that is much more speculation than investing.

We will however look to understand the deeper implications and try to either ensure we mitigate short-term systemic risk or look to manage the actual consequences that they have on the cyclical behaviour of markets, when and if that occurs. Were we to form the view that we are either approaching a cyclical peak or trough in the current market cycle, or were of the view that one of these political events could trigger a major turning point in markets, we would take more action to position our portfolio differently.

Investment Summary

We maintain a moderate overweight to equities versus bonds. As we argued last month, our base case where global growth is expected to move from sub-trend to around trend GDP growth, with large output gaps and subdued inflation, is a positive environment for equity markets.

Within equities, we continue to favour developed markets such as the US, Europe and UK over the emerging markets. On the macro front, there is greater room for the developed economies to grow before running into inflationary issues. This is less so the case for the emerging markets. We continue to favour Asia ex Japan within the emerging markets.

We are modestly underweight fixed income, although we expect them to provide superior returns to cash. With short term rates likely to be anchored in most major economies, the upward trajectory for bond yields is expected to be modest, given the rise already seen since the middle of the year. A continuation of moderate economic growth leads us to favour developed market corporates within the fixed income universe.

We maintain a cautious stance towards the AUD. The AUD is currently above our commodity price-based fair value. Risks in the immediate period ahead are biased to the high side of fair value versus the USD due to significant event risk into 2014. However, as the year progresses, our central case is for an eventual resolution of US fiscal issues, a move to taper the QE program and a weaker trend in Chinese growth. This is likely to see a re-engagement of "reversification" as portfolio flows begin to move back to the core.

Finally, our global lead indicators suggest that the lift in global economic momentum, having built since 3Q12, now appears to be consolidating. This suggests that any commodity price gains in the current quarter and into 2014 are likely to be mild.

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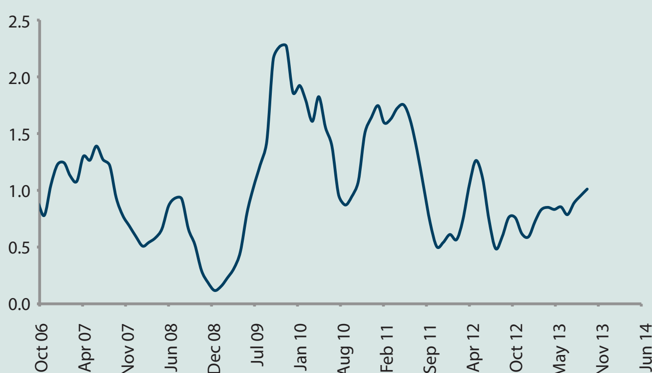
Equities

While we maintain a moderate overweight position on global equities, we are now more watchful of signs of investor complacency. We are also on the lookout for early indications of damage to sentiment or fundamentals arising from potentially dysfunctional US politics in the months ahead.

US - The US economy is expected to enjoy a near doubling of growth in 2014 to around 2.5-3%yoy. This reflects a broadening of domestic drivers as the housing market recovers and consumption is supported by healthier balance sheets. A rebound in business investment and a decline in the fiscal drag are also positives for growth. Importantly, inflation is likely to remain low, providing room for monetary conditions to remain accommodative. On the other hand, downside risks for growth could come from the impact of higher interest rates as the Fed ends QE.

For the time being, earnings growth appears robust, supporting a strong advance in the market. That said, we acknowledge that earnings are now well above trend, and could be vulnerable to margin compression over the medium term, although this does not appear to be a near term risk. As such, we remain moderately positive on US equities.

US 3-month average upgrade/downgrade ratio (Oct 2006 – Nov 2013)



Source: Bloomberg. Citigroup Quant. November 2013.

Europe - The market looks attractively valued and has significant upside if a sustained cyclical upswing in the economy and earnings plays out. We note that, to date, Europe's economic recovery has been driven by a less contractionary fiscal policy, the lagged effects from some easing in financial conditions and better exports, a reflection of the firmer world economy. Domestic drivers, on the other hand, have been largely absent amid ongoing balance sheet repair, fiscal consolidation and slow moving reforms.

