



ECONOMICS & GLOBAL MARKETS RESEARCH

AUSTRALIAN ECONOMICS TOOLBOX

8 OCTOBER 2010

INSIDE

Economic Update	1
The Week Ahead	1
In Focus	2
Weekly Data Wrap	7
Data Previews	8
Data Calendar	9
Forecasts	14

CONTRIBUTORS

Warren Hogan, Chief Economist, Australia
+61 2 9227 1562
Warren.Hogan@anz.com

Ivan Colhoun, Head of Australian Economics
+61 2 9227 1780
Ivan.Colhoun@anz.com

Katie Dean, Head of Macro, Australia
+61 3 9273 1381
Katie.Dean@anz.com

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

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

David Cannington, Economist
+61 3 9273 4274
David.Cannington@anz.com

Andrew McManus, Analyst, Economics
+61 2 92271742
Andrew.McManus@anz.com

Dylan Eades, Analyst, Economics
+61 3 9273 2708
Dylan.Eades@anz.com

UNCERTAIN WORLD OUTLOOK DELAYS RBA

- The RBA delivered a genuine shock to markets by leaving the cash rate unchanged at 4.5% on Thursday.
- However after a brief flirtation with the thought that the RBA might be out of the picture for some time, stellar labour market data for September has seen rates markets again factor in an **official cash rate increase before Christmas**.
- **Employment increased by 49.5K in September**, underpinned by a 55.8K increase in full-time employment. While the unemployment rate was unchanged at 5.1%, this was due to an increase in the participation rate to 65.6%, only just shy of its March 2009 high of 65.7%.
- After falling to AUD/USD 0.9542 following the RBA's surprise decision to leave rates on hold, **the AUD hit a post-float high of 0.9920 overnight Thursday** although has since eased to around 0.9840. This was partly driven by the Australian employment figures, but is also a continuing response to USD weakness as the case for further quantitative easing (QE) by the US Fed builds.
- It's likely that **the surging AUD will increasingly play a role in monetary policy deliberations**, given the unit's strength is (unusually) occurring at a time of weak world activity. Increasingly, the two-speed economy characterisation will return to the markets' focus, which should actually help the RBA manage this phase of the terms of trade cycle more easily than in 2007 and 2008 (see *In Focus* on page 2 for further details).
- The **Bank of Japan announced measures to ease monetary policy further**. This includes reinstating a zero interest rate policy (ZIRP) until price stability is within sight and buying government and corporate bonds to drive down market rates.
- **We have pushed our forecasts for US Treasury yields significantly lower** and now see 10-year yields heading towards 2.0% into Q1 2011. Our forecasts for Australian bond yields have been lowered as a consequence, despite maintaining our expectation for higher cash rates over coming months. This means **a major feature of the domestic rates markets is likely to be an inverse yield curve at some stage over coming months** and further widening in Australia/US interest rate differentials. (See page 5 for further details)

THE WEEK AHEAD

- In **Australia**, the key data releases next week will be housing finance (See *Data Previews* on page 8), the NAB business survey and Westpac consumer confidence. Recent rhetoric from the RBA has noted that the housing sector is not a major concern for inflation, with their focus on global uncertainties and domestic capacity constraints. As a result, we will be watching the NAB business survey closely for any signs of cost pressures, labour shortages and/or an increase in capacity utilisation.
- In **Asia**, **Chinese** trade data will be closely watched for any signs that the recent slowdown in exports and imports continued into September. In **Japan**, the monthly data dump will include bank lending, machine orders, domestic corporate goods prices (CGPI) and industrial production.
- In **Europe**, the Eurozone CPI and trade data, along with German CPI and trade data (out tonight), will be watched and compared as the German economy has tended to outperform the rest of Europe recently.
- With speculation of further QE intensifying, the world's eyes will be on a hoard of **US** data including PPI, CPI, retail sales and business inventories, along with a host of Fed board member speeches.

Ivan Colhoun,
Head of Australian
Economics
+61 2 9227 1780
Ivan.Colhoun@anz.com

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

MONETARY POLICY OBSERVATIONS

While the RBA confounded markets by not moving interest rates earlier this week, data releases - including another very large rise in employment - were consistent with aggregate Australian economic performance that is starkly different to that of most major advanced economies and to that of our close neighbour across the Tasman.

As a result, after a brief flirtation with the thought that the RBA might be out of the picture for an extended period of time, **the short end is again factoring a further increase in official interest rates before Christmas** (correctly in our view, with the November meeting likely). The curve has flattened (reflecting Australian economic strength, weak US and global activity and further QE prospects), the A\$ has hit post-float highs close to parity (and is threatening to break out of long-term ranges against the NZ\$) and interest rate spreads to the US have widened further.

Each of these trends appears likely to broadly continue until there is a change in the general trend to US\$ weakness or the US economy picks up speed (likely to be synchronous events). This combination of influences is likely to see perhaps an even more "two-speed" Australian economy evolve in the near term than was in evidence in the first phase of the resources boom, a period during which the world was enjoying strong synchronous growth and the RBA was for the most part behind the curve.

