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Can US inflation break away?

Even if wages were to rise, lower energy prices and a strong US dollar are likely to keep US inflationary pressures contained in the near term.

The tepid economic recovery following the Global Financial Crisis (GFC) has meant that large amounts of excess capacity remain in many developed economies outside the US, as evidenced by still high unemployment rates. More recently, the marked decline in crude oil prices led investors to ratchet down their inflationary expectations for these economies even further. With the risks to inflation tilted to the downside, the focus for central banks outside of the US is likely to be biased towards providing further stimulus. The recent move by the Bank of Japan illustrates this point.

However, history shows that US inflation can diverge from the trend experienced by the rest of the developed world. For one, changes in the US dollar (USD) have historically amplified the magnitude of the price swings in good prices between the US and other developed economies. More importantly, the relative performance of the US labour market, and the subsequent pace of growth in unit labour costs, have also been key factors driving the divergence between US services inflation and that of other developed markets.

Going forward, we would need to see a pickup in wages growth in order for the US to break away from the disinflationary impetus which weighs on other developed economies. On this front, there is some reason for cautious optimism. Notably, the employment cost index, generally regarded as the purest measure of wages growth as it adjusts for changes in the skill composition of the labour force, surprised on the upside in the September quarter. See Figure 1. The index rose 0.7% year on year (yoy), its highest annual growth rate in more than three years, although admittedly, part of the lift may have come from health care benefits resulting from the Obama health care reforms. See Figure 1. Nevertheless, with the short-term unemployment rate in the US hovering below its long-term average level, the increasing difficulty experienced by small businesses in finding skilled labour may eventually translate into higher wages growth.

Figure 1. US Employment Cost Index (%)

Source: Bloomberg. November 2014.

That said, any increase in labour cost pressures is likely to be partially offset by the disinflationary forces of falling energy prices. At the same time, the stronger USD should temper goods price inflation in the US. Therefore, on balance, inflationary pressures in the US appear contained at least over the coming six months, which should in turn, keep rate hikes in check. This low inflationary backdrop, coupled with our expectations for a moderate expansion in global growth remains supportive of equities for now.

Investment Summary

In recent months, markets have been reacting to signs of a weakening in global growth momentum, particularly in Europe and China. With the global economy still struggling to get back to trend growth, concerns over the risks of deflation have risen. While the US economy has remained relatively resilient, there are worries that it may be pulled down by the more tepid pace in the rest of the world. Now, more than five years on from the GFC and a sustained period of solid equity market returns, global equity markets are no longer cheap.

Despite very low interest rates, consumption growth is still soft. However, we believe that overall growth is still sufficient to drive a modest expansion in developed market equity earnings. In addition, interest rates are likely to remain low as inflationary pressures appear largely absent across the developed economies.

We are maintaining the moderate overweight to growth assets, focused in developed market equities. While equities have recovered strongly in recent weeks, they are not yet overbought and have near term seasonal support along with the potential for a post mid-term US election rally.

We have turned more positive towards Japanese equities this month. Despite the rally in the market, valuations in Japan are still attractive. The surprise ramping up in Quantitative Easing by the Bank of Japan (BoJ) illustrates the commitment of the Japanese government to exit deflation. The recent momentum in earnings revisions would be further boosted by the weaker yen. However, expectations of a weaker yen also imply that a hedged exposure to the Japanese market is preferred.

We are relatively more cautious towards European equities and would like to see evidence of greater policy co-ordination in the region. Germany appears committed to a balanced budget, at a time when the economies in France and Italy are slowing rapidly. In light of the poor economic readings from the region in recent months, we prefer to wait for some signs of stabilisation in the economy, before taking advantage of the attractive valuations.

Finally, we have a positive medium-term outlook for the USD. We expect the USD to be supported by improving fiscal and current account balances, as well as by divergent central bank policy settings.

Asset Allocation	3-12 month view
Growth Assets/Equities	Moderate Overweight
Global Equities	Moderate Overweight
Emerging Market Equities	Moderate Underweight
Global REITs	Neutral
Global High Yield Debt	Moderate Underweight
Defensive Assets	Moderate Underweight
Global Fixed Income	Neutral
Australia Fixed Income	Moderate Underweight

Source: ANZ Global Wealth. November 2014.

Equities

We have turned more positive towards the Japanese equity market as the BoJ's surprise move signals a commitment to its pledge to end deflation in the Japanese economy.

Regional Equity Tilts	
US	Moderate Overweight
Europe	Neutral
Japan	Moderate Overweight
Emerging Markets	Moderate Underweight
Asia ex Japan	Neutral

Source: ANZ Global Wealth. November 2014.