On a positive note, monetary policy is likely to remain accommodative for an extended period as deflationary pressures remain strong in the periphery, as labour costs converge and housing markets and prices remain under pressure. On balance, we retain our moderately overweight position on European equities.

Japan - Earnings growth has accelerated sharply over the past year and is now on a rising trend. This is on the back of a weaker yen and improving economy. While the market looks attractively valued against its recent history, we believe that Japan's economic recovery needs to be sustained in order for the market to advance further. On this front, while the Bank of Japan's aggressive QE operations appear to be providing a boost to the economy; this is not without risks for the market as well as the JPY. As such, we maintain a neutral outlook towards the Japanese equity market.

The cyclical picture for the Emerging Markets has brightened somewhat on the back of the delayed Fed tapering and stabilisation in China's growth. While this liquidity-driven rally may continue to run in the near term, fundamentals such as lower earnings will reassert themselves. Concerns may also come to the fore again when Fed tapering draws near. We continue to favour Asia ex Japan within the Emerging Markets.

Taiwan – We maintain our slightly positive stance on Taiwan equities even though the economy could face strong headwinds in the near term. While exports unexpectedly contracted in September, the rise in machinery imports lead us to be cautiously optimistic on the outlook for production in the months ahead. PMI surveys have also been encouraging, rising in October for the third straight month. Nevertheless, we are monitoring developments carefully and recognise that valuations are not as cheap as Korea's. While recent capital flows into Taiwan have strengthened the TWD against the USD, Taiwan's weaker than expected 3Q GDP growth could affect the policymakers' views on where the exchange rate should lie.

Korea – Valuations are still attractive and the market is highly leveraged to developed market growth. Mobile phones and auto parts featured strongly in October's exports, and should impact earnings positively in the months ahead. Notably, exports rebounded 7.3%yoy in October, supported by strong momentum.

However, deflation could be a risk in the near term, as the strong won suppresses import prices further. This in turn implies that the Bank of Korea is unlikely to raise interest rates over the next 12 months. We remain slightly constructive on the market, and would view further yen weakness and/or a rollover in global growth to be the key risks to our call.

China – Multiple growth-friendly measures were announced following China's third plenary session, representing the biggest freeing up of China's economic policy since the 1990s. Amongst other measures, China's leadership also pledged to remove the privileges granted to state-owned enterprises, remove barriers to competition, use market pricing for energy and other factors, accelerate deregulation of interest rates and capital flows etc. If these reforms can be implemented successfully, they will substantially reduce the downside risks to China's economy. The market may enjoy a re-rating as risk premium narrows even though earnings and growth remain subdued in the near term. Long term investors may want to have a small exposure to Chinese equities, but volatility is likely to remain elevated in the medium term.

On the macro front, the People's Bank of China appears to be on a tightening bias. In October, RMB102.5b was drained from the financial system when existing reverse repo positions matured. While the central bank did inject liquidity on a few occasions since then to soothe the market sentiment, the injections only partially offset the liquidity drain. We believe that funding costs would trend higher for China, exerting pressure on the corporate sector.

India – The latest quarterly earnings results showed that the IT outsourcing sector and other export-oriented sectors enjoyed a windfall from the weak rupee. On the other hand, currency weakness did not offer the banks a similar lift in earnings. Companies which rely on domestic demand are also likely to face headwinds from slower growth and higher interest rates. With inflation looking problematic in India, the prospect of even higher interest rates lowers the odds of a cyclical recovery anytime soon. Meanwhile, much needed reforms may take a back seat with elections slated for April 2014. Against this backdrop, we feel that valuations at a 12-month forward PER of 15x appears a little rich.

ASEAN – Still expensive valuations and a lacklustre macro/ earnings outlook lead us to remain neutral on the ASEAN markets. Over in Thailand, elevated levels of household debt are expected to continue to weigh on growth. Notably, private consumption contracted in October as credit growth moderated. At the same time, manufacturing output has remained sluggish. In the near term, the ongoing concerns of the political amnesty bill may further weigh on investor sentiment.