WEAK WORLD STAYS RBA'S HAND IN OCTOBER

"The current stance of monetary policy is delivering interest rates to borrowers close to their average of the past decade. The Board regards this as appropriate for the time being. If economic conditions evolve as the Board currently expects, it is likely that higher interest rates will be required, at some point, to ensure that inflation remains consistent with the medium-term target." (Statement from RBA Governor Glenn Stevens, 5 October 2010)

In the aftermath of the Bank's October (non) decision, there were a number of interesting reports in the media:

- RBA Board member Krahe was reported by Dow Jones as saying **the Board was concerned about the risk of an adjustment overseas** and was (presumably) awaiting further clarification of the track of global economies before acting on its restated bias for higher interest rates as a result of the prospective strengthening in resources and infrastructure investment. The Minutes may or may not confirm, but it seems likely to us that the Bank's staff may have recommended a further tightening at the October meeting, but the Board opted to wait for further clarification of global economic trends; and
- SMH journalist Maiden opined that **the A\$ was increasingly becoming more of a consideration for monetary policy.**

GLOBAL TRENDS UNLIKELY TO BE CLARIFIED IN A MONTH

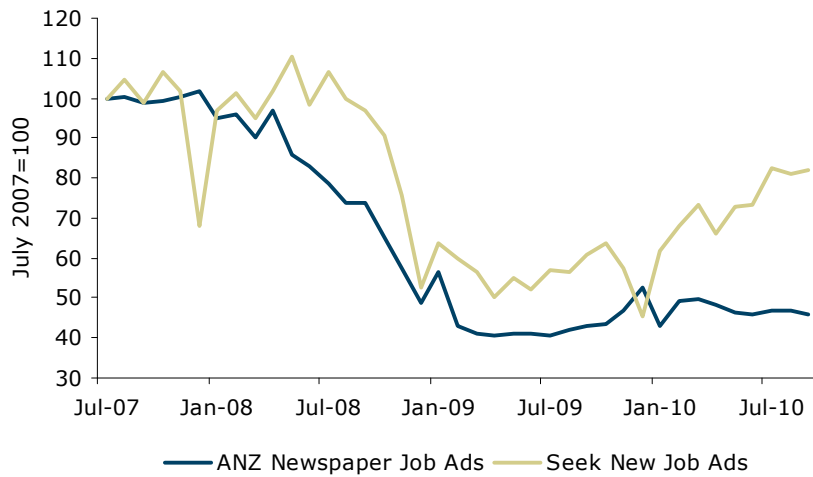
Stating the obvious, **data in the next month are unlikely to change the Reserve's view of the world economy dramatically**, which continue to reveal at best weak growth in both the US and Japanese economies, a moderation in the Chinese economy to still healthy rates of growth, a poor outlook for peripheral Europe, but encouraging strength in Germany. As a result, it will chiefly be trends in the domestic data and results from the Bank's liaison programme, which are likely reflecting the degree of global uncertainty presently, in conjunction with no dramatic deterioration in the international data that will be necessary to encourage a further modest tightening before Christmas.

DOMESTIC DATA ENCOURAGING THIS WEEK

The three main **domestic releases this week were encouraging towards the view of the Australian economy retaining decent forward momentum**, in spite of the current heightened state of uncertainty about global economic trends:

- job advertising continues to improve, though newspaper job advertisements fell 1.9% in September, while new internet jobs advertised rose 0.7% (see Figure 1 below);
- within the slightly weaker than expected 0.3% rise in retail sales, encouraging strength was evident in the discretionary elements of spending (interestingly from a CPI perspective, the non-discretionary category, which is dominated by food was relatively soft, likely reflecting further price discounting by major retailers); and
- full-time employment grew an extremely robust 55,800 in September, taking the gain over the past three months to 103,000 (or 1.3%).

FIGURE 1: JOB ADVERTISEMENTS

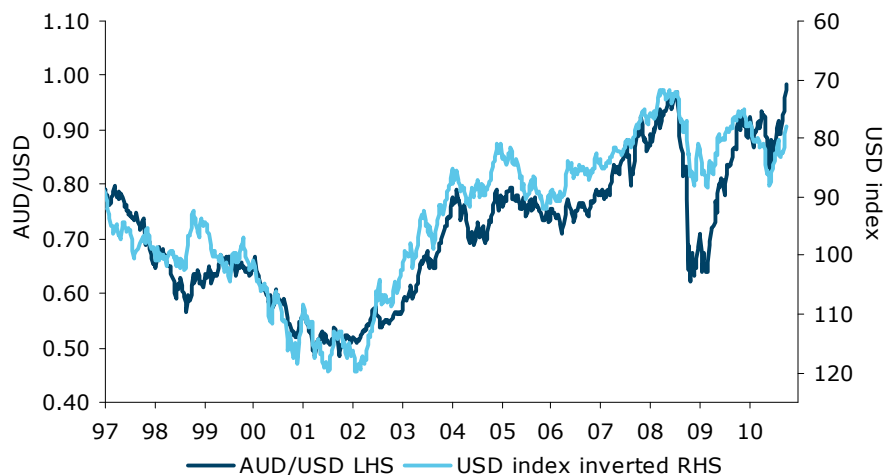


Source: ANZ, Seek

INCREASING STRESS FOR SOME BUSINESSES FROM THE A\$

It does seem very likely that the A\$ should be becoming a more important consideration for monetary policy (as will attempting to manage the rate of further currency appreciation). Historically, strength in the A\$ has generally been coincident with strength in global economic activity. At the present time this is not the case, with A\$ strength primarily a reflection of US\$ weakness. (See Figure 2 below)

FIGURE 2: AUD vs USD



Source: Bloomberg



This is already a growing story for FX markets and policy makers in the G7. It's also likely to come more sharply into focus for many Australian companies; broadly for any companies with significant foreign currency earnings and especially for non-commodity exporters and import-competing industries. Already, the manufacturing sector is becoming more vocal about the implications of the strengthening A\$ for its investment and employment outlook.

The NZ\$ is also being pressured higher by the weak US\$ and the strong A\$, and without the benefit of Australia's resources boom. As a result it seems likely that the A\$/NZ\$ can push above the 1.30 highs that have typically persisted over the longer term.

