

# Markets Monthly

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## We are holding the line

In our view, the assessment of emerging risks is likely to lead to choppy, but still positive, returns for equities.

Equity markets took on a downbeat mood as the New Year got underway, and following their surprising year-end rally. In early February, markets lurched downward amid some easing in business momentum. A revival of emerging market concerns also rattled investor sentiment while severe weather conditions did not help matters.

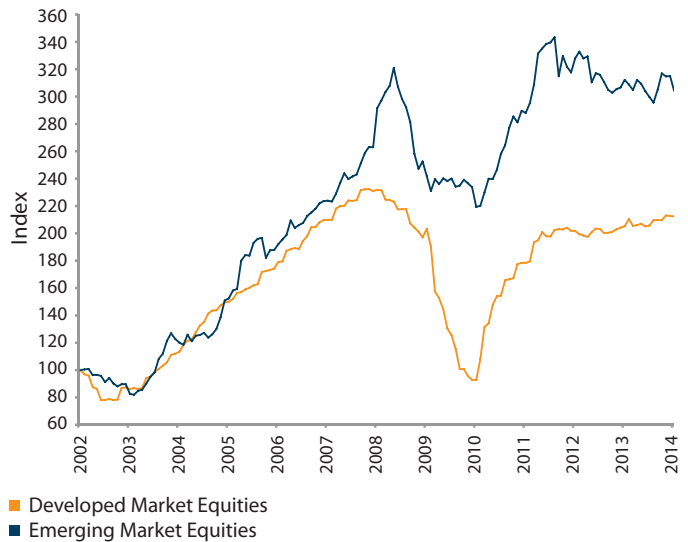
Nevertheless, we remain of the view that the global economic recovery will continue and that this will be supportive of risk assets. We expect equity markets to put in a solid performance in 2014 and provide superior returns to bonds, although returns will be more moderate than the previous year's.

That said, the volatility we have seen so far this year is likely to be typical of the year ahead. Our view hinges on the following key elements:

- The better signs of growth flagged by business surveys last year are now becoming apparent in real economic data. Global industrial production in the closing months of 2013 accelerated to 5% per annum and global exports, after their years of little change, are picking up as well.
- The breadth in the global recovery gives it greater durability. Europe and Japan are now providing support to the US in driving developed market growth.

- We do not expect a region-wide Emerging Market crisis to undermine the developed market growth story. Current account surpluses in some major EM economies and floating currencies (even if still a “managed” float), combined with significant FX reserves and domestic denomination of debt issuance, potentially helps reduce some critical negative feedback loops from the weaker economies.
- We do not expect China to experience a hard landing given the range of policy options still at its disposal. However, the economy is slowing as the government focuses on reforms. The risk of severe financial contagion from other Emerging Market economies is limited due to its closed capital account and a current account surplus.
- Finally, the better momentum in global growth is likely to spur company earnings. Over the past couple of years, developed market earnings have only grown moderately whereas Emerging Market profits have fallen by 10%. Going forward, double-digit earnings growth in the developed markets looks possible according to recent business surveys. Meanwhile, the outlook for emerging market earnings is also brighter. After all, emerging market earnings have historically been closely correlated to world trade growth, which is expected to grow by at least 5% in 2014.

#### Developed and Emerging Market Earnings Per Share



Source: ANZ, Datastream. February 2014.

## Investment Summary

We see the latest moves in financial markets as being reflective of normal volatility now that the US Federal Reserve has finally commenced the long road towards policy normalisation.

However, this volatility has not prompted a change in our medium-term macroeconomic view. We continue to expect that still-stimulatory policy settings, coupled with a smaller fiscal drag will help drive 2014 global growth to around its long-run trend pace. This environment still favours equity markets over the course of the year, although returns are likely to be much more modest than those experienced in 2013. Within equities, we continue to favour the US and European markets.

Bonds are expected to outperform cash as interest rates look set to remain low amid significant excess capacity across the developed world, thereby keeping inflation at bay. With the risk of market volatility expected to rise in 2014, an allocation to fixed income is prudent for most investors. High grade European corporates remain our favoured sector within the fixed income universe.