Inflation appears to have peaked in Indonesia, which should lead the central bank to remain on hold. That said, the external balance remains a key focus for markets, as evidenced by the selloff in the rupiah after the trade balance swung back into a deficit in September. Potential volatility in the rupiah leads us to maintain a neutral outlook on the market.

While Malaysia's fiscal profile has improved on the back of the 2014 Budget, we suspect that rate hikes are on the cards for next year, as policymakers seek to anchor inflation expectations ahead of the GST implementation and reduction in subsidies. Domestic institutions have been net buyers for five consecutive months after the General Elections, helping to support the Malaysian market. On the other hand, foreign institutions turned net sellers in October. Currently, we do not see significant catalysts that would attract foreign buyers into the market.

Russia – Domestic capital flight continues to plague Russia and the country recently reported its weakest current account surplus since 1998. The move to extract more dividends from Russian state owned companies has been delayed for two years, which should disappoint investors.

Brazil – Earnings forecasts continue to be revised lower in Brazil and we believe that reforms will need to be firmed up for investors to turn more positive. However, with the presidential elections slated for 2014, there is risk that the president's flagging popularity may lead to populist measures instead.

Market	6-12 month view
China	Neutral
Hong Kong	Neutral
India	Slightly negative
Korea	Slightly positive
Taiwan	Slightly positive
ASEAN	Neutral
Russia	Neutral
Brazil	Neutral

Source: ANZ. November 2013.

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Fixed Income

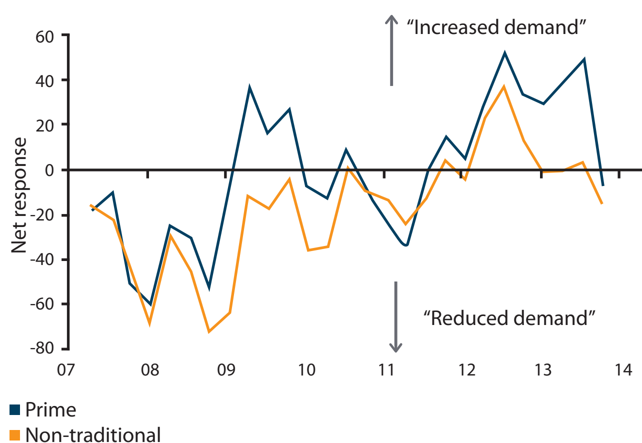
With the market now entertaining the prospect of Fed tapering before March next year, following the recent run of positive US data, we see the risk of further outflows from emerging market debt in the months ahead. We maintain our bias for investment grade developed market corporate bonds.

Global fixed income markets recorded solid gains in October, with bond yields trading lower on the back of expectations for delayed tapering and weaker growth indicators in the US and Europe. Continued compression in credit spreads also assisted the return to broader fixed income markets.

However, the recent bout of encouraging data from the US, such as the October rise in the ISM manufacturing survey to 56.4, has shifted market expectations once again, and a December tapering is no longer viewed as far-fetched. Furthermore, the incoming Fed chair, Janet Yellen, cited financial stability as the central bank's third mandate in her acceptance speech last month, which suggests that tapering risk may become more asymmetric. Notably, the US 10-year Treasury bond yield has inched higher from 2.5% in mid-October to 2.64% currently.

Over the medium term, we expect US 10-yr Treasury bond yields to head higher, albeit gradually. This is because the US economic recovery remains vulnerable to sharply higher bond yields, as seen from the sharp fall-off in US housing mortgage demand in 3Q13, when yields approached 3%. See chart. In addition, even when the Fed eventually tapers, the BoJ and ECB are likely to keep short term interest rates anchored for some time, which could help temper bond yields globally. We continue to advocate that bond investors keep their duration short.

US Residential Mortgage Loan Demand



Source: Federal Reserve, ANZ. November 2013.

