



ECONOMICS & MARKETS RESEARCH AUSTRALIAN ECONOMICS TOOLBOX

24 SEPTEMBER 2010

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RBA PREPARES THE MARKET

- **The RBA's September Board Meeting Minutes explicitly stated that the cash rate will need to rise under their current set of economic forecasts.** And RBA Governor Stevens seemed to be pre-empting concerns about the impact of rate hikes on underperforming states and sectors by delivering a speech which defended the need to set monetary policy at a national level and downplayed regional economic disparities.
- **ANZ has long held the view that the RBA would implement more than one 25bp hike to the cash rate by year end.** This view has been challenging to keep amidst the weak global economic backdrop and financial market uncertainty. It is now clear that the market is moving towards our thinking.
- **With the RBA clearly preparing the market, odds have shortened for a 25bp rate hike in October.** This would be one month earlier than we had anticipated, but would be a strategic timing issue on the RBA's part, removing any presentational issue should Q3 CPI (due in late October) come in below expectations.
- **Regardless of timing, the first hike will need to be backed up by another 25bp hike by the end of the year, taking the cash rate to 5%.** The sheer magnitude of the impending terms of trade and investment boom cannot be underestimated.
- **ANZ holds a much more upbeat outlook for the terms of trade than the RBA.** This implies upside risks to the RBA's inflation and GDP forecasts and supports our view that the tightening cycle will continue into 2011. While the RBA believes the terms of trade are peaking at present, ANZ is forecasting another 9% increase in the terms of trade over the coming year. (This is notwithstanding modest downward revisions to our bulk commodity price forecasts this week).

THE WEEK AHEAD

- In **Australia**, there is a lack of major economic data, but building approvals, private credit and Rismark house prices for August may be able to give an indication of the strength of the housing market. We expect to see moderate rises in building approvals and private credit after recent softness in July. (See Data Previews on Page 5 for more details).
- In **Asia**, the main **Chinese** data will be industrial profits and the manufacturing PMI. Chinese markets will be closed on Friday. In **Japan**, a raft of data including trade, retail trade, industrial production, construction orders, CPI and unemployment will be watched closely after the BoJ's recent intervention in the Yen to help support the economy.
- In **Europe**, a number of ECB member speeches may attempt to calm markets still weary of sovereign debt issues following the 1.2% fall in Q2 Irish GDP this week. With **Germany** the recent driver of economic growth for the region, German CPI, unemployment and manufacturing PMIs data will be of interest to markets. A host of UK data including GDP, business investment, consumer credit and mortgage approvals will also be released.
- After the FOMC hinted at further QE this week, **US** data will be even more closely watched than usual. The final read for Q2 GDP, ISM manufacturing, construction spending, consumer confidence and Case Shiller house prices may give us a better indication of the balance of risks facing the Fed.

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HERE WE GO AGAIN...

RBA commentary is giving the clear impression that the central bank is ready to embark on another bout of interest rate hikes. While global uncertainty has kept them on the sidelines since May, the RBA has stated explicitly that rates will need to rise under the RBA's current set of GDP and inflation forecasts. The following sentence (in typical understated RBA language) says it all:

"...members considered that if the central scenario [for the Australian economy to grow at trend pace, or a bit above, over the next few years] came to pass it was likely that higher interest rates would be required, at some point, to ensure that inflation remained consistent with the medium-term target".

In laying the groundwork for rate hikes, RBA Governor Stevens appears to be pre-empting criticism about the difficulty that higher rates (and a higher currency) will pose to non-resource sectors and states. In a speech entitled *Monetary Policy and the Regions*, Stevens stressed the need for monetary policy to be set at a national level and emphasised that commodity booms don't affect resource states in isolation. In supporting this argument, Stevens notes that the regional dispersion of unemployment rates in Australia is smaller than in the US or Europe. 80% of the Australian population now face an unemployment rate between 3 and 7%.

A QUESTION OF TIMING

As we have explored on numerous occasions, the RBA is justifiably concerned about the inflationary impact of, to use Glenn Stevens' words, the "*largest minerals and energy boom since the late 19th century*":

"Prospects in the resources sector were especially positive, and the increase in investment in this sector would have significant flow-on effects to the broader economy. Members observed that previous investment booms and increases in the terms of trade had posed significant challenges for economic policy, and that high levels of resource utilisation were likely to put pressure on inflation."

Under these circumstances, there is a need for the RBA to get ahead of the curve and thus avoid the mistakes of Commodity Boom Mark I. In 2007 and 2008, rates arguably did not rise quickly enough and a more pre-emptive and aggressive approach would have led to fewer rate hikes overall.

This exact logic has been behind our long-held view that the RBA would implement two 25bp hikes by the end of this year. While this has been a challenging view to maintain as a renewed bout of risk aversion hit global markets and the global economy weakened, the market is now clearly returning to our point of view.

RBA signalling suggests the first rate hike could now come as early as October. While this would be one month earlier than we had anticipated, this would largely be a strategic decision on the RBA's part. Indeed there has been little in the way of economic data to alter the RBA's Australian outlook since the September meeting; the only important piece of local data was the surge in August full-time employment. We would note however that the recent improvement in Chinese economic indicators may be increasing the RBA's confidence about the global economy, despite some mixed data out of the G3.

The RBA's strategy may be as follows; hiking in October removes a presentational issue should Q3 CPI (due in late October) come in below expectations. Remember that it is the RBA's forecasts of inflation that matter for policy given the 6 to 18 month lag between monetary policy and inflation. A low Q3 CPI would probably not alter the RBA's forecasts for high inflation rates in 2011 and 2012, but it would make it harder to sell the rate hike to the general public. A high Q3 CPI on the other hand would make it easier to implement back to back hikes in October and November, thereby avoiding a Christmas rate hike.