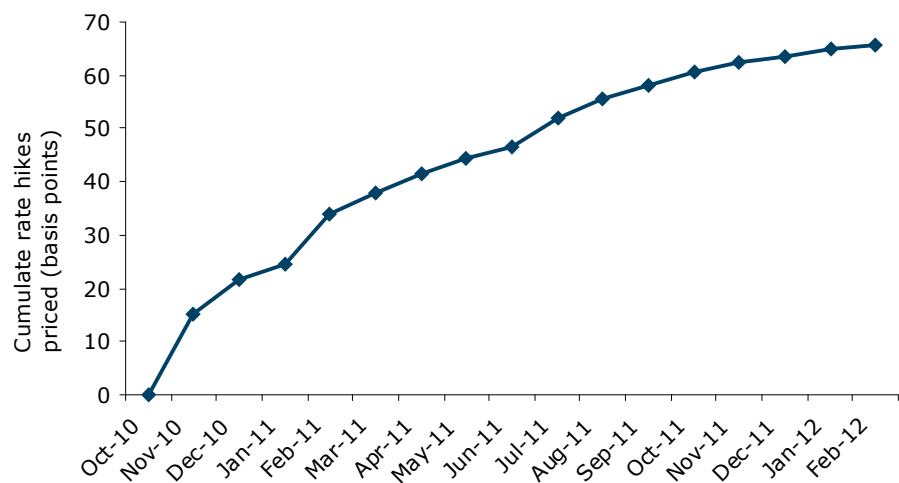
This confluence of influences raises two further important considerations in our opinion:

- Firstly, the economy could be about to enter an even more two-speed phase in the near term than was present in the first phase of the commodities/resources boom, with an even stronger A\$, weaker advanced economy demand and a relatively more aggressive RBA determined not to make the same mistake twice in being consistently too loose during the terms of trade boom; and
- By the same token, however, this more marked two-speed state of affairs arguably should make it somewhat easier for the RBA to manage the early phase of this cycle, as the remainder of the Australian economy will not have the same tailwinds of a strong globe and an overly-easy RBA. Were the advanced nations' economies to strengthen, this would likely require a more forceful leaning against the terms of trade by the RBA.

WHAT'S NOW PRICED?

After a brief flirtation by the markets with no change in interest rates for an extended period, the market is again pricing a rate rise before Christmas and a second rate hike by the middle of 2011 (See Figure 3 below). That seems to realistically discount the likely requirement by the RBA to lean moderately against the emerging strength in mining in the very near term, given continuing modest economic growth in much of the developed world and the stronger A\$.

FIGURE 3: CASH RATE FUTURES PRICING



Source: Bloomberg

IS 2-3% AN APPROPRIATE INFLATION TARGET IN A TERMS OF TRADE BOOM?

To finish, a somewhat controversial question that we will seek to address in greater depth over coming weeks, which is related to the concerns being expressed by the manufacturing sector: with a terms of trade shock and prospective mining investment boom of the magnitude currently being experienced by Australia, **is it appropriate for the RBA to try to ensure that Australian inflation averages 2-3% over this cycle, while the economy digests this temporary but large and extended shock?**

I suspect this is a question the RBA has considered internally, even if its public statements and the recently reaffirmed Statement on the Conduct of Monetary Policy between the Governor and the returned Government cannot openly consider this question.

To the extent the terms of trade cannot be controlled by Australian monetary policy and will ultimately be a transitory phenomenon, Australian policy and monetary policy will need to increasingly consider the impacts of the shock on import competing, non-commodity exporting and interest rate sensitive sectors.

RISKS

In recent months, global developments have been to the downside, especially in the US economy. Germany has shown surprising resilience and China has continued to grow, notwithstanding growth moderating somewhat. Despite increased caution on the part of Australian businesses, generally, the economy continues to grow, albeit profitability and conditions have not regained pre-crisis levels across the economy.

As a result, **we retain our expectation of some further interest rate tightening before the end of the year and in the first half of next year.** We would require significantly weaker world growth from here or a sustained loss of momentum in Australian job advertising before becoming too concerned about these forecasts.

QE MEANS FURTHER RISES IN AUSTRALIAN YIELDS WILL BE MORE MODEST

The case for the US Federal Reserve to move to an extension of quantitative easing (QE) for the US economy after the next FOMC meeting on November 3rd continues to build. It is unlikely that a stronger than expected US labour market number would seriously undermine the rationale. The Bank of Japan announced their own measures earlier this week to buy government and corporate bonds to drive down market rates further.

These policy moves will boost liquidity and will increase the relative attractiveness and demand for higher yielding assets such as sovereign bonds in other markets or currencies that offer higher yields.

The aim of QE in the US is to lower longer-term borrowing costs for households and businesses and thereby continue to ease financial conditions. Expectations of further quantitative support measures have already been a factor in weakening the US dollar as this should also boost activity (via exports) and inflation (via higher import prices). The Fed has expressed the view that US inflation (and unemployment) levels are unacceptable.

We have pushed our forecasts for US Treasury yields significantly lower and now see 10-year yields heading towards 2.0% into Q1 2011. And we have lowered our forecasts for Australian bond yields as a consequence, despite maintaining our expectations for higher cash rates over coming months.