At the same time, the defensive nature of fixed income assets may take precedence should any of the short term risks confronting the market come to fruition. Notably, markets may be hostage to continued event risk emanating principally from the US in the months ahead. Key US political events (sequester, budget funding, debt ceiling and mid-term elections) will interact with FOMC deliberations to cloud the timing of QE tapering. While our base case is for the US not to default if and when the US debt ceiling is reached, the combination of these events makes it a highly volatile environment.

Within global fixed income, we remain slightly positive on European investment grade corporates. We continue to be encouraged by the positive tone in recent Eurozone macro data. German factory orders gained 3.3% in October while the Eurozone Service PMI rose to 51.6 in 3Q13 from 50.9 in the preceding quarter. The most recent ECB Bank Lending Survey also points to stabilising credit conditions for companies and households. For the first time since 2007, the banks expect to ease credit standards in 4Q13. They also expect increased loan demand in the quarter ahead. In fact, household demand for mortgages rose last quarter, an encouraging sign after the lengthy period of deleveraging.

On the interest rate front, the ECB cut interest rates by 25 basis points in early November, taking the market by surprise. With the ECB now expecting a more protracted period of weak inflation, interest rates are likely to remain at current or lower levels for a period of time. Nevertheless, despite our relatively sanguine outlook on European investment grade corporates, we acknowledge that the Eurozone would still need to undergo a period of lengthy structural reforms, and hence advocate that investors remain selective within this space. The risk of a credit rating downgrade among the BBB-rated bonds, particularly those from the periphery, remains elevated.

Over in China, it is reported that the China Banking Regulatory Commission (CBRC) is seeking to increase the risk capital requirement for the inter-bank businesses (aka the Financial Institution Business). We view this as a further tightening of shadow banking activity, given the rapid development of the Financial Institution (FI) Business over the past few years. The FI business requires much lower risk capital requirements and faces more relaxed regulations, while commercial banks normally treat it as off-balance sheet activity. However, the significant build up in such shadow banking activity is now posing challenges for financial regulations and monetary policy effectiveness.

In our view, the proposed new regulation indicates that the Chinese authorities will likely maintain their current tightening bias in monetary policy, and we see upside bias in funding costs for the remainder of the year. This supports our cautious stance towards Asian high yields, where Chinese corporates are estimated to make up more than 50% of the sector. We believe that yield hungry investors are better off positioned within developed market high yields, although we have an overall neutral stance towards the sector.

Finally, the Emerging Market (EM) bond market appears to be enjoying a new lease of life post the summer turmoil, when discussions of imminent Fed tapering sent emerging market bonds and currencies tumbling. Emerging market governments and companies reportedly issued a further US$108 billion of debt in September and October, bringing the total debt sales close to last year's record of US$488 billion. We maintain our stance that investors should exercise greater care towards the EM bond market. With the market now entertaining the prospect of Fed tapering before March next year, there is risk of fresh emerging market debt outflows in the months ahead. We continue to favour developed market bonds, in particular investment grade corporates, within the fixed income space.

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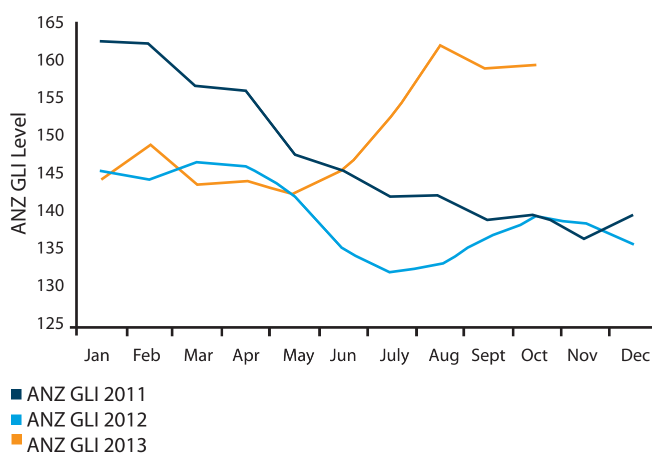
Commodities

The peak in our proprietary lead indicators suggest that any price gains for the current quarter and into 2014 are likely to be mild.