TERMS OF TRADE ON THE UP

In our view, the more pertinent question is not whether the next hike will come in October or November, but how much further the tightening cycle will need to go. Not only will a 25bp rate hike in October/November be backed up by another 25bp by the end of this year, we expect rate hikes to continue into 2011. The outlook for the terms of trade is instructive here as the principal forecast driver of economic growth and inflation.

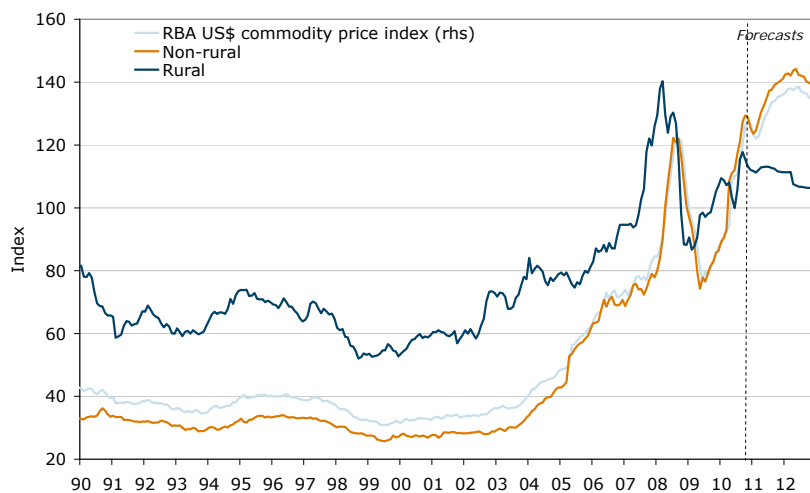
We are still more bullish on the terms of trade than the RBA. Interestingly, the RBA now believes that after hitting a 60-year high in Q2, the terms of trade will *“decline a bit, but remain high.”* Our forecasts on the other hand envisage a further 9% increase in the terms of trade by Q3 2011 before a gradual decline. This is despite some downward revisions to our bulk commodity export price forecasts in 2011 due to softer Chinese demand conditions and de-stocking. (For more detail on our commodity price revisions, please see the ANZ Commodity Price Review released on 22 September.)

FIGURE 1: ANZ Commodity Price Forecasts

Revised prices		2009	2010F	2011F	2012F	2013F	2014F
Copper	US\$/lb	2.34	3.35	4.06	4.20	3.71	3.34
Aluminium	US\$/lb	0.76	0.96	1.00	0.98	0.94	0.96
Lead	US\$/lb	0.78	0.95	1.02	1.01	0.94	0.88
Nickel	US\$/lb	6.65	9.78	10.76	10.45	9.66	9.30
Zinc	US\$/lb	0.75	0.96	1.02	1.05	0.98	0.93
Gold	US\$/oz	973	1,203	1,347	1,341	1,244	1,175
Silver	US\$/oz	14.7	18.7	21.5	21.6	19.8	18.8
Platinum	US\$/oz	1,208	1,599	1,843	1,899	1,713	1,583
Oil	US\$/bbl	63	78	88	100	105	102
Iron Ore Fines	US\$/t	68	114	151	149	122	114
Iron Ore Lump	US\$/t	86	128	166	164	134	124
Prem Coking Coal	US\$/t	172	191	229	249	235	201
Hard Coking Coal	US\$/t	150	170	199	221	210	180
Semi-soft Coking Coal	US\$/t	124	146	176	196	185	160
PCI Coal	US\$/t	124	146	175	196	185	160
Thermal Coal ¹	US\$/t	70	98	110	120	125	120

Source: ANZ, Bloomberg, Reuters

FIGURE 2: RBA COMMODITY PRICE INDEX (WITH ANZ FORECASTS)



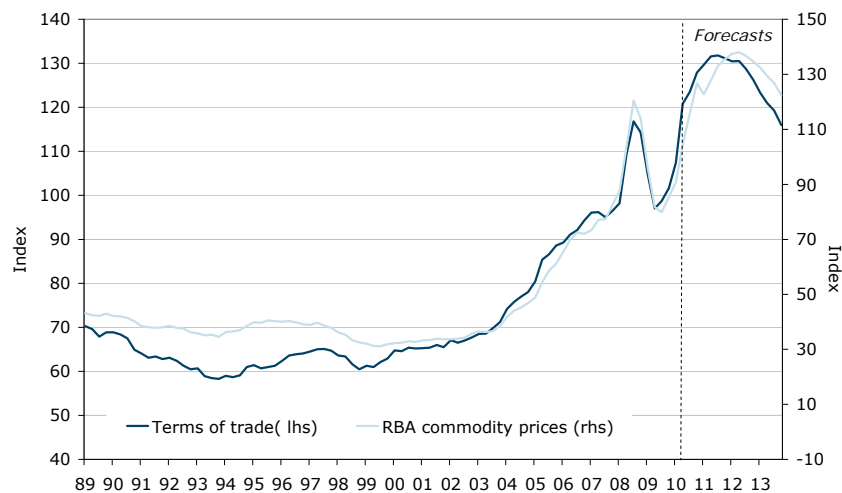
Source: RBA, ANZ

IN FOCUS

In fact, the outlook for most resource commodities is for higher prices across the board in 2011 and for a stabilisation or further gains in 2012 (see Figure 1 above). The largest drivers of Australian export prices will be for iron ore (with iron ore fines expected to average US\$151/t in 2011 compared with US\$114/t in 2010) and coking coal (with hard coking coal forecast to average US\$199/t in 2010 compared with US\$170/t in 2010). As explored in last week's *ANZ Economic Toolbox*, agricultural commodity prices are expected to stabilise at a high level in 2011 before easing off in 2012.