Meanwhile, Fed tapering, coupled with Asia's narrowing growth differential versus the developed economies, point to the potential for Asian currencies to be accorded a lower premium in 2014. With the exception of the CNY, we expect most Asian currencies to underperform the USD and EUR.

Finally, commodity markets are likely to be buffeted by the contrasting forces of stronger US growth and slower Chinese momentum. Going forward, a growth pick-up in the more commodity-intensive economies such as China's is required if commodity prices are to embark on a sustainable rally.

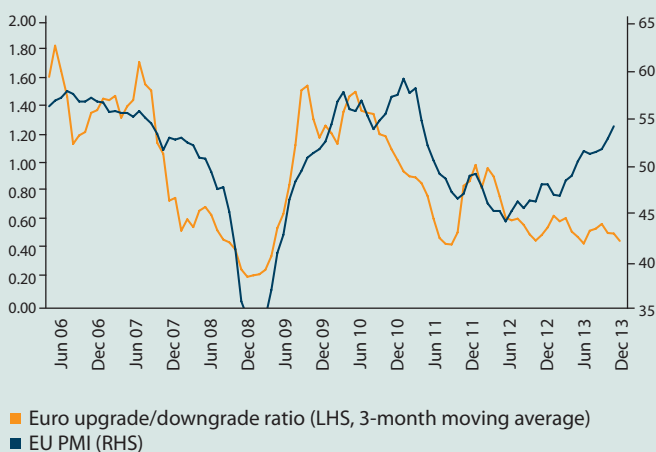
Despite recent market volatility, an improving global growth backdrop, still-stimulatory monetary settings and fair valuations are supportive of equities. That said, a strong momentum will require evidence of earnings growth.

**US** - The US remains one of our favoured equity markets. The consolidation in January helped ease investor concerns that the market had become overbought. The Q4 earnings season was relatively benign and at the point of writing, 76% of companies have beaten analyst expectations. Upcoming earnings expectations look reasonable given our positive outlook for the economy.

On the macro front, January's jobs data disappointed. However, while economic indicators may deteriorate modestly after the uplift in 4Q13, they remain broadly consistent with a pick-up in the US economy. We continue to expect the US economy to expand by 3.0%yoy in 2014, up from 1.6% in 2013.

**Europe** - We believe that there is still upside for the market, particularly if macro-economic and financial conditions continue to improve. After all, earnings expectations are still very modest. Notably, while earnings revisions remain in negative territory, the trend is improving. See chart. Meanwhile, investor sentiment does not appear to be at extreme levels, and hence not a point for concern.

PMI Leads Earnings Revisions



Source: Bloomberg. ANZ Global Wealth. February 2014.

Furthermore, in contrast to the US, business surveys in the euro area point to an acceleration in the pace of expansion heading into 2014, although the rate expected is still below long term trends. Even the ECB appears to be more confident in the eurozone's economic outlook. At their press conference in February, central bank representatives voiced expectations that money (M3) supply growth would recover while deflation was not a concern, although it was acknowledged that inflation could remain low for an extended period.

**Japan** - We have a neutral outlook on the Japanese equity market. Despite the positive impact of Prime Minister Abe's economic policies now starting to be reflected in Japan's inflation and economic data, we feel that policy risk is still too high to warrant a more positive view of the Japanese equity market. In our view, a weaker yen on its own is not sufficient to generate the real demand growth that is needed to overcome deflation and its massive government debt burden. Instead, structural reforms, many of which may not be politically viable, are needed to raise Japan's structural growth rate.

**We view the developments in the emerging markets (EM) to be one of selective stress, with a low probability of contagion. Although EM valuations look cheap, we do not find the risk-reward trade-off to be attractive at this point. That said, opportunities are present in selected markets and stocks, particularly those in Asia ex Japan within EM.**

**Taiwan** - The ongoing improvement in the developed economies, coupled with low domestic interest rates, is likely to be supportive of Taiwan's corporate earnings. Historically, earnings revisions have a 70-80% correlation to developed market growth. Taiwanese companies' return on equity (ROE) has also been known to track US and Taiwan nominal GDP, both of which are expected to accelerate this year. Going forward, PMI and retail sales figures in the US and China are key indicators of a recovery in external demand.