There has been a broad-based rise in commodity prices over the past three months, with the strongest gains seen in the economically sensitive bulks, such as coking and thermal coal. Industrial metals have also risen strongly with the exception of aluminium. Meanwhile, agricultural commodities have been flat but remain close to their all-time high, with a sharp decline in corn broadly offset by gains in wheat and sugar. The firming in commodity prices is consistent with stronger global industrial production flagged by the new orders series from the US and China ISM/PMI manufacturing surveys.

However, going forward, our global lead indicators suggest that the lift in global economic momentum that, having built since 3Q12, now appears to be consolidating. See chart. This suggests that any price gains for the current quarter and into 2014 are likely to be mild.

ANZ Global Leading Indicator consolidated in October 2013



Source: Markit, Thomson Reuters Datastream, ANZ. November 2013

Copper may experience moderate price gains on stronger demand, although any upside is likely to be restrained by decade-high inventory levels.

At the same time, copper prices are already nearing the top of producers' cost curve. This, coupled with new supplies expected from South America, Asia and Africa, is likely to put a cap on prices.

As for aluminium, shutdowns loom as only half the industry is making money. Cutbacks in capacity and output can potentially be supportive of prices going forward.

Oil prices could be choppy in the coming months with stronger than expected builds in US crude oil inventory.

Currently, elevated US crude oil inventories are making prices particularly sensitive to further gains in supply. These supply gains may come about as refineries enter a period of seasonal maintenance. We maintain that the oil market is vulnerable to bouts of profit taking as it has been heavily bought following better than expected US data in 2013.

On the supply front, output from Saudi Arabia is expected to remain robust in the near term. However, the breakdown in talks between Iran and six western nations over the former's nuclear program suggests that energy supplies from the Middle East may remain volatile.

Gold is facing headwinds from improving global growth, falling ETF demand and a lack of inflation in the major economies.

Sentiment towards gold has turned negative. Gold has corrected from the interim peak of US$1417/oz in late August, with market signals again pointing to further weakness. After a period of short covering, speculators and long term investors have both become net sellers once more.

More recently, US data, such as October's US non-manufacturing index has surprised on the upside, raising market expectation that the Fed may taper earlier than expected, thus boosting the US dollar. This can be expected to weigh on gold prices in the near term.

Meanwhile, physical demand from China is subdued, and will probably require a move in spot gold prices back below US$1300/oz to garner any real interest. That said, we do expect increasing interest from China ahead of the Chinese New Year, but unlikely before December.

Iron Ore prices are expected to drift lower as new supply comes on stream in Australia. On the other hand, the outlook for coking coal appears brighter next year.

Australian iron ore miners are reporting record iron ore output and are upgrading supply forecasts for the coming year. This dynamic may be partially offset by strong import demand from China, as domestic steel production remains high. Iron ore inventories in China are also tight. At the same time, lower than average Indian iron ore exports are also helping to support prices.

The outlook for coking coal appears brighter next year, given expectations of stronger global steel demand and firmer steel prices. Unlike iron ore, the market is also not expecting new supply for coking coal to come on stream, which is another plus for prices.

Currencies

The EUR is expected to stabilise and benefit from US fiscal uncertainties. On the other hand, the AUD and NZD are expected to fall from current levels.

USD –The USD is likely to remain soft against the G4 currencies in the near term. While the Fed's recent non-taper decision and the subsequent US government shutdown may have weighed on the USD, the dollar's weak price action against the other major currencies from as early as July suggest that other structural factors may also be at play.

Notably, in the past five years, the US attracted around US$2.5 trillion in foreign flows into Treasuries. Going forward, an investment landscape that increasingly favours equities over fixed income will be negative for the dollar.