The overall upward trajectory for the commodity prices relevant for Australia (Figure 2 above) will translate into further sharp increases in export prices until mid 2012. The terms of trade overall however will start to taper off in mid 2011, as import prices start recovering in line with stronger global price momentum and our currency profile. After peaking at US\$0.98 in mid-2011, we are expecting the AUD to ease off to US\$0.94 by the end of 2011 and US\$0.88 by mid-2012, putting upward pressure on import prices. (While this will also support export prices, the impact on import prices is more immediate and direct).

FIGURE 3: THE TERMS OF TRADE OUTLOOK



This much stronger trajectory for the terms of trade certainly suggests upside risks to the RBA's forecasts for business investment, export earnings and economic growth. It also raises the prospect of greater capacity constraints and cost-push inflation than the RBA is currently envisaging.

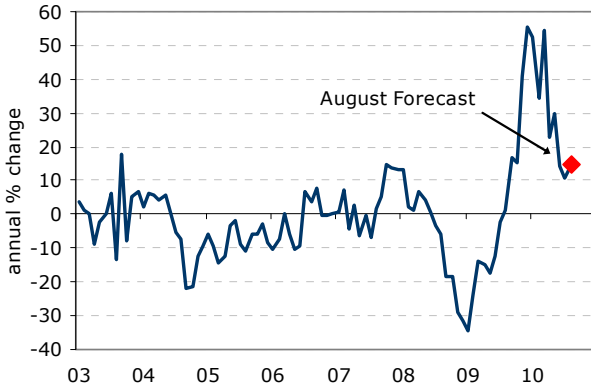
If our forecasts are realised, there will be an even greater need for the RBA to take the cash rate to a restrictive setting. According to the RBA, neutral is now somewhere in the order of 4.5% to 5%; a cash rate of 5% by the end of this year is therefore not enough. The monetary policy tightening cycle will continue well into 2011.

DATA WRAP

- The **Westpac Leading Index** ticked up 0.4% in July, after tracking downwards in recent months. Share market gains of 4.5% and an increase in building approvals of 2.3%, were the major drivers of the index for the month.
- **Australia's Budget Deficit** for 2009-10 came in at \$54.8bn or 4.2% of GDP. \$2.3bn lower than forecast in the May Budget. Total cash receipts (excluding Future Fund earnings) were \$249m lower than expected and total cash payments were \$2.6bn lower than anticipated.

DATA PREVIEWS

CHART 1: BUILDING APPROVALS



30 SEP: BUILDING APPROVALS (AUG)

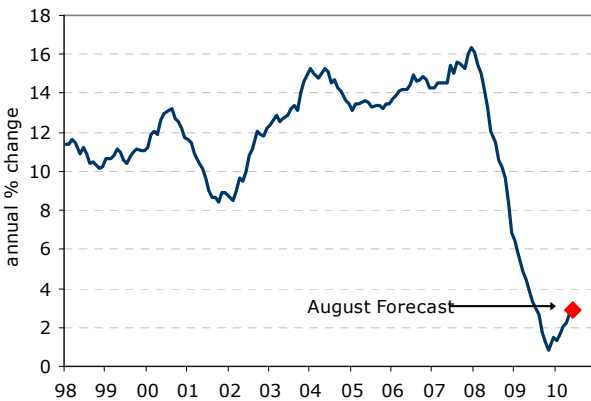
ANZ: +3.6% MoM, +14.6% YoY

Market: 0.0% MoM

Last: +2.3% MoM, +11.0% YoY

Building approvals are likely to post moderate growth in August as the recent slowdown in housing construction loses momentum. With the cash rate unchanged since May 2010 but with political uncertainty due to the August national election, we expect to see a modest increase in approvals for both detached houses and 'other' residential buildings. Looking further into 2010, we expect to see more volatility in building approvals as the RBA taps on the brakes by hiking the cash rate, thereby squeezing dwelling returns. **(DC)**

CHART 2: PRIVATE SECTOR CREDIT



30 SEP: PRIVATE SECTOR CREDIT (AUG)

ANZ: +0.2% MoM, +2.9% YoY

Market: 0.3% MoM

Last: +0.1% MoM, +2.8% YoY

Following a month of weak growth for total private sector credit in July, we expect credit growth to remain soft in August. As uncertainty about the economic future of the major developed economies continues and business confidence remains subdued, we expect business use of intermediated credit will continue to moderate. However, as recent data shows, a relatively buoyant household sector as evidenced by continued improvement in the labour market and solid momentum in retail sales, should see steady growth in household use of intermediated credit for August. **(DC)**