**Korea** - We expect Korea's global brand exports to benefit from the pick-up in the global economy. Historically, there has been a close fit between Korean corporates' return on equity (ROE) and US nominal GDP. With ANZ economists expecting US nominal GDP to accelerate to 4.8% in 2014, a corresponding expansion in Korea's ROE is likely to spur

markets higher. That said, significant KRW appreciation, particularly against the JPY, would erode Korea's export competitiveness and poses a risk to earnings.

**China** – Investor growth expectations of China have been deteriorating and concerns over Chinese credit risks are rising. However, we would caution against over-pessimism. The Chinese government retains fiscal levers that can be deployed should growth decelerate too quickly. After all, a stable economic and financial environment is needed for the government to roll out its reform agenda.

Although the volatility in China's interbank rates and upcoming developments in its trust industry could weigh on investor sentiment in the near term, the re-pricing of risk and move towards market-determined interest rates should result in a more efficient allocation of resources over the longer term, which would be positive for the economy and markets.

**India** – Steps taken by the Reserve Bank of India to stabilise the rupee, reduce the current account deficit and tackle inflation have all been encouraging. However, a broken investment cycle remains a major impediment to growth and, in our view, the government's ability to revive this cycle post the May elections will be key for market performance, as will any positive policy or growth surprises, given the current low market expectations. That said, expect a highly leveraged corporate sector and the onset of QE tapering to create significant volatility.

**ASEAN** – We maintain a cautious stance on the ASEAN markets. The near term outlook for Thailand is clouded as political tensions heighten. Furthermore, the inability of the current caretaker government to implement a number of key projects or formulate new economic policies is likely to weigh on Thailand's growth this year. While growth could rebound in 2015 as tensions ease and exports lend some support, we still do not find valuations very compelling at this point.

Over in Indonesia, the government's softer than expected stance on the mineral ore export ban lifted the markets and the rupiah in January. Going forward, the current account deficit and currency will be variables to watch. For Indonesia-based investors, election-related spending may underpin consumption and the consumer-related sectors. That said, we are monitoring retail sales figures for signs that higher interest rates have started to bite, given the 175bp rise since May 2013. Finally, a higher cost of funding may start to eat into the banks' high margins.

**Russia** – The Russian market looks cheap and may be a potential beneficiary of the euro area's recovery. That said, consensus estimates put 2014 GDP growth at a mere 2.4%yoy. Meanwhile, the Putin administration's latest campaign to crack down on the shadow economy, while potentially yielding RUB200b in additional tax revenues, may risk further undermining domestic investment and growth.

**Brazil** – The central bank hiked rates by 50 basis points in January. A longer tightening cycle is now a risk as the weak real has lifted inflationary pressures. Nor are corporates likely to have welcomed the rise, given the already challenging growth backdrop. With the fiscal balance unlikely to improve in 2014, the risk of a credit downgrade appears high in 2014.

Market	6-12 month view
China	Neutral
Hong Kong	Neutral
India	Slightly Positive
Korea	Slightly Positive
Taiwan	Slightly Positive
Singapore	Neutral
ASEAN	Slightly Negative
Russia	Neutral
Brazil	Negative

Source: ANZ, February 2014.

**The general “risk-off” environment benefited global bond markets in January. While watchful, we are currently looking through the recent emerging market tensions and volatile US data. When the dust eventually settles, we would expect US Treasury bond yields to grind higher.**

Bond yields started the year with significant falls in most countries, particularly in the US where 10-year Treasury bond yields fell by 38 basis points, more than reversing the rise seen in December. Going forward, we see European fixed income in general becoming more resilient to any rises in US Treasury bond yields given further stabilisation in the Eurozone economy, although we favour the Investment grade corporates and the European Financial sector. European corporates are unlikely to increase their debt levels aggressively given the tepid recovery. At the same time, if history is any guide, stronger PMI readings in the Eurozone tend to be linked to rating upgrades.