GBP – The UK government's Help-to-Buy scheme has helped drive a recovery in the housing market. Home prices in London are up 10.2%mom in October, and prices in Wales and England have also risen, albeit to a lesser extent. The housing recovery is also supported by an improving labour market, which is in turn lifting consumer confidence and private consumption. All this threatens to exert upward pressure on inflation. In the near term, the BoE may be happy to allow the sterling to appreciate in order to help cap imported inflation. However, over the long term, a housing-driven consumer recovery with a persistently strong exchange rate increases the risk of an unbalanced recovery.

We see the GBP staying firm in an environment of generalised dollar weakness. There could be selling interest around the 1.6200/50 area but we expect pullbacks to be limited, around the 1.57 level, and may present buying opportunities. On the other hand, we expect the GBP to underperform the EUR on the back of relative balance of payments positions. The EUR is also a more prominent reserve currency and may benefit from the fiscal uncertainty in the US.

EUR –The euro has come under some pressure from the ECB's unexpected rate cut. While the currency may trade weaker in the near term, we expect it to eventually stabilise, as the underlying demand for the currency remains strong. We see the euro's credibility being enhanced by the implementation of fiscal and budgetary objectives in the euro area and the momentum building towards the banking union. A comprehensive assessment of the banking sector is also underway, which aims to enhance transparency, repair banks' balance sheets where needed, and restore confidence in the banking system. These developments, coupled with a modest improvement in the eurozone's cyclical backdrop, are helping to boost the euro's appeal.

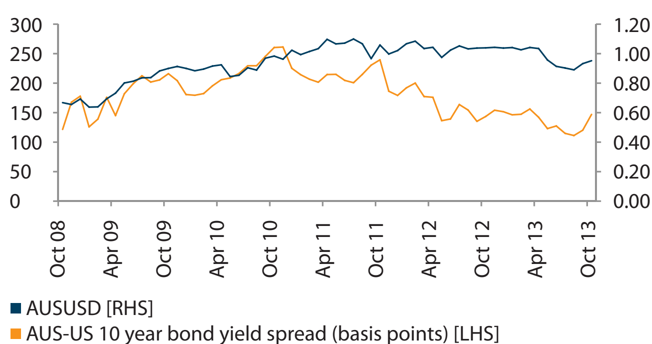
While there are some concerns among investors that the strength of the currency could inhibit the export-led recovery, we note that continued and successful implementation of labour and product market reforms are more important factors for the region's medium to long term economic prospects, than exchange rate tinkering, which is currently driven more by dollar weakness. Notably, ECB President Draghi has indicated that exchange rate levels were not a factor in the recent decision to cut interest rates.

Meanwhile, the eurozone's balance of payments position continues to improve, which is euro positive. With Eurozone banks repaying their LTRO borrowings early while the Fed continues to shy away from tapering, relative balance sheet positions look likely to push the EUR higher. As such, we would view any dips as potential buying opportunities.

JPY – We maintain that the USDJPY has fully priced in the expansion of the BoJ's balance sheet as well as the rise in Japanese inflation expectations. Going forward, we believe that the driving force behind the USDJPY will come from external factors more so than domestic factors. The USDJPY's relatively muted reaction to recent domestic events, such as the approval of the consumption tax hike, and reports of the Government Pension Investment Fund's potential to boost investment in growth assets, further affirms our stance. This implies that the USDJPY will continue to struggle until US bond yields turn higher.

AUD – We have revised our near term AUD forecasts marginally higher to reflect our expectation that the Fed will not taper until March 2014, and that the RBA's easing cycle has ended, although we still see the AUDUSD declining from current levels. In our view, the end of the rate cut cycle in Australia does not imply that the AUD has consolidated its strength. Instead, the AUS/US 10 year bond yield spread suggests that the AUD should be much lower than current levels. See chart.

AUD and the AUS-US 10-yr bond yield spread



Source: Bloomberg. ANZ. November 2013.