US - We remain positive on the US market. While valuations may look expensive relative to the other regions, we believe this is justified by greater earnings certainty. While a stronger USD may have negative implications for earnings, earnings forecasts have already been revised lower, thereby reducing the risk of disappointing expectations. Finally, US equities may be viewed as a relatively defensive market as the USD is likely to benefit from flight to safety demand should market volatility spike.

Europe - We are relatively more cautious on the European equity market in the near term. While valuations look attractive, in light of the continued flow of weak economic data in the region, we would like to see some stabilisation in the economy before increasing exposure to Europe. We would also want to see greater policy co-ordination among the euro zone countries. Meanwhile, although a weaker euro is expected to lift earnings, the euro zone's current account surplus appears to be containing the currency's downside.

Japan - We have turned more positive towards the Japanese market. The surprise move by the BoJ to increase the amount of bonds purchased signals a commitment of the Japanese government to end deflation in its economy. While earnings upgrades have already outpaced downgrades this year, the weakened yen is likely to boost earnings further. Finally, a decision to delay the next incremental increase in the Value Added Tax (VAT) would be a positive for sentiment, consumption and the economy. Given expectations of a weaker yen, a hedged exposure to Japanese equities is preferred.

Asia appears better positioned among its emerging market peers to capitalise on US growth and lower oil prices.

While fundamentals in Emerging Markets (EM) are not uniformly positive, cheap valuations and poor investor sentiment are positive contrarian indicators. Going forward, falling oil prices, coupled with a stronger US and a weaker Europe suggest that macro trends would diverge within EM. We continue to favour Asia ex Japan within EM over the medium term.

This is because Asia appears better positioned to capitalise on US growth. In contrast, the slowdown in the euro area will hurt the Emerging European economies most. In addition, Asia is largely seen as a beneficiary of lower commodity prices, as most Asian economies are large net oil and commodity importers. While lower oil imports are expected to boost current account balances, lower inflationary pressures should also leave room for interest rates to stay low. Finally, fiscal balances would also benefit from less costly energy subsidies.

Within Asia

Taiwan – Taiwan remains our preferred market as valuations are not expensive and it continues to enjoy positive earnings revisions. With an estimated 36% of the index's revenues derived from the US, a resilient US economy is expected to be positive for the Taiwan market. The risk is that after a stellar year, it could be challenging for technology exports to accelerate from their current pace. Indeed, successful new product launches would be needed to keep Taiwan's export momentum strong, especially if global growth outside the US fails to pick up materially.

The report is published by ANZ Wealth Asia. All charts and tables are individually sourced. "ANZ analysts" refer to investment professionals within the ANZ CIO Office, ANZ Economics & Markets Research and ANZ Wealth Asia. For more information, please contact your ANZ Relationship Manager.

Korea – Despite the market's underperformance year to date, valuations are still moderately expensive as earnings have been revised materially lower throughout the course of the year. Similar to Taiwan, Korean companies have historically benefited from a strong US economy and it is estimated that about 23% of the index's revenues come from the US. However, the recent sharp decline in the Japanese yen raises concerns over Korea's competitiveness, particularly in the shipbuilding, auto and technology sectors. These concerns are likely to exert pressure on the Bank of Korea to keep interest rates low and the Korean won weak.

China – China's slowing growth momentum did not show any signs of reversal in October, despite the Chinese central bank's selective easing measures and improved transaction volumes in the property market. The weakening growth momentum is unlikely to turn around in the coming months, although we are not expecting a hard landing. The new language from the central bank in its latest monetary report suggests that China's lower growth trajectory is the new "normal" and therefore, hopes for significant fiscal stimulus may be misplaced. Given the lacklustre outlook for the banks and property counters, reforms probably hold the key to any re-rating in the Chinese market. As reforms tend to be a lengthy process, investors wanting to take advantage of the market's cheap valuations would require patience.

Hong Kong – At the point of writing, the protests from the "Occupy Central" movement continue to block key roads connecting major shopping areas. While the direct economic loss associated with the occupied areas should be limited, prolonged protests may further dampen business and consumer sentiment and pose a downside risk to the Hong Kong economy. This, coupled with an expected US rate hike in 1H2015 could post headwinds to property prices, following their recent rebound. While the outlook is not compelling, the upcoming launch of the Shanghai-Hong Kong Stock Connect, which offers mainland investors easy access to Hong Kong listed shares, may lend some support to selected sectors.