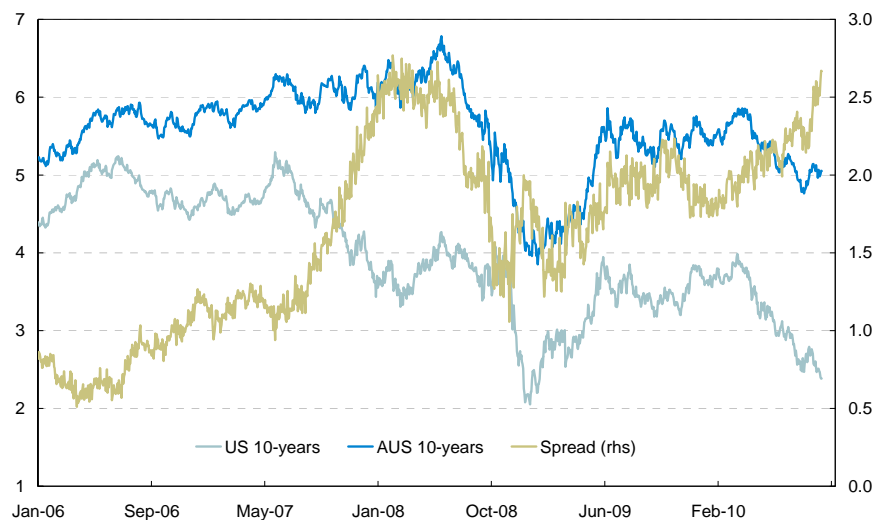
We now doubt that ACGB 10-year yields can reach 6.0% even though we see cash rates reaching that level by the end of 2011.

Tony Morriss
Head of Interest Rate
Research
+61 2 9226 6757
Tony.Morriss@anz.com

This means a **major feature of the domestic rates markets is likely to be an inverse yield curve at some stage over coming months**. We expect the RBA to move policy to more restrictive settings that will continue to drive up shorter-dated yields while the impact of lower US Treasury yields will weigh more heavily on the long-end of the yield curve.

This also means that **we are likely to see even wider rate spreads to the US**, especially at the front-end of the curve as we do not believe US official cash rates have much scope to move from near zero settings before mid-2012. This obviously reflects the very different economic outcomes between the two countries. Ten-year spreads are also moving out towards the highs last seen in 2008 as can be seen in Figure 2 below. The spread was even wider in 1995 (+300bps) and in 1989 (+500bps).

FIGURE 2: 10-YEAR BOND YIELDS



Source: Bloomberg

Swap yields are still expected to head higher on these new forecasts as cash rates rise. We see 3-year swaps heading towards 6.0% by the middle of 2011. While we see the bond curve moving inverse we see the swaps curve remaining exceptionally flat as shorter-dated yields rise more quickly. This will make longer-term hedging more attractive.

And even on the new US bond forecasts we eventually see low yields stimulating the US economy and pushing US yields moderately higher over 2011. It is difficult to construct a major break higher for yields however without a surge in inflation or some crack in the confidence of investors in the US fiscal outlook – clearly a longer-term concern. A sharp pick-up in inflation is highly unlikely given there is significant surplus capacity in the US economy.

Timing that rebound in US bond yields is therefore difficult and the data remain central. Possible triggers for an end to US QE will be once the Fed is satisfied they have price stability. For this we would need to look at how the Fed is reading/forecasting inflation. So Fed Minutes and any Fed talk about their views on inflation will be important. Also critical will be readings of core inflation (and inflation expectations) and the actual momentum of core inflation. That is, it won't be sufficient for core inflation to move back to 1.5-2% temporarily. It needs to be lasting.

If the US were to slow sharply, then US Treasury yields would remain at exceptionally depressed levels for an extended period. This is the situation currently facing Japan. And this would be expected to bear down on local yields beyond those currently forecast.

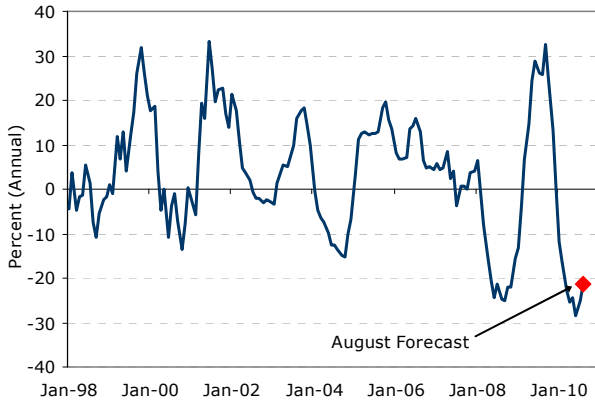
Andrew McManus
Analyst, Economics
+61 2 92271742
Andrew.McManus@anz.com

DATA WRAP

- **Retail sales** rose 0.3% in August with strength evident in the more discretionary elements of spending: household goods (+0.5% MoM), department stores (+0.6% MoM), other retailing (+1.4% MoM) and cafés and restaurants (+1.5%). Non-discretionary items were weak suggesting perhaps that there was further discounting by food retailers in the quarter, which would be positive for the CPI.
- The **trade balance** rebounded to a surplus of A\$2.3bn in August from A\$1.7bn in July (revised down from A\$1.9bn). The improvement was driven by a 5.1% decrease in imports which more than offset a 2.4% decline in exports. With imports in July boosted by the defence forces' one-off order of hornet planes, the fall in imports was largely expected. Consumption goods imports remained strong rising 0.8% MoM.
- **ANZ Job Ads** increased 0.7% in September with a fall in newspaper job ads of 1.9% MoM offset by a rise in internet job ads of 0.8% MoM. The annual pace of growth in total job ads eased to 33.5% in September from 36.1% in August.
- The **RBA** kept the cash rate on hold at 4.5% this month (see above for further details).
- **Employment** surged 49.5K in September driven by a sharp 55.8K increase in full-time employment, while part-time employment fell 6.3K. The greatest job creation occurred in NSW (+10.7K) and Queensland (+19.6K). The **unemployment rate** remained at 5.1%, predominantly due to a 0.2% pickup in the **participation rate** to 65.6%. The participation rate is now nearing the record high of 65.7% reached in May 2009.
- The **AiG Performance of Services Index** fell to 45.6 from 47.5 in September, as sales fell 5.5pts and wages fell 7.5pts. Meanwhile, the **AiG Performance of Construction Index** fell to 40.8 from 43.2, driven by broad falls in activity and new orders. Both indices are below 50, indicating contraction in these industries.