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We believe that having the AUD above 0.95 is expensive and the next meaningful currency move is likely to be to the downside. While the easing cycle may be over, the RBA is unlikely to tighten over the next 12 months as the unemployment rate remains elevated. Meanwhile, a decline in iron ore prices could weigh on the AUD in the near term. Finally, sentiment towards China may start to deteriorate as macro data fails to meet elevated expectations, following the recent tightening in liquidity conditions.

NZD – The economics that underpin the NZD remain the same. A broad pick up in activity, supported by the Canterbury rebuild, and strong demand for primary commodities and house price gains, all point to higher interest rates and a stronger NZD. However, this story is well known and now looks to be fully priced, leaving the USD outlook to be the more likely driver of future direction for NZDUSD.

The US's "taper caper" in September and political shenanigans in October have dented the USD, but perhaps not as much as the market has currently priced, given the improving tone of US data. Indeed, should this trend of stronger than anticipated US data continue into the year end, the normal December seasonality of NZDUSD strength may be called into question.

While the delay in Fed tapering has helped Asian currencies to recover somewhat since September, we caution that Asia's fundamentally weaker currencies may see renewed selling pressure when QE tapering is back on the agenda.

CNY – We see scope for CNY appreciation even in the face of Fed tapering. The currency may be underpinned by a return of hot money inflows brought about by the recent reforms to internationalise the RMB. At the same time, a return of strong trade surpluses is another source of CNY support, while the recent rise in inflation will see the PBoC accommodating a stronger currency in the near-term.

INR – On the face of it, the INR looks vulnerable to further depreciation pressure. CPI inflation remains elevated and is likely to prompt further tightening from the RBI. USD demand from oil importers is also returning to the market which has led to recent INR weakness. However, we are not bearish on the currency, as we see the steps taken by policymakers as leading to improvements in the country's external position. Gold imports have fallen sharply since import duties and restrictions were imposed, and show no signs of picking up.

The liquidity measures implemented by the RBI in July are being unwound, and Governor Rajan is building credibility in tackling inflation. The INR may be boosted if Indian government bonds get included in global bond indices, something that is currently being pursued by regulators. With foreign ownership of Indian government bonds at very low levels of about 3% due to ownership restrictions, a lifting of restrictions on Indian government bonds alongside index inclusion could see up to USD20bn of inflows from passive funds.

IDR – Bank Indonesia's surprise rate hike in November was aimed at containing the current account deficit. Policy wise, this is a positive step. But we still see further depreciation pressure on IDR as we see the currency as still overvalued. Higher interest rates by themselves will not bring the current account deficit down to sustainable levels. Given the deterioration in Indonesia's terms of trade, the real effective exchange rate still needs to adjust further.

SGD – The SGD has the highest beta to the USD. So dollar strength in anticipation of Fed tapering will weigh on SGD. In addition, according to our model, the S$NEER is currently close to the upper bound of the policy band, which means there is limited upside for SGD but much greater downside potential.

TWD – We no longer expect the CBC to hike its policy rate in December as headwinds for the Taiwanese economy mount. Notably, the SEMI's book-to-bill ratio fell below unity in August and September, suggesting that inventory may be building up within global electronics supply chains. Meanwhile, with the ongoing strength of the TWD helping to fend off imported inflation, the central bank is in no urgency to raise interest rates too early. Finally, the delay in the US QE tapering and debt ceiling resolution will continue to heighten market uncertainty. This will press the central bank to act prudently and remain accommodative for an extended period. It could delay the pace of rate normalization until at least 2Q 2014.