More recently, the ECB has shown more confidence in the eurozone’s economic outlook, with few signs of further easing. That said, any hike in interest rates is likely to be some time away, amid expectations of an extended period of low inflation. Against this backdrop, we find the BBB-rated European corporates particularly attractive, given their potential for significant yield pick-up.

Meanwhile, the establishment of the Single Resolution Mechanism and the creation of a single banking regulator should help to shore up confidence in the European banking sector. This, coupled with the continued deleveraging of the banks ahead of the ECB’s Asset Quality Review, may give rise to a further compression of European Financials’ spreads. We like the subordinated debt sub-sector within European Financials for their higher yield, but would favour bonds issued by the higher-quality banks, which tend to have stronger fundamentals.

Over in Australia, continued signs of strength in the non-mining sector in response to low interest rates, alongside a significant upside surprise in inflation at the end of 2013, limited the decline in government bond yields versus their global counterparts. Going forward, the RBA’s move to a neutral bias, coupled with the recent upgrade in Australia’s growth and inflation forecasts, could further limit the downside potential for Australian yields. We have a neutral outlook on Australian bonds, but would expect them to outperform AUD cash as any hike in rates is still about 12 months away.

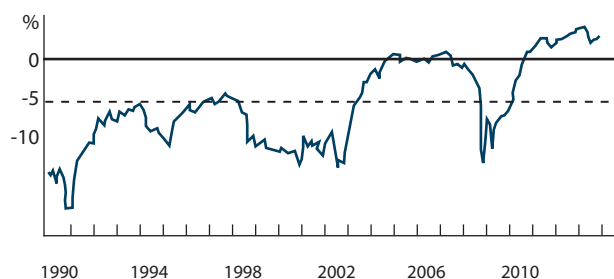
Despite the correction seen in January, we remain cautious on emerging market debt (EMD) and believe that it is still too early to turn positive on the asset class. Emerging market economies continue to face the consequences of the Fed’s QE unwinding and further capital flows cannot be ruled out as financial conditions tighten. Many emerging market economies are already experiencing slower growth and the recent rate

hikes undertaken by some to stem their currency slide may further undermine growth. As for USD-denominated issues, while sheltered from currency volatility, note that this asset class could be negatively impacted by the expected rise in US Treasury bond yields over the course of the year, as well as further spread widening.

We continue to favour Asia ex Japan within the emerging market debt universe. We believe that an improving economic backdrop is likely to support further spread tightening within Asian investment grade corporates. Investors looking for a cushion against the potential rise in US Treasury bond yields can opt for some of the marginally lower-rated and higher yielding investment grade corporates. In addition, bonds in the 5-7 year maturity band appear to offer an attractive yield pick-up for the additional duration risk. We currently have a slight positive bias towards Asian financials although we are closely monitoring the asset quality of the sector.

Our muted outlook for EMD also extends to the high yield bond space. Notably high yield bonds have benefitted from the global search for yield over the last two years. As growth momentum in the developed world improves and rates track higher, the reach for yield trade will continue to unwind. In our view, current high yield valuations do not offer investors a compelling risk-reward trade-off. In addition, the spread between the earnings yield on equities and high yield bonds is near record levels. See chart. This implies that equity valuations look much more attractive. History also tells us that equities tend to outperform high yield bonds during periods of positive economic growth. As such, high yield bond investors who are comfortable with taking on some equity exposure can consider a small allocation to equities instead.

**Equity yield minus junk bond yield**



Source: BCA Research. January 2014.

## Commodity markets are likely to be buffeted by the contrasting forces of stronger US growth and slowing Chinese momentum.

Over in the US, 4Q GDP rose 3.7% yoy (annualised), boosted by a lift in consumption, business investment and net exports. Going forward, our analysts are expecting strong US GDP growth in 1H14.

On the other hand, China's official PMI dropped for the second consecutive month to 50.5 in January. Our analysts are of the view that China's growth momentum will trend down somewhat in 1Q14, and see the upcoming structural reforms weighing on economic growth over the next few quarters.

Going forward, a growth pick-up in the more commodity-intensive economies such as China will likely be needed before commodity prices can embark on a sustainable rally.