DATA PREVIEWS

CHART 1: HOUSING FINANCE APPROVALS (OWNER OCCUPIER)



11 OCTOBER: HOUSING FINANCE (AUG)

ANZ: +2.1% MoM, -21.4% YoY

Market: +1.0% MoM

Last: +1.7% MoM, -25.0% YoY

Following nine straight months of decline, the gain in July housing commitments was a welcome change. Following on from this result, we expect that housing finance commitments will continue to stabilise and post moderate growth in August, given the solid domestic conditions underpinning the economy. We expect that the majority of finance commitments will originate from upgraders, while the construction and purchase of new dwellings will continue to be a drag on growth. **(DE)**

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEDT
10-14 Oct	UK	Nationwide Consumer Confidence	SEP	--	--	61	-	-
11-15 Oct	CH	Money Supply - M0 YoY	SEP	--	--	16.0%	-	-
		Money Supply - M1 YoY	SEP	21.5%	--	21.9%	-	-
		Money Supply - M2 YoY	SEP	18.9%	--	19.2%	-	-
		New Yuan Loans	SEP	500.0B	--	545.2B	-	-
		Foreign exchange Reserves	SEP	--	--	\$2.45T	-	-
		China Property Prices	SEP	8.9	9.6	9.3	-	-
	GE	Wholesale Price Index MoM	SEP	0.4%	--	1.6%	-	-
		Wholesale price Index YoY	SEP	6.3%	--	6.4%	-	-
13-15 Oct	CH	Actual FDI YoY	SEP	5.7%	--	1.4%	-	-
11-Oct	NZ	NZ Card Spending MoM	SEP	--	--	-0.2%	21:45	08:45
	AU	Housing Finance MoM	AUG	--	2.1%	1.7%	01:30	12:30
	JP	Sports Day Holiday					-	-
	EU	ECB's Trichet Speaks in Washington					16:00	03:00
	UK	BRC September Retail Sales Monitor					23:01	10:01
		RICS House Price Balance	SEP	--	--	-32.0%	23:01	10:01
	US	Columbus Day Holiday					-	-
		Fed's Dudley Speaks at IIB event in Washington					12:00	23:00
		Fed's Yellen Speaks in Denver					18:45	05:45
	CA	Thanksgiving Holiday						
12-15 Oct	US	Monthly Budget Statement	SEP	-\$45.0B	--	-\$46.6B	-	-
12-Oct	AU	NAB Business Conditions	SEP	--	--	5	00:30	11:30
		NAB Business Confidence	SEP	--	--	11	00:30	11:30
	JP	Consumer Confidence	SEP	--	--	42.5	05:00	16:00
		Consumer Confidence Households	SEP	--	--	42.4	05:00	16:00
	EU	ECB's Trichet Speaks in New York					16:20	03:20
	GE	Consumer Price Index MoM	SEP F	--	--	-0.1%	06:00	17:00
		Consumer Price Index YoY	SEP F	--	--	1.3%	06:00	17:00
		CPI - EU Harmonised MoM	SEP F	--	--	-0.2%	06:00	17:00
		CPI - EU Harmonised YoY	SEP F	--	--	1.3%	06:00	17:00
	UK	BOE Miles Speaks in Dublin					08:30	19:30
		DCLG UK House Prices YoY	AUG	--	--	8.4%	08:30	19:30
		CPI MoM	SEP	--	--	0.5%	08:30	19:30
		CPI YoY	SEP	--	--	3.1%	08:30	19:30
		Core CPI YoY	SEP	--	--	2.8%	08:30	19:30
		Retail Price Index	SEP	--	--	224.5	08:30	19:30
		RPI MoM	SEP	--	--	0.4%	08:30	19:30
		RPI YoY	SEP	--	--	4.7%	08:30	19:30
		RPI ex Mort Int.Payments YoY	SEP	--	--	4.7%	08:30	19:30
		Visible Trade Balance GBP/Mn	AUG	--	--	-£8667	08:30	19:30
		Trade Balance Non EU GBP/Mn	AUG	--	--	-£4800	08:30	19:30
		Total Trade Balance (GBP/Mn)	AUG	--	--	-£4916	08:30	19:30
	US	NFIB Small Business Optimism	SEP	--	--	88.8	11:30	22:30
		IBD/TIPP Economic Optimism	OCT	--	--	45.3	14:00	01:00
		Minutes of FOMC Meeting					18:00	05:00
		ABC Consumer Confidence	10-Oct	--	--	-47	21:00	08:00
		Fed's Hoenig Speaks in Denver					15:45	02:45
		US Treasury Auctions 3-year Bonds					-	-
13-Oct	NZ	Food Prices MoM	SEP	--	--	-0.1%	21:45	08:45
		Non Resident Bond Holdings	SEP	--	--	62.7%	02:00	13:00
	AU	Westpac Consumer Confidence sa MoM	OCT	--	--	-5.0%	00:30	11:30
		Westpac Consumer Confidence Index	OCT	--	--	113.2	00:30	11:30
		Lending Finance MoM	AUG	--	--	3.2%	00:30	11:30
		Building Activity QoQ	JUN	--	--	5.2%	00:30	11:30
		AOFM auctions \$500m of July 2022 Bonds					-	-
	JP	Japan Money Stock M2 YoY	SEP	2.8%	--	2.8%	23:50	10:50
		Japan Money Stock M3 YoY	SEP	2.1%	--	2.1%	23:50	10:50
		Bank Lending Banks Adjust YoY	SEP	--	--	-1.7%	23:50	10:50
		Bank Lending ex-Trusts YoY	SEP	--	--	-2.0%	23:50	10:50