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
26-Sep	UK	Hometrack Housing Survey MoM	SEP	--	--	-0.3%	23:01	09:01
		Hometrack Housing Survey YoY	SEP	--	--	1.5%	23:01	09:01
	JP	BOJ Governor Shirakawa to Speak in Kobe					03:50	13:50
27-30 Sep	CH	Leading Index	AUG			102.1	-	-
27-Sep	CH	Industrial Profits YTD YoY	AUG	--	--	81.6%	02:00	12:00
	JP	Corporate Services Price Index YoY	AUG	-1.2%	--	-1.2%	23:50	09:50
		Merchandise Trade Balance Total	AUG	¥200.0B	--	¥804.2B	23:50	09:50
		Adjusted Merchandise Trade Balance	AUG	¥522.1B	--	¥610.4B	23:50	09:50
		Merchandise Trade Exports YoY	AUG	19.0%	--	23.5	23:50	09:50
		Merchandise Trade Imports YoY	AUG	17.5%	--	15.7	23:50	09:50
		Bank of Japan Governor Shirakawa to Speak in Osaka					05:30	15:30
	EU	Euro-Zone M3 sa 3 mth ave.	AUG	--	--	0.1%	08:00	18:00
		Euro-Zone M3 sa YoY	AUG	0.4%	--	0.2%	08:00	18:00
		ECB's Trichet Speaks in Frankfurt					07:00	17:00
		ECB's Tumpel-Gugerell Speaks in Frankfurt					07:15	17:15
		ECB's Ewald Nowotny Speaks at Vienna Conference					09:45	19:45
		ECB's Trichet Speaks in Brussels					13:00	23:00
		ECB's Tumpel-Gugerell Speaks in Brussels					15:00	01:00
	ECB's Constancio Speaks in Frankfurt					18:00	04:00	
US		Chicago Fed National Activity Index	AUG	--	--	0	12:30	22:30
		Dallas Fed Manufacturing Activity	SEP	-8	--	-13.5	14:30	00:30
		US Treasury Auctions \$36B of 2 year notes					-	-
28-30 Sep	GE	IFO Sep. Business Climate Survey by Industry	30-Sep				-	-
28-Sep	JP	Small Business Confidence	SEP	--	--	48.4	05:00	15:00
	EU	ECB's Tumpel-Gugerell Speaks in Brussels					06:45	16:45
		ECB's Stark Speaks in Istanbul					07:30	17:30
		ECB Council Member Erkki Liikanen Speaks in Helsinki					08:00	18:00
	GE	GfK Consumer Confidence Survey	OCT	4.1	--	4.1	06:00	16:00
		Consumer Price Index MoM	SEP P	-0.1%	--	0.0%	06:00	16:00
		Consumer Price Index YoY	SEP P	1.3%	--	1.0%	06:00	16:00
		CPI - EU Harmonised MoM	SEP P	-0.2%	--	0.1%	06:00	16:00
		CPI - EU Harmonised YoY	SEP P	1.3%	--	1.0%	06:00	16:00
	UK	GDP QoQ	Q2 F	1.2%	--	1.2%	08:30	18:30
	GDP YoY	Q2 F	1.7%	--	1.7%	08:30	18:30	
	Current Account BP	Q2	--	--	-9.6B	08:30	18:30	
	Total Business Investment QoQ	Q2 F	--	--	-1.6%	08:30	18:30	
	Total Business Investment YoY	Q2 F	--	--	1.9%	08:30	18:30	
	CBI Reported sales	SEP	28	--	35	10:00	20:00	
	Bank of England Policy Maker Adam Posen Gives Speech in Hull					13:00	23:00	
US		S&P/CaseShiller Home Price Index	JUL	--	--	147.97	13:00	23:00
		S&P/CS 20 City MoM sa	JUL	-0.1%	--	0.3%	13:00	23:00
		S&P/CS Composite-20 YoY	JUL	3.0%	--	4.2%	13:00	23:00
		Consumer Confidence	SEP	52.5	--	53.5	14:00	00:00
		Richmond Fed Manufacturing Index	SEP	5	--	11	14:00	00:00
		ABC Consumer Confidence	26-Sep	--	--	-46	21:00	07:00
		Fed's Lockhart to Speak on Economy in Tennessee					21:30	07:30
	US Treasury Auctions \$35B of 5 year notes					-	-	
29-Sep	NZ	Trade Balance	AUG	--	--	-186M	21:45	07:45
		Imports	AUG	--	--	3.75B	21:45	07:45
		Exports	AUG	--	--	3.57B	21:45	07:45
		NZ Trade Balance 12 Mth YTD	AUG	--	--	573	21:45	07:45
		Money Supply M3 YoY	AUG	--	--	-2.8%	02:00	12:00
AU	Conference Board Leading Index	JUL	--	--	0.1%	00:00	10:00	
	AOFM Auctions A\$500m of March 2019 bond					-	-	
CH	HSBC Manufacturing PMI	SEP			51.9	02:30	12:30	