## Gold sentiment may be changing for the positive.

Gold rose 3.2% in January, as emerging market tensions spurred a bid for safe haven assets. At the same time, Chinese demand for physical gold will have tended to be stronger in the lead up to the Chinese New Year. Also in gold's favour was the speculation that India intends to lift part of its gold import restrictions. However, we do not expect this lifting to happen in the near term, given the potential to undermine the country's current account deficit recovery. While there is a possibility that import tariffs, which currently stand at 10%, could be wound back, any announcement is likely to be closer to end-February (Budget time) or towards the end of India's fiscal year in March.

Our year-end forecast for gold stands at US\$1450/oz and we expect central bank buying, coupled with physical demand from China, to be the key drivers. We had earlier warned investors against chasing the rally in gold prices as we headed into the Chinese New Year when there could be potentially less support from Chinese buyers. At the point of writing, holdings in the SPDR Gold Trust, the largest physically backed gold ETF, have risen almost 4 metric tonnes in February, after ending January largely unchanged from the beginning of the year. Whilst it is too early to call a clear directional shift, we note that the trust has not seen a two week run of neutral to positive movement since early August last year. While still early days, this may be a sign that gold sentiment is changing for the positive.

## More downside may be in store for iron ore prices.

Aggregate bulk metal prices started 2014 on a negative note. Much of this decline can be attributed to softening Chinese import demand going into the Chinese New Year. Notably, iron ore prices have been marching lower since early December and reached a six-month low in January. Going forward, high steel mill inventories in China suggest that iron ore prices could fall further in 1Q14. On the supply front, our forecast of a 14% rise in export volumes in 2014 from Australia does not help the outlook for iron ore prices.

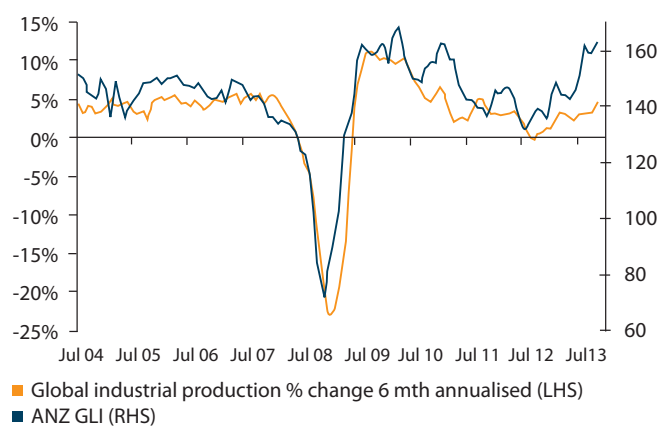
On the other hand, lower iron ore prices could give steel mills the flexibility to accept higher coking coal prices. With Chinese domestic supply slowing, China's import of coking coal is likely to remain robust and help underpin prices. Any increase in supply from Australia is also expected to be limited, as the focus to date has been on lowering costs.

## We see oil prices rising modestly over 2014, supported by better demand and supply dynamics.

Energy markets are likely to benefit from a lift in developed market growth. The lift in our proprietary leading indicator suggests that global industrial production should remain firm. See chart.

On the supply front, the overhang from inflated US crude oil stockpiles may ease, as infrastructure bottlenecks get resolved, thereby supporting WTI prices. In particular, further throughput via the Keystone XL pipeline should grant better access to Cushing stocks and in turn slow inventory builds.

## ANZ Global Leading Indicator vs Global Industrial Production



Source: CPB, Markit, Thomson Reuters Datastream, ANZ. January 2014.

The supply picture for Brent also appears supportive of prices. Notably, OPEC has indicated that it will maintain its current output of 30 million barrels a day for at least the next six months despite better demand conditions. The easing of sanctions on Iranian oil exports is also likely to be a slow burn, with the current interim agreements limiting any meaningful supply increases.