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Returns

Country Equity Markets	YTD	1-Yr	3-Yr
ASX 200	16.8%	21.1%	16.5%
FTSE 100	14.9%	15.9%	19.4%
Hang Seng	2.9%	8.8%	0.9%
India Sensex	8.3%	14.1%	5.0%
Jakarta Comp	6.0%	4.8%	25.8%
Korea KOSPI	3.1%	8.4%	9.4%
Malaysia KLCI	7.6%	8.5%	20.7%
Nikkei 225	41.8%	66.7%	60.2%
S&P 500	23.6%	24.9%	49.0%
Shanghai-A	-4.8%	4.8%	-27.5%
Singapore ST	2.0%	6.3%	2.8%
Taiwan Weighted	9.9%	17.9%	2.1%

Regional Equity Markets	YTD	1-Yr	3-Yr
MSCI World	17.6%	21.4%	26.4%
MSCI Europe	19.0%	24.3%	17.9%
MSCI BRIC	-3.0%	2.6%	-18.5%
MSCI Emerging Market	-1.2%	5.0%	-5.7%
MSC AP ex Japan	3.7%	9.7%	5.3%

Fixed Income	Yield	1-mth chg	YTD chg
Aust Govt (10Y)	3.97	16	70
Bunds (10Y)	1.69	-9	37
Gilts (10Y)	2.54	-18	71
JGB (10Y)	0.59	-10	-20
NZ Govt (10Y)	4.48	-9	97
SG Govt (10Y)	2.11	-24	81
US Trsy (2Y)	0.31	0	7
US Trsy (10Y)	2.54	-7	78

Currencies	Level	1-mth chg	YTD chg
USD-JPY	98.51	-0.2%	-13.6%
EUR-USD	1.37	1.5%	4.1%
AUD-USD	0.95	1.8%	-8.8%
USD-SGD	1.24	1.3%	-1.5%
NZD-USD	0.83	-0.4%	-0.3%
GBP-USD	1.60	-0.9%	-1.3%
USD-CAD	1.05	-1.6%	-5.6%
USD-TWD	29.43	0.7%	-1.4%
USD-IDR	11175.00	2.0%	-14.1%
USD-INR	61.24	2.2%	-11.4%
USD-KRW	1060.30	1.3%	0.4%

Source: Bloomberg. As of 30 Oct 2013.

Commodities	Level	1-mth chg	YTD chg
Aluminium	1893	2.6%	-8.7%
Copper	7290	-0.2%	-8.1%
Gold	1349	1.7%	-19.5%
Lead	2209	4.3%	-5.2%
Nickel	14750	5.7%	-13.5%
WTI Oil	97	-5.4%	5.4%
Zinc	1969	2.7%	-5.3%

Forecasts

Base Metals (US$/lb)	Mar-14	Jun-14	Sep-14
Aluminium	0.88	0.91	0.93
Copper	3.60	3.65	3.65
Nickel	7.10	7.60	8.00
Zinc	0.94	0.99	1.01
Lead	1.01	1.03	1.05
Tin	10.10	10.10	10.20

Precious Metals (US$/oz)	Mar-14	Jun-14	Sep-14
Gold	1415	1440	1460
Platinum	1550	1600	1620
Palladium	800	830	850
Silver	24.7	25.2	25.5

Energy (US$/bbl)	Mar-14	Jun-14	Sep-14
WTI Nymex	106	109	111

Currencies	Mar-14	Jun-14	Sep-14
USD-JPY	105	105	105
EUR-USD	1.40	1.40	1.42
GBP-USD	1.58	1.58	1.60
AUD-USD	0.92	0.90	0.88
NZD-USD	0.80	0.78	0.76
USD-SGD	1.26	1.27	1.28
USD-TWD	29.7	29.9	30.2
USD-IDR	11400	11600	11800
USD-INR	64	65	65.5

Cross Rates	Mar-14	Jun-14	Sep-14
AUDNZD	1.10	1.10	1.12
AUDSGD	1.14	1.14	1.14
NZDSGD	1.04	1.03	1.02
EURSGD	1.79	1.83	1.83
SGDJPY	80.77	80.15	80.15
GBPSGD	1.99	2.01	2.05
AUDIDR	10488	10672	10384
NZDIDR	9120	9048	8968
EURIDR	11856000	16240	16756
JPYIDR	109	110	112
GBPIDR	18012	18328	18880

Source: ANZ Economics & Markets Research. As of 12 Nov 2013. Forecasts are quarterly averages.

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