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
	JP	Tankan Large Manufacturers Index	Q3	7	--	1	23:50	09:50
		Tankan Large Manufacturing Outlook	Q3	3	--	3	23:50	09:50
		Tankan Non-Manufacturing	Q3	-2	--	-5	23:50	09:50
		Tankan Non-Manufacturing Outlook	Q3	-4	--	-4	23:50	09:50
		Tankan Large All Indust Capex	Q3	3.0%	--	2.7%	23:50	09:50
	EU	Business Climate Indicator	SEP	--	--	0.61	09:00	19:00
		Euro-Zone Consumer Confidence	SEP F	-11	--	-11	09:00	19:00
		Euro-Zone Economic Confidence	SEP	101	--	101.8	09:00	19:00
		Euro-Zone Industrial Confidence	SEP	-5	--	-4	09:00	19:00
		Euro-zone Services Confidence	SEP	7	--	7	09:00	19:00
		ECB's Gonzalez-Paramo Speaks in La Paz					14:00	00:00
	UK	Index of Services (3mth/3mth)	JUL	--	--	0.7%	08:30	18:30
		Net Consumer Credit	AUG	--	--	0.2B	08:30	18:30
		Net Lending SEU. on Dwellings	AUG	0.3B	--	0.1B	08:30	18:30
		Mortgage Approvals	AUG	46.0K	--	48.7K	08:30	18:30
		M4 Money Supply MoM	AUG F	--	--	-0.2%	08:30	18:30
		M4 Money Supply YoY	AUG F	--	--	1.8%	08:30	18:30
		M4 Ex OFCs 3M Annualised	AUG	--	--	5.6%	08:30	18:30
		GfK Consumer Confidence Survey	SEP	--	--	-18	23:01	09:01
	US	MBA Mortgage Applications	24-Sep	--	--	-1.4%	11:00	21:00
		Fed's Kocherlakota Speaks in London					14:15	00:15
		Fed's Plosser Speaks on Economy in Vineland, New Jersey					16:30	02:30
		Fed's Rosengren Speaks in New York					17:15	03:15
		US Treasury Auctions \$29B of 7 year notes					-	-
	CA	Industrial Product Prices MoM	AUG	--	--	0.1%	12:30	22:30
		Raw Materials Price Index MoM	AUG	--	--	1.8%	12:30	22:30
		Teranet/National Bank HPI MoM	JUL	--	--	1.5%	13:00	23:00
		Teranet/National Bank HPI YoY	JUL	--	--	13.6%	13:00	23:00
30-Sep	NZ	Building Permits MoM	AUG	--	--	3.1%	21:45	07:45
		NBNZ Activity Outlook	SEP	--	--	25.7	02:00	12:00
		NBNZ Business Confidence	SEP	--	--	16.4	02:00	12:00
	AU	HIA New Home sales MoM	AUG	--	--	-7.0%	01:00	11:00
		Building Approvals MoM	AUG	0.0%	3.6%	2.3%	01:30	11:30
		Private Sector Credit MoM	AUG	0.3%	0.2%	0.1%	01:30	11:30
		Private Sector Credit YoY	AUG	2.9%	2.9%	2.8%	01:30	11:30
		RP Data-Rismark Med Val MoM	AUG	--	--	0.1%	01:30	11:30
		RP Data-Rismark Med Val sa	AUG	--	--	--	01:30	11:30
		Building Approvals YoY	AUG	--	--	11.0%	01:30	11:30
		Job Vacancies	AUG	--	--	164.6	-	-
	JP	Nomura/JMMA Manufacturing PMI	SEP	--	--	50.1	23:15	09:15
		Japan Buying Foreign Bonds	17-Sep	--	--	¥233.0B	23:50	09:50
		Japan Buying Foreign Stocks	17-Sep	--	--	¥8.9B	23:50	09:50
		Foreign Buying Japan Bonds	17-Sep	--	--	¥98.5B	23:50	09:50
		Foreign Buying Japan Stocks	17-Sep	--	--	-¥252.7B	23:50	09:50
		Retail Trade MoM sa	AUG	1.9%	--	0.7%	23:50	09:50
		Retail Trade YoY	AUG	4.7%	--	3.8%	23:50	09:50
		Large Retailers' Sales	AUG	-1.9%	--	-1.3%	23:50	09:50
		Industrial Production MoM	AUG P	1.1%	--	-0.2%	23:50	09:50
		Industrial Production YoY	AUG P	16.9%	--	14.2%	23:50	09:50
		Vehicle Production YoY	AUG	--	--	16.8%	04:00	14:00
		Housing Starts YoY	AUG	10.2%	--	4.3%	05:00	15:00

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEST
		Annualized Housing Starts	AUG	0.759M	--	0.772M	05:00	15:00
		Construction Orders YoY	AUG	--	--	-0.7%	05:00	15:00
	EU	Euro-Zone CPI Estimate YoY	SEP	1.8%	--	1.6%	09:00	19:00
	GE	Unemployment Change (000's)	SEP	-18K	--	-17K	07:55	17:55
		Unemployment Rate sa	SEP	7.6%	--	7.6%	07:55	17:55
	UK	Nat'wide House prices sa MoM	SEP	0.0%	--	-0.9%	06:00	16:00
		Nat'wide House prices nsa YoY	SEP	2.9%	--	3.9%	06:00	16:00
		Bank of England Deputy Governor Paul Tucker Gives Speech					07:00	17:00
		Bank of England Releases Credit Conditions Survey					08:30	18:30
	US	GDP QoQ (Annualized)	Q2 T	1.6%	--	1.6%	12:30	22:30
		Personal Consumption	Q2 T	2.0%	--	2.0%	12:30	22:30
		GDP Price Index	Q2 T	1.9%	--	1.9%	12:30	22:30
		Core PCE QoQ	Q2 T	1.1%	--	1.1%	12:30	22:30
		Initial Jobless Claims	25-Sep	458K	--	465K	12:30	22:30
		Continuing Claims	18-Sep	--	--	4489K	12:30	22:30
		Chicago Purchasing Manager	SEP	56	--	56.7	13:45	23:45
		NAPM-Milwaukee	SEP	--	--	59	14:00	00:00
		Bloomberg FCI Monthly	SEP	--	--	--	20:15	06:15
	CA	Gross Domestic Product MoM	JUL	-0.1%	--	0.2%	12:30	22:30
1-Oct	AU	AiG Performance of Manufacturing Index	SEP	--	--	51.7	23:30	09:30
		RBA Commodity Price Index	SEP	--	--	99.1	06:30	16:30
		RBA Commodity Index SDR YoY	SEP	--	--	52.5%	06:30	16:30
		AOFM Auctions A\$850m of October 2014 bonds					-	-
	CH	PMI Manufacturing	SEP	52.5	53	51.7	01:00	11:00
		National Day Holiday						
	JP	Job-To-Applicant Ratio	AUG	0.54	--	0.53	23:30	09:30
		Overall Hhold Spending YoY	AUG	1.4%	--	1.1%	23:30	09:30
		Jobless Rate	AUG	5.1%	--	5.2%	23:30	09:30
		Tokyo CPI YoY	SEP	-0.9%	--	-1.0%	23:30	09:30
		Tokyo CPI Ex-Fresh Food YoY	SEP	-1.0%	--	-1.1%	23:30	09:30
		Tokyo CPI Ex Food, Energy YoY	SEP	-1.4%	--	-1.4%	23:30	09:30
		National CPI YoY	AUG	-0.9%	--	-0.9%	23:30	09:30
		National CPI Ex-Fresh Food YoY	AUG	-1.0%	--	--	23:30	09:30
		National CPI Ex Food, Energy YoY	AUG	-1.5%	--	-1.5%	23:30	09:30
		Vehicle sales YoY	SEP	--	--	46.7%	05:00	15:00
	EU	PMI Manufacturing	SEP F	--	--	53.6	08:00	18:00
		Euro-Zone Unemployment Rate	AUG	10.0%	--	10.0%	09:00	19:00
		ECB's Constancio Speaks in Lisbon					16:30	02:30
	GE	PMI Manufacturing	SEP F	--	--	55.3	07:55	17:55
	UK	BoE Housing Equity Withdrawal	Q2	--	--	-£3.2B	08:30	18:30
		PMI Manufacturing	SEP	53.9	--	54.3	08:30	18:30
	US	Personal Income	AUG	0.3%	--	0.2%	12:30	22:30
		Personal Spending	AUG	0.3%	--	0.4%	12:30	22:30
		PCE Deflator YoY	AUG	1.5%	--	1.5%	12:30	22:30
		PCE Core MoM	AUG	0.1%	--	0.1%	12:30	22:30
		PCE Core YoY	AUG	1.4%	--	1.4%	12:30	22:30
		U. of Michigan Consumer Confidence	SEP F	67	--	66.6	13:55	23:55
		ISM Manufacturing	SEP	54.5	--	56.3	14:00	00:00
		ISM Prices Paid	SEP	59.3	--	61.5	14:00	00:00
		Construction Spending MoM	AUG	-0.4%	--	-1.0%	14:00	00:00
		Domestic Vehicle sales	SEP	8.70M	--	8.66M	21:00	07:00
		Total Vehicle sales	SEP	11.50M	--	11.46M	21:00	07:00
		NY Fed's Dudley to Speak at SABEW Conference in New York					12:30	22:30
		Fed's Fisher Speaks in Vancouver on U.S. Economy, Policy					19:15	05:15