## Outlook for nickel and aluminium remains lacklustre on the back of ample supplies.

The Indonesian government followed through with a planned ban on mineral ore exports (effective January 12), affecting mainly bauxite (the raw material for making aluminium) and nickel. As Indonesia's share of the world's mined bauxite and nickel production stands at 11% and 13% respectively, a complete ban of these exports will have a significant impact on global supply.

However, this was mitigated by a concession allowing continued ore exports, as long as the exporting companies pledge to build downstream smelting and refining facilities. As such, we estimate that about 60% of Indonesia's nickel ore production and 20% of bauxite production will be unaffected by the ban. Regardless, current ample supplies suggest a lacklustre outlook for both nickel and aluminium over the medium term.

# Currencies

**While the USD is likely to be strong against most Asian currencies, we expect the CNY, EUR and GBP to remain firm.**

**USD** – Those looking for USD strength across the board are likely to be disappointed. In our view, the USD will only be selectively strong with the CNY, EUR and GBP likely to continue to outperform other regional currencies. The US' still-wide current account deficit, muted signs of a pick-up in Fixed Direct Investment and out-of-favour US fixed income are all expected to weigh on the greenback. Only an unprecedented inflow into US equities has the potential to generate a broad and sustained rally in the USD.

**GBP** – UK's unemployment rate fell to 7.1% in December, and is now only fractionally above the Bank of England's 7.0% threshold. Nevertheless, unless there is a recovery in real wages, we expect the BoE to keep interest rates on hold until 1Q15. Absent this rise in wages, an interest rate hike would increase mortgage repayments and potentially hurt household consumption.

As such, any monetary tightening as a result of a UK economic recovery looks set to come via a stronger exchange rate. A strong sterling would also help contain inflationary pressures. We look for further appreciation of the GBPUSD towards 1.70 by year end. Against the AUD, we have a target of 2.0 or higher.

**EUR** – The euro has been constrained by the cross currents of recovering economic growth and low inflation. Recent PMI and industrial production readings suggest that the nascent recovery in the euro area economy is becoming more established. 4Q13 GDP figures also show that the peripheral economies are emerging from recessionary conditions.

The eurozone's cyclical recovery in output should help to limit the downside pressures on inflation. We do not think that the euro area is experiencing a Japanese-style deflationary problem. For one, the ECB has taken decisive action at an early stage. The current condition of the euro area banks and corporates are also nowhere as bad as it was in Japan in the 1990s. Finally, the long term inflation expectations for the euro area remain well anchored at around 1.5%.

While the ECB remains ready to act against the onset of deflation, we believe that the use of quantitative easing and/or a move to a negative deposit rate are unlikely. In our view, re-establishing the flow of credit would be the best way to address low inflation. The current Asset Quality Review and banking assessment conducted by the ECB should help to achieve this.

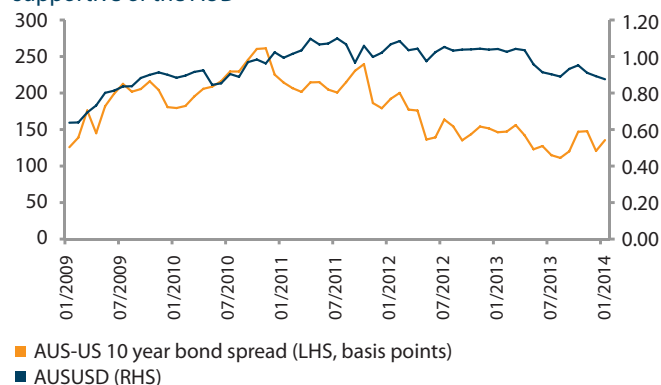
Given the backdrop of receding tail risks and growth recovery, we would expect the euro area to continue to attract capital inflows, and the euro to appreciate gradually over the course of 2014.

**JPY** – The yen strengthened in January as the currency turmoil in the emerging markets triggered a flight to safety. The subsequent unwinding of consensus short yen positions also added to the yen's strength during this period. That said, our analysts believe that despite these periods of consolidation in the JPY, its weakening trend remains intact over the course of the year.

**AUD** – The AUD's positive real yields and fiscal health were widely sought after by investors in 2013. However, the path of reform in China and the trajectory of the US recovery are likely to become the more important drivers for the AUD in 2014. On both these fronts, the impact on the AUD is deemed to be less favourable than in prior years.