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEDT	
13-Oct cont		Bank Lending incl Trusts YoY	SEP	--	--	-1.9%	23:50	10:50	
		Machine Orders MoM	AUG	-3.9%	--	8.8%	23:50	10:50	
		Machine Orders YoY	AUG	8.7%	--	15.9%	23:50	10:50	
	CH	Business Climate Index	3Q	--	--	135.9	02:00	13:00	
		Entrepreneur Confidence Index	3Q	--	--	133	02:00	13:00	
		Trade Balance (USD)	SEP	\$17.75B	--	\$20.03B	-	-	
		Exports YoY	SEP	26.8%	--	34.4%	-	-	
		Imports YoY	SEP	25.0%	--	35.2%	-	-	
	EU	Euro-Zone Ind. Prod. wda YoY	AUG	--	--	7.3%	09:00	20:00	
		Euro-Zone Ind. Prod. sa MoM	AUG	--	--	0.1%	09:00	20:00	
	UK	BOE's Sentence Speaks in London					17:40	04:40	
		Claimant Count Rate	SEP	--	--	4.5%	08:30	19:30	
		Jobless Claims Change	SEP	--	--	2.3K	08:30	19:30	
		Average Weekly Earnings 3M/YoY	AUG	--	--	1.5%	08:30	19:30	
		Weekly Earnings exBonus 3M/YoY	AUG	--	--	1.8%	08:30	19:30	
		ILO Unemployment Rate (3mths)	AUG	--	--	7.8%	08:30	19:30	
		US	MBA Mortgage Applications	8-Oct	--	--	-0.2%	11:00	22:00
			Import Price Index MoM	SEP	-0.2%	--	0.6%	12:30	23:30
			Import Price Index YoY	SEP	3.8%	--	4.1%	12:30	23:30
			Richmond Fed's Lacker Speaks in Capel Hill, NC					23:45	10:45
		US Treasury Auctions 10-year Bonds					-	-	
	CA	New Housing Price Index MoM	AUG	-0.1%	--	-0.1%	12:30	23:30	
14-Oct	NZ	REINZ Housing Price Index	SEP	--	--	3201.7	02:00	13:00	
		REINZ House Sales YoY	SEP	--	--	-27.1%	21:00	08:00	
		Retail Sales MoM	AUG	--	--	-0.4%	21:00	08:00	
		Retail Sales ex-Autos MoM	AUG	--	--	-0.1%	21:45	08:45	
		REINZ Housing Price Index MoM	SEP	--	--	0.3%	21:45	08:45	
		Business NZ PMI	SEP	--	--	49.3	22:30	09:30	
	AU	Consumer Inflation Expectations	OCT	--	--	3.1%	00:00	11:00	
	JP	Domestic CGPI MoM	SEP	0.0%	--	0.0%	23:50	10:50	
		Domestic CGPI YoY	SEP	0.0%	--	0.0%	23:50	10:50	
		Tokyo Condominium Sales YoY	SEP	--	--	18.5%	04:00	15:00	
		EU	ECB Publishes October Monthly Report					08:00	19:00
			ECB's Mersch Speaks in London					10:30	21:30
		UK	BOE's Fisher Speech Released					23:00	10:00
		US	Trade Balance	AUG	-\$43.4B	--	-\$42.8B	12:30	23:30
			Producer Price Index MoM	SEP	0.2%	--	0.4%	12:30	23:30
			PPI ex Food & Energy MoM	SEP	0.1%	--	0.1%	12:30	23:30
			Producer Price Index YoY	SEP	3.7%	--	3.1%	12:30	23:30
	PPI ex Food & Energy YoY		SEP	1.5%	--	1.3%	12:30	23:30	
	Initial Jobless Claims		9-Oct	--	--	--	12:30	23:30	
	Continuing Claims		2-Oct	--	--	--	12:30	23:30	
	Fed's Kocherlakota Speaks in Minnesota						21:00	08:00	
		US Treasury Auctions 30-year Bonds					-	-	
	CA	Int'l Merchandise Trade	AUG	-2.2B	--	-2.7B	12:30	23:30	
15-Oct	AU	AOFM auctions \$700m of June 2016 Bonds					-	-	
	JP	Japan Buying Foreign Bonds	8-Oct	--	--	¥679.5B	23:50	10:50	
		Japan Buying Foreign Stocks	8-Oct	--	--	-¥119.0B	23:50	10:50	
		Foreign Buying Japan Bonds	8-Oct	--	--	¥1098.8B	23:50	10:50	
		Foreign Buying Japan Stocks	8-Oct	--	--	¥4.8B	23:50	10:50	
		Industrial Production MoM	AUG F	--	--	-0.3%	04:30	15:30	
		Industrial Production YoY	AUG F	--	--	15.4%	04:30	15:30	
		Capacity Utilization MoM	AUG F	--	--	-0.3%	04:30	15:30	
		BoJ Governor Shirakawa Speaks in Tokyo					06:00	17:00	
	CH	Conference Board China Leading Economic Index, AUG					02:00	13:00	