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<p>4 OCTOBER NZ: ANZ Commodity Price (Sep) AU: Labour Day (NSW, ACT, SA) AiG Performance of Service Index (Sep) JP: Monetary Base (Sep) CH: Market Closed, HSBC Manufact. PMI (Sep) EU: PPI (Aug) UK: PMI Construction (Sep) US: Factory Orders (Aug)</p>	<p>5 OCTOBER AU: RBA CASH TARGET, ANZ Job Ads (Sep), Business Confidence and conditions (Sep) JP: BoJ Target Rate EU: PMI Composite (Sep), PMI Services (Sep), Retail Sales (Aug) CH: Market Closed GE: PMI Services (Sep) UK: PMI Services (Sep) US : ISM Non-Manf. Composite (Sep)</p>	<p>6 OCTOBER AU: RBA's Ellis speaks CH: Market Closed EU: GDP (Q2), Household Consumption (Q2) GE: Factory Orders (Aug) US: MBA Mortgage Applications (Oct 1) CA: Ivey Purchasing Managers Index (Sep)</p>	<p>7 OCTOBER AU: Employment (Sep) CH: Market Closed EU: ECB Announces Interest Rates GE: Industrial Prod. (Aug) UK: BoE ANNOUNCES RATES, Industrial Prod. (Aug) US: Initial Jobless Claims (Oct 2), Consumer Credit (Aug) CA: Building Permits (Aug)</p>	<p>8 OCTOBER AU: RBA's Battellino speaks GE: Trade Balance (Aug), Imports (Aug), Exports (Aug), Current Account (Aug) UK: PPI (Sep) US: Change in Nonfarm Payrolls (Sep), Employment (Sep), Wholesale Inventories (Aug) CA: Housing Starts (Sep), Employment (Sep)</p>
<p>11 OCTOBER JP: Market Closed UK: RICS House Price Balance (Sep)</p>	<p>12 OCTOBER GE: CPI (Sep F) UK: CPI (Sep), Retail Price Index (Sep)</p>	<p>13 OCTOBER NZ: Food Prices (Sep) AU: Consumer Confidence (Oct) JP: Machine Orders (Aug) CH: Trade Balance (Sep) UK: Claimant Count Rate (Sep), Jobless Claims Change (Sep) US: MBA Mortgage Applications (Oct 8)</p>	<p>14 OCTOBER NZ: Retail Sales (Aug), Business NZ PMI (Sep) JP: Domestic CGPI (Sep) EU: ECB Publishes Oct. Monthly Report US: Trade Balance (Aug), Producer Price Index (Sep), Initial Jobless Claims (Oct 9) CA: Int'l Merchandise Trade (Aug)</p>	<p>15 OCTOBER JP: Industrial Production (Aug), Capacity Utilization (Aug) EU: CPI (Sep) US: CPI (Sep), Advance Retail Sales (Sep), Retail Sales Less Autos (Sep), Empire Manufacturing Survey (Oct), U. of Michigan Confidence (Oct), Business Inventories CA: Manufacturing Sales (Aug)</p>
<p>18 OCTOBER NZ: CPI (Q3) JP: Tertiary Industry Index (Aug) US: Industrial Production (Sep), NAHB Housing Market Index (Oct), Capacity Utilization (Sep)</p>	<p>19 OCTOBER AU: RBA Board Minutes (Oct) EU: CA (Aug), Construction Output (Aug) GE : ZEW Survey (Oct) US : Housing Starts(Sep), Building Permits (Sep), ABC Consumer Confidence (Oct 17) CA: BoC rate decision</p>	<p>20 OCTOBER AU DEWR Skilled Vacancies (Oct), Westpac Leading Index (Aug) JP: Leading Index (Aug F) GE: PPI (Sep) UK: BoE Minutes, Public Finances (Sep) US: MBA Mortgage Applications (Oct 15), Fed's Beige Book Ca: Wholesale Sales (Aug)</p>	<p>21 OCTOBER NZ:ANZ Consumer Confidence (Oct) AU:CBAHIA Housing Affordability (Q3) CH: GDP (Q3), PPI (Sep), CPI (Sep), Retail Sales (Sep), Industrial Production (Sep) EU: Cons. Conf. (Oct A) UK: Retail Sales (Sep) US: Philli Fed (Oct), Leading Indicators (Sep)</p>	<p>22 OCTOBER EU: Govt debt/GDP ratio (Dec 31) GE: IFO Business Survey (Oct) CA: CPI (Sep), Retail Sales (Aug)</p>
<p>25 OCTOBER AU: PPI (Q2) EU: Industrial new orders (Aug) US : Chicago Fed Nat Activity Index (Sep), Existing home sales (Sep), Dallas Fed Manf Activity (Oct)</p>	<p>26 OCTOBER JN: Corp service price index (Sep) UK: GDP (Q3) US: S&P/CaseShiller home price (Aug) US: Consumer confidence (Oct), House price index (Aug), Richmond Fed manufact index (Oct)</p>	<p>27 OCTOBER AU: CPI (Q3) NZ: NBNZ Business Confidence (Oct) GE: CPI (Oct) US: MBA Mortgage Applications (Oct 22), Capital Goods Orders (Sep), Durable Goods Orders (Sep), New Home Sales (Sep)</p>	<p>28 OCTOBER NZ: RBNZ Official Cash Rate (Oct) JN: Retail Trade (Sep), BOJ Monetary Policy Meeting and BOJ Target Rate GE: Unemployment Rate (Oct) EU: Consumer Confidence (Oct), Business Climate Indicator (Oct) US: Trade Balance (Aug),</p>	<p>29 OCTOBER NZ: Trade balance (Sep) AU: Private Sector Credit (Sep) JN: Unemployment rate (Sep) Household Spending (Sep), CPI (Sep), Industrial Production (Sep), Housing Starts (Sep), Construction Orders (Sep) EU: Unemployment rate</p>
<p>1 NOVEMBER NZ: ANZ Commodity Price (Oct), Wages (Q3) AU: NAB Business Survey (Oct), House Price Index (Q3), RBA Commodity Index (Oct) JP: Wages (Sep), Vehicle Sales (Oct) CH: PMI Manuf. (Oct) EU: Manuf. PMI (Oct) US: Incomes (Sep), ISM Manuf. (Oct), Construction Spending (Sep)</p>	<p>2 NOVEMBER AU: Melbourne Cup (Victorian Public Holiday), RBA Cash Target, AIG Performance of Service Index (Oct) US:ABC Consumer Confidence (Oct 31)</p>	<p>3 NOVEMBER NZ: Employment (Q3) AU: Building Approvals (Sep) JP: Culture Day Public Holiday CH: Non-Manufacturing PMI (Oct) EU: Non-Manufacturing PMI (Oct) US: MBA Mortgage Applications (Oct 29), Factory Orders (Sep) FOMC Target Rate, Vehicle Sales (Oct), ADP Employment (Oct)</p>	<p>4 NOVEMBER AU: Retail Sales (Sep), Performance of Construction Index (Oct) EU: PPI (Sep), ECB Target Rate UK: New car registrations (Oct), BoE Target Rate US: Jobless claims (Oct 30), Nonfarm Productivity (Q3 P),</p>	<p>5 NOVEMBER AU: RBA Quarterly SOMP, Foreign Reserves (Oct) EU: Retail Sales (Sep) GE: Retail Sales (Sep), Factory Orders (Sep) UK: PPI (Oct) US: Ave Hourly Earnings (Oct), Nonfarm Payrolls (Oct), Pending Home Sales (Sep), Consumer Credit (Sep)</p>