For one, the Chinese government's focus on controlling liquidity and implementing prudent monetary policy is likely to weigh on the Chinese economy, thereby softening the country's demand for commodities. In addition, the broadening of US growth and the resulting rise in US bond yields could undermine the AUD, as the AUS-US bond yield spread compresses. In our view, these factors have the potential to widen the AUD's risk premium. We have therefore lowered our year end forecast for the AUDUSD.

**The AUS-US 10-year bond yield spread is becoming less supportive of the AUD**



Source: ANZ, Bloomberg, February 2014.



**NZD** – Although the RBNZ did not raise rates in January, we believe that, barring a significant global slowdown, the path of policy normalisation is underway, and a hike in March looks likely. With the RBNZ keen to keep inflation around 2%, we expect 75bps of rate hikes over the first half of 2014. A pro-active monetary policy, coupled with strong data and a decent fiscal profile, is likely to keep the NZD above 0.80 until the end of 3Q. While we hold on to our ongoing thesis that capital flows are set to move out of the commodity and periphery currencies into the core currencies, NZD participation is likely to be delayed and muted, at least while monetary policy is being tightened.

**Fed tapering, coupled with Asia's narrowing growth differential, implies a lower premium for Asian currencies. We look for further currency weakness in the region, with the exception of the CNY.**

**CNY** – The Chinese authorities have tightened liquidity since late 2013 in an effort to crack down on shadow banking. In the process, higher domestic interest rates have attracted capital inflows. Foreign reserves rose by US\$157.3bn in 4Q13, the second largest level on record. With the crackdown on shadow banking likely to continue this year, capital inflows may be sustained, putting further upward pressure on the renminbi.

**INR** – We remain cautious towards the rupee. India's potential growth rate has fallen and structural reforms are needed to take the economy to its next phase of growth. Meanwhile, capital outflows remain a challenge for the current account deficit. Political developments could be an additional headwind with India's general election scheduled for May. Unlike the Thai baht, a political risk premium has yet to be priced into the rupee.

On a separate note, the Reserve Bank of India wants to bring CPI inflation down to 8% in about 12 months, before moving to an inflation-targeting regime in two years' time. We believe that the short term target is achievable with headline inflation likely to have peaked. However, in our view, the same cannot be said for India's ability to achieve a credible and effective inflation target regime, given rural wage inflation and persistent supply side shocks to the food component in India's inflation index.

**IDR** – We maintain that USDIDR will likely rebound from the current level, to end this year at 12,500. On the external front, we think the USD will likely rebound, as US data improves after weather-related distortions are out of the way. Domestically, while Indonesia's external balance has improved, the central bank still expects the current account to post a deficit of 2.5% of GDP this year. This, coupled with risk of portfolio outflows and political uncertainty ahead of elections in April, points to an upside risk in USDIDR.

**SGD** – The cost of capital in Asia is likely to rise with the onset of Fed tapering. This could focus the market's attention on debt levels, and not just current account balances. On this front, economies that have increased their debt levels in recent years, such as Singapore, may come under more scrutiny. With a private sector debt to GDP ratio of 133%, the Singapore dollar may not be as resilient as last year, despite the country's strong current account surplus.

**TWD** – A negative output gap and subdued global commodity prices are likely to keep Taiwan's inflation low, with the CPI forecast to rise by 1.5% in 2014. In turn, the central bank is likely to keep interest rates on hold for most of 2014, with the first rate hike likely only in December.