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEDT
	EU	EU 25 New Car Registrations	SEP	--	--	-12.9%	09:00	20:00
		Euro-Zone CPI - Core YoY	SEP	--	--	1.0%	09:00	20:00
		Euro-Zone CPI MoM	SEP	--	--	0.2%	09:00	20:00
		Euro-Zone CPI YoY	SEP F	--	--	--	09:00	20:00
		Euro-Zone Trade Balance sa	AUG	--	--	-0.2B	09:00	20:00
		Euro-Zone Trade Balance	AUG	--	--	6.7B	09:00	20:00
		ECB's Stark Speaks in Stuttgart					08:45	19:45
	US	Consumer Price Index MoM	SEP	0.2%	--	0.3%	12:30	23:30
		CPI ex Food & Energy MoM	SEP	0.1%	--	0.0%	12:30	23:30
		Consumer Price Index YoY	SEP	1.2%	--	1.1%	12:30	23:30
		CPI ex Food & Energy YoY	SEP	0.9%	--	0.9%	12:30	23:30
		CPI Core Index SA	SEP	--	--	221.779	12:30	23:30
		Consumer Price Index NSA	SEP	--	--	218.312	12:30	23:30
		Advance Retail Sales	SEP	0.4%	--	0.4%	12:30	23:30
		Retail Sales Less Autos	SEP	0.3%	--	0.6%	12:30	23:30
		Retail Sales ex Auto & Gas	SEP	0.2%	--	0.5%	12:30	23:30
		Empire Manufacturing	OCT	7	--	4.1	12:30	23:30
		U. of Michigan Confidence	OCT P	69	--	68.2	13:55	00:55
		Business Inventories	AUG	0.5%	--	1.0%	14:00	01:00
		Fed's Bernanke Speaks at Boston Fed Conference					12:15	23:15
		Fed's Lockhart Speaks in Atlanta					13:15	00:15
		Former Fed Vice Chairman Kohn Speaks in Washington					16:30	03:30
	CA	Manufacturing Sales MoM	AUG	--	--	-0.9%	12:30	23:30
		New Motor Vehicle Sales MoM	AUG	--	--	2.4%	12:30	23:30
16-Oct	US	Fed's Rosengreen Speaks at Boston Fed Conference					12:15	23:15

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
18 OCTOBER NZ: CPI (Q3) JP: Tertiary Industry Index (Aug) US: Industrial Production (Sep), NAHB Housing Market Index (Oct), Capacity Utilization (Sep)	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	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)	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)	22 OCTOBER EU: Govt debt/GDP ratio (Dec 31) GE: IFO Business Survey (Oct) CA: CPI (Sep), Retail Sales (Aug)
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)	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)	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)	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), Producer Price Index (Sep) Initial Jobless Claims (Oct 23)	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 (Sep) UK: House prices (Oct) CA: GDP (Aug)
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)	2 NOVEMBER AU: Melbourne Cup (Victorian Public Holiday), RBA Cash Target , AIG Performance of Service Index (Oct) US:ABC Consumer Confidence (Oct 31)	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)	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),	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)
8 NOVEMBER AU: ANZ Job Ads (Oct) JP: Coincident Index (Sep) GE: Trade (Sep), IP (Sep) CA: Housing Starts (Oct)	9 NOVEMBER NZ: Card Spending JP: Money Stock (Oct) GE: CPI (Oct F) UK: RICS House Price Balance (Oct), Trade Balance (Sep), IP (Sep), Manufacturing Production (Sep), NIESR GDP estimate (Oct) US: NFIB Small business optimism (Oct), Wholesale inventories (Sep)	10 NOVEMBER AU: Westpac Consumer Confidence (Nov), Home Loans (Sep) JP Consumer Confidence (Oct) CH: Trade (Oct) UK: BoE Quarterly inflation report US: Trade balance (Sep), Jobless Claims (Nov 6), monthly budget statement (Oct)	11 NOVEMBER NZ: Business PMI (Oct), Food Prices (Oct) AU: Employment (Oct) JP: Machine Orders (Sep), Domestic CGPI (Oct) CH: PPI (Oct), CPI (Oct), Retail Sales (Oct), IP (Oct) US: Veterans Day Holiday CA: Remembrance Day Holiday	12 NOVEMBER NZ: REINZ House Price Index (Oct) EU: GDP (Q3 A), IP (Sep) GE : GDP (Q3 P) US : University of Michigan consumer confidence (Nov P)
15 NOVEMBER AU: New Motor Vehicle Sales (Oct) JP: IP (Sep F), Housing Loans ((Q3), Tertiary Industry Index (Sep) EU: Trade Balance (Sep) UK: CPI (Oct), Retail Price Index (Oct) US: Retail Sales (Oct), Empire Manufacturing (Nov), Business Inventories (Sep) CA: New Motor Vehicle Sales (Sep)	16 NOVEMBER AU: RBA Board Minutes (Nov) , Westpac leading index (Sep) JP: BoJ Rates Announcement CH: Leading Index EU: CPI (Oct), ZEW Survey (Nov) GE ZEW Survey (Nov) UK: BoE minutes , Jobless Claims (Oct), Ave Weekly Earnings (Sep), ILO Unemployment Rate (Sep) US: PPI (Oct) IP (Oct), NAHB Housing Market Index (Nov) CA: Manuf. Sales (Sep)	17 NOVEMBER NZ: PPI (Q3) AU: DEWR Skilled Vacancies (Nov), Wage Cost Index (Q3) JP: Leading Index (Sep F) EU: Construction Output (Sep) US: CPI (Oct), Housing Starts (Oct), Building Permits (Oct)	18 NOVEMBER NZ: ANZ Consumer Confidence (Nov) EU: Current Account (Sep) UK Major Bank Mortgage Approvals (Oct), Retail Sales (Oct), Public Sector Borrowing (Oct) US: Jobless Claims (Nov 13), Leading Indicators (Oct), Philli Fed (Nov) CA: Leading Indicators (Oct), Wholesale Sales (Sep)	19 NOVEMBER NZ: Credit Card Spending (Oct) JP: Activity Index (Sep) GE: Producer Prices (Oct)