CENTRAL BANK RELEASES FOR 2010

JANUARY	FEBRUARY	MARCH	APRIL
6th – FOMC Minutes 7th – BoE 14th – ECB 19th – BoC 20th – BoE Minutes 25-26th – BoJ 27th – FOMC 28th – RBNZ	2nd - RBA 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 17th – FOMC Minutes 17-18th – BoJ 18th – ECB 23rd – BoJ Minutes	2nd – BoC 2nd - RBA 4th – BoE 4th – ECB 11th – RBNZ 11th – RBNZ MP Statement 11th – SNB 16th – FOMC 16th – RBA Minutes 17th – BoE Minutes 16-17th – BoJ 18th – ECB 23rd – BoJ Minutes	6th - RBA 6-7th – BoJ 8th – BoE 8th – ECB 12th – BoJ Minutes 20th – BoC 20th – RBA 21st – BoE Minutes 22nd – ECB 28th – FOMC 29th – RBNZ 30th – BoJ
MAY	JUNE	JULY	AUGUST
4th - RBA 6th – ECB 7th – RBA MP Statement 10th – BoE 10th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 20th – ECB 20-21st – BoJ 26th – BoJ Minutes	1st – BoC 1st - RBA 10th – BoE 10th – ECB 10th – RBNZ 10th – RBNZ MP Statement 14-15th – BoJ 15th – RBA Minutes 17th - SNB 18th – BoJ Minutes 23rd – BoE Minutes 23rd - FOMC 24th - ECB	6th - RBA 8th – BoE 8th – ECB 20th – RBA Minutes 20th – BoC 21st – BoE Minutes 22nd – ECB 29th - RBNZ	3rd - RBA 5th – BoE 5th – ECB 6th – RBA MP Statement 10th – FOMC 17th – RBA Minutes 18th – BoE Minutes
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
2nd – ECB 7th - RBA 8th – BoC 9th – BoE 16th – ECB 16th – RBNZ 16th – RBNZ MP Statement 16th - SNB 21st – RBA Minutes 21st - FOMC 22nd – BoE Minutes	5th - RBA 7th – BoE 7th – ECB 19th – RBA Minutes 19th – BoC 20th – BoE Minutes 21st – ECB 28th - RBNZ	2nd - RBA 3rd - FOMC 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 18th - ECB	2nd – ECB 7th - RBA 9th – BoE 9th – RBNZ 9th – RBNZ MP Statement 14th - FOMC 16th – ECB 16th - SNB 21st – RBA Minutes 22nd – BoE Minutes

***Notes:** Entries are the dates of central bank interest rate announcements for 2010, unless specified as minutes or otherwise.