## Returns

Country Equity Markets	YTD	1-Yr	3-Yr
ASX 200	-3.0%	6.4%	9.2%
FTSE 100	-3.5%	3.7%	11.0%
Hang Seng	-5.5%	-7.1%	-6.0%
India Sensex	-3.1%	3.1%	11.9%
Jakarta Comp	3.4%	-0.8%	29.6%
Korea KOSPI	-3.5%	-1.1%	-6.2%
Malaysia KLCI	-3.4%	10.8%	18.7%
Nikkei 225	-9.5%	32.4%	44.0%
S&P 500	-3.6%	19.0%	38.6%
Shanghai-A	-3.9%	-14.8%	-27.2%
Singapore ST	-4.4%	-7.8%	-4.8%
Taiwan Weighted	-1.7%	7.8%	-7.5%

Regional Equity Markets	YTD	1-Yr	3-Yr
MSCI World	-4.1%	10.4%	16.8%
MSCI Europe	-3.9%	10.6%	11.7%
MSCI BRIC	-7.8%	-17.1%	-25.5%
MSCI Emerging Market	-6.6%	-12.4%	-16.3%
MSC AP ex Japan	-5.2%	-7.1%	-6.0%

Fixed Income	Yield	1-mth chg	YTD chg
Aust Govt (10Y)	4.00	-24	-24
Bunds (10Y)	1.66	-27	-27
Gilts (10Y)	2.71	-32	-32
JGB (10Y)	0.62	-12	-12
NZ Govt (10Y)	4.55	-17	-17
SG Govt (10Y)	2.46	-10	-10
US Trsy (2Y)	0.33	-5	-5
US Trsy (10Y)	2.64	-38	-38

Currencies	Level	1-mth chg	YTD chg
USD-JPY	102.04	3.1%	3.1%
EUR-USD	1.35	-1.9%	-1.9%
AUD-USD	0.88	-1.8%	-1.8%
USD-SGD	1.28	-1.1%	-1.1%
NZD-USD	0.81	-1.6%	-1.6%
GBP-USD	1.64	-0.7%	-0.7%
USD-CAD	1.11	-4.8%	-4.8%
USD-TWD	30.33	-1.7%	-1.7%
USD-IDR	12213.00	-0.3%	-0.3%
USD-INR	62.66	-1.4%	-1.4%
USD-KRW	1080.97	-3.0%	-3.0%

Commodities	Level	1-mth chg	YTD chg
Aluminium	1706	-5.2%	-5.2%
Copper	7065	-4.0%	-4.0%
Gold	1240	3.1%	3.1%
Lead	2114	-4.7%	-4.7%
Nickel	13980	0.6%	0.6%
WTI Oil	97	-0.9%	-0.9%
Zinc	1972	-4.0%	-4.0%

## Forecasts

Base Metals (US\$/lb)	Jun-14	Sep-14	Dec-14
Aluminium	0.85	0.88	0.90
Copper	3.40	3.50	3.60
Nickel	6.90	7.20	7.50
Zinc	0.92	0.95	0.99
Lead	1.02	1.05	1.07
Tin	10.10	10.10	10.20

Precious Metals (US\$/oz)	Jun-14	Sep-14	Dec-14
Gold	1250	1350	1450
Platinum	1506	1607	1702
Palladium	784	833	877
Silver	20.1	21.8	23.8

Energy (US\$/bbl)	Jun-14	Sep-14	Dec-14
WTI Nymex	103	105	104

Currencies	Jun-14	Sep-14	Dec-14
USD-JPY	107	110	110
EUR-USD	1.39	1.40	1.42
GBP-USD	1.66	1.67	1.69
AUD-USD	0.85	0.85	0.85
NZD-USD	0.82	0.80	0.78
USD-SGD	1.29	1.30	1.31
USD-TWD	30.3	30.4	30.5
USD-IDR	12300	12400	12500
USD-INR	64	64.5	65

Cross Rates	Jun-14	Sep-14	Dec-14
AUDNZD	1.04	1.06	1.09
AUDSGD	1.10	1.11	1.11
NZDSGD	1.06	1.04	1.02
EURSGD	1.79	1.82	1.86
SGDJPY	82.95	84.62	83.97
GBPSGD	2.14	2.17	2.21
AUDIDR	10455	10540	10625
NZDIDR	10086	9920	9750
EURIDR	17097	17360	17750
JPYIDR	115	113	114
GBPIDR	20418	20708	21125

Source: ANZ Economics & Markets Research. As of 14 Feb 2014. Forecasts are quarterly averages.

Source: Bloomberg. As of 31 January 2014.

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