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	0.4	2.9	5.2	5.4
Household consumption	1.7	3.3	2.8	2.3
Dwelling investment	-4.5	5.0	2.3	2.3
Business investment	-2.3	1.2	14.2	15.9
Public demand	3.2	11.4	2.3	1.8
Domestic final demand	1.0	4.8	4.5	4.6
Inventories (contribution to GDP)	-0.5	0.5	0.0	0.0
Gross National Expenditure (GNE)	0.5	5.3	4.5	4.5
Exports	0.9	3.8	5.7	6.7
Imports	-8.3	14.3	10.6	10.0
Net Exports (contribution to GDP)	2.0	-2.2	-1.3	-1.0
Gross Domestic Product (GDP)	1.2	3.3	3.8	4.0
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	2.9	2.8	3.3
Underlying *	3.7	2.7	2.8	3.0
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				
Terms of trade (annual % change)	100.3	119.4	131.0	129.0
Current account balance: A\$bn	-51.4	-41.9	-49.3	-75.8
% of GDP	-4.1	-3.1	-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	4.75	5.25	5.50	5.75	6.00
90 day bill	4.84	5.10	5.60	6.00	6.00	6.2
3 year bond	4.88	5.00	5.40	5.70	5.90	6.00
10 year bond	5.02	5.20	5.40	5.60	5.80	5.80
3s10s yield curve	0.14	0.20	0.00	-0.10	-0.10	-0.20
3 year swap	5.31	5.40	5.80	6.10	6.30	6.40
10 year swap	5.61	5.75	5.95	6.15	6.35	6.35
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	3.19	3.25	3.67	4.17	4.25	4.7
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.35	0.40	0.40	0.60	0.80	1.00
US 10 year note	2.38	2.20	2.00	2.30	2.50	3.00
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	0.50	0.50

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\$	0.9834	0.95	0.94	0.98	1.00	0.98
NZ\$/US\$	0.7530	0.72	0.72	0.73	0.74	0.72
A\$/¥	80.97	76.0	73.3	73.5	75.0	76.4
A\$/€	0.7053	0.68	0.66	0.69	0.69	0.69
A\$/£	0.6189	0.60	0.59	0.61	0.62	0.61
A\$/NZ\$	1.3065	1.32	1.31	1.34	1.35	1.35
A\$/C\$	0.9996	0.95	0.93	0.96	0.98	0.98
A\$/CHF	0.9506	1.01	1.02	1.07	1.10	1.09
A\$/CNY	6.5630	6.29	6.13	6.29	6.32	6.09
A\$ Trade weighted index	73.50	72.2	71.3	72.8	73.1	71.3
International cross rates						
US\$/¥	82.31	80.0	78.0	75.0	75.0	78.0
€/US\$	1.3949	1.40	1.42	1.42	1.45	1.42
€/¥	114.81	112	111	107	109	111
£/US\$	1.5891	1.58	1.60	1.60	1.62	1.60
€/£	0.8771	0.89	0.89	0.89	0.90	0.89
US\$/C\$	1.0163	1.00	0.99	0.98	0.98	1.00
US\$/CHF	0.9664	1.06	1.08	1.09	1.10	1.11
US\$ index	77.29	77.0	75.9	75.3	74.4	76.0
Asia exchange rates						
US\$/CNY	6.6735	6.62	6.52	6.42	6.32	6.21
US\$/HKD	7.7561	7.75	7.75	7.75	7.75	7.75
US\$/IDR	8923	9300	9525	9200	9000	8900
US\$/INR	44.35	48.6	49.9	48.0	46.0	44.0
US\$/KRW	1118	1245	1290	1200	1100	1000
US\$/MYR	3.0998	3.25	3.31	3.20	3.15	3.10
US\$/PHP	43.310	46.9	48.3	46.0	45.5	45.0
US\$/SGD	1.3066	1.40	1.43	1.39	1.36	1.34
US\$/THB	29.970	32.50	33.30	32.00	31.50	31.00
US\$/TWD	30.785	32.90	33.30	32.70	32.20	31.00
US\$/VND	19495	19500	20000	20000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3765	0.386	0.372	0.358	0.344	0.330
FJD/US\$	0.5416	0.508	0.514	0.517	0.508	0.500

IMPORTANT NOTICE

Australia and New Zealand Group Limited is represented in:

AUSTRALIA

Australia and New Zealand Banking Group Limited
ABN 11 005 357 522
ANZ Centre Melbourne, Level 9, 833 Collins Street, Docklands Victoria
3008, Australia
Telephone +61 3 9273 5555 Fax +61 3 9273 5711

UNITED STATES OF AMERICA

ANZ Securities, Inc. is a member of FINRA (www.finra.org) and registered with the SEC.
277 Park Avenue, 31st Floor, New York, NY 10172,
United States of America
Tel: +1 212 801 9160 Fax: +1 212 801 9163

UNITED KINGDOM BY:

Australia and New Zealand Banking Group Limited
ABN 11 005 357 522
40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom
Telephone +44 20 3229 2121 Fax +44 20 7378 2378

NEW ZEALAND BY:

ANZ National Bank Limited
Level 7, 1-9 Victoria Street, Wellington, New Zealand
Telephone +64 4 802 2000

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

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

This document is being distributed in the United Kingdom by ANZ solely for the information of its eligible counterparties and professional clients (as defined by the FSA). It is not intended for and must not be distributed to any person who would come within the FSA definition of "retail clients". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the FSA.

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

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

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees disclaim any responsibility, and shall not be liable, for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly (and whether in tort (including negligence), contract, equity or otherwise) out of or in connection with the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

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