Dates are indicative only and are subject to change by central bank authorities.

BoJ data are available only to June.

Key: BoC: Bank of Canada, BoJ: Bank of Japan, BoE: Bank of England, ECB: European Central Bank, FOMC: Federal Open Market Committee, RBA: Reserve Bank of Australia, RBNZ: Reserve Bank of New Zealand, SNB: Swiss National Bank

Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2009	2010 F	2011 F	2012 F
Economic activity (annual % change)				
Private final demand	0.7	2.6	5.0	5.5
Household consumption	1.6	3.0	2.7	2.4
Dwelling investment	-4.6	6.1	2.1	2.3
Business investment	-0.8	0.2	13.6	16.3
Public demand	3.3	10.4	3.6	2.0
Domestic final demand	1.3	4.4	4.7	4.7
Inventories (contribution to GDP)	-0.5	0.6	0.0	-0.1
Gross National Expenditure (GNE)	0.7	5.0	4.6	4.6
Exports	1.4	5.3	7.2	7.4
Imports	-7.8	16.8	11.4	10.8
Net Exports (contribution to GDP)	2.0	-2.4	-1.2	-1.1
Gross Domestic Product (GDP)	1.3	2.7	3.6	3.9
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	2.9	2.8	3.3
Underlying *	3.7	2.7	2.9	3.2
Wages	3.6	3.2	3.9	4.1
Labour market				
Employment (annual % change)	0.7	2.4	2.4	2.3
Unemployment rate (annual average %)	5.6	5.1	4.8	4.5
External sector				
Current account balance: A\$bn	-51.4	-41.8	-49.3	-75.8
% of GDP	-4.1	-3.0	-3.3	-4.8

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

AUSTRALIAN INTEREST RATES	CURRENT	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F	DEC 11 F
RBA cash rate	4.50	5.00	5.25	5.50	5.75	6.00
90 day bill	4.83	5.30	5.60	6.00	6.00	6.2
3 year bond	4.81	5.10	5.50	5.70	6.00	6.00
10 year bond	5.05	5.50	5.70	5.80	6.00	5.90
3s10s yield curve	0.25	0.40	0.20	0.10	0.00	-0.10
3 year swap	5.26	5.50	5.90	6.10	6.40	6.40
10 year swap	5.58	6.05	6.25	6.35	6.55	6.45
INTERNATIONAL INTEREST RATES	CURRENT	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F	DEC 11 F
RBNZ cash rate	3.00	3.00	3.25	3.75	4.00	4.25
NZ 90 day bill	3.17	3.25	3.67	4.17	4.25	4.7
US Fed funds note	0.25	0.25	0.25	0.25	0.50	0.75
US 2 year note	0.42	1.00	1.20	1.50	2.00	2.30
US 10 year note	2.54	3.20	3.30	3.30	3.60	3.60
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
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	0.75	1.00

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

FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F	DEC 11 F
Australian exchange rates						
A\$/US\$	0.9504	0.94	0.96	0.98	0.96	0.94
NZ\$/US\$	0.7293	0.71	0.72	0.73	0.73	0.72
A\$/¥	80.51	79.9	83.5	87.2	88.3	88.4
A\$/€	0.7133	0.75	0.80	0.82	0.80	0.80
A\$/£	0.6070	0.61	0.62	0.63	0.62	0.60
A\$/NZ\$	1.3033	1.32	1.33	1.34	1.32	1.31
A\$/C\$	0.9822	0.99	1.01	1.02	1.00	0.98
A\$/CHF	0.9342	1.00	1.04	1.07	1.06	1.04
A\$/CNY	6.3611	6.22	6.26	6.29	6.07	5.84
A\$ Trade weighted index	72.70	73.3	75.8	76.6	74.5	72.3
International cross rates						
US\$/¥	84.71	85.0	87.0	89.0	92.0	94.0
€/US\$	1.3323	1.25	1.20	1.20	1.20	1.18
€/¥	112.86	106	104	107	110	111
£/US\$	1.5657	1.54	1.55	1.55	1.55	1.56
€/£	0.8510	0.81	0.77	0.77	0.77	0.76
US\$/C\$	1.0334	1.05	1.05	1.04	1.04	1.04
US\$/CHF	0.9829	1.06	1.08	1.09	1.10	1.11
US\$ index	80.14	84.1	86.3	86.6	87.0	88.1
Asia exchange rates						
US\$/CNY	6.6930	6.62	6.52	6.42	6.32	6.21
US\$/HKD	7.7609	7.75	7.75	7.75	7.75	7.75
US\$/IDR	8958	9300	9525	9200	9000	8900
US\$/INR	45.55	48.6	49.9	48.0	46.0	44.0
US\$/KRW	1155	1245	1290	1200	1100	1000
US\$/MYR	3.0975	3.25	3.31	3.20	3.15	3.10
US\$/PHP	44.075	46.9	48.3	46.0	45.5	45.0
US\$/SGD	1.3290	1.40	1.43	1.39	1.36	1.34
US\$/THB	30.790	32.50	33.30	32.00	31.50	31.00
US\$/TWD	31.544	32.90	33.30	32.70	32.20	31.00
US\$/VND	19483	19500	20000	20000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3710	0.386	0.372	0.358	0.344	0.330
FJD/US\$	0.5350	0.508	0.514	0.517	0.508	0.500

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