India – With valuations looking slightly expensive, investors may want to wait for dips in order to gain exposure to the Indian market. The recent two state election victories have strengthened the position of India's ruling party, and with no further elections due until November 2015, Modi potentially has a window of opportunity to push through more important but unpopular reforms. Encouragingly, the recent decision to reduce diesel subsidies suggests the appetite for reforms exist. Our economists believe that India's economy has bottomed and growth would pick up from current levels. This is likely to be supportive of earnings. At the same time, weaker commodity prices are lowering inflationary pressures in India, and providing room for lower interest rates. Weaker oil prices can also cap the degree of current account deterioration if imports start to rise on the back of a pick-up in investments.

ASEAN – We are negative on the Asean markets as we expect these markets to suffer from profit taking as valuations look stretched, especially in Thailand, Indonesia and the Philippines. Over in **Indonesia**, the upcoming fuel hikes are likely to be a drag on domestic consumption and weigh on the banks and retailers. It remains to be seen how fast the government can recycle the savings from the fuel subsidies into infrastructure and social projects, which may ultimately boost wages and consumption. Notably, post the 3Q earnings reporting season, earnings downgrades outpaced upgrades, a reversal of the trend seen in the previous quarter.

Meanwhile, although the **Malaysian** market is cheap, the economy is experiencing a cyclical downturn as monetary and fiscal policies tighten further. The recent decline in commodity prices is also likely to put pressure on the current account and budget balances as well as hurt rural household income.

Over in **Singapore**, overall loans growth for the quarter ending September was the slowest since 2010. Notably, business loans grew at a slower pace than consumer loans, for the first time since 4Q12. Guidance from local bank management suggests that there is little incremental loan demand in Singapore, although stable operating and credit costs should help offset sluggish revenue growth. We are neutral Singapore banks as their cheap valuations would

Within Asia	3-12 month view
China	Neutral
Hong Kong	Neutral
India	Neutral
Korea	Neutral
Taiwan	Positive
ASEAN	Negative

Source: ANZ Wealth Asia. November 2014.

Given the significant improvement in the US labour market to date, the inflation outlook will be key in determining the timing of the US Federal Reserve's (Fed) first rate hike.

In the US, the FOMC wrapped up its bond-buying program in October as expected. However, in a marked change of language, the committee highlighted the "substantial improvement" in the labour market. In addition, while the FOMC statement noted that inflation expectations had fallen and that near-term inflation was likely to be low, the members believe that the likelihood of inflation running persistently below target has diminished. Notably, the committee kept the door open for an earlier-than-expected tightening if inflation picked up faster. With the Fed close to achieving the employment side of its mandate, the inflation outlook is likely to have a greater bearing on monetary policy going forward. We maintain our view that US bond yields are likely to grind higher in the coming months. Against this backdrop, investors looking for USD bond exposure may want to look to US financials which are expected to benefit from improved credit fundamentals and modest spread tightening.

Outside of the US, high unemployment continues to put downward pressure on inflation, adding to the deflationary impact of falling oil prices. With the risks to inflation tilted to the lower side, the focus for central banks outside of the US will remain towards providing further stimulus rather than looking to end current stimulus programmes. As such, given that the ECB is unlikely to be raising interest rates anytime soon, the outlook for European bonds appears more attractive than its US counterparts. Within Europe, we favour the European Investment Grades and European Financials.

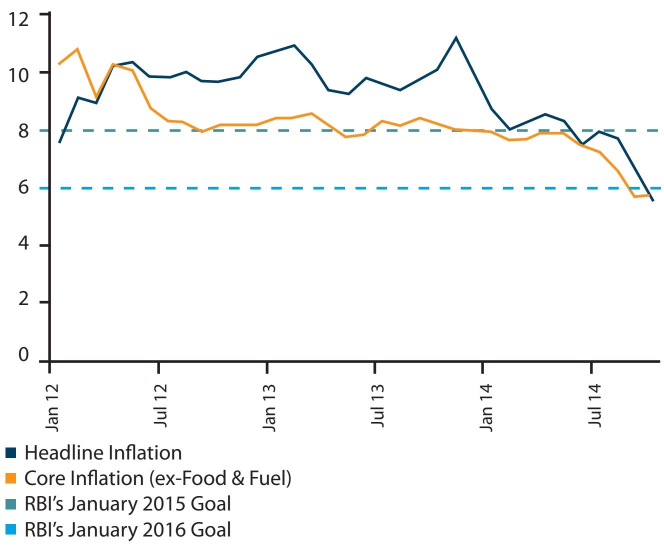
In October, we saw the US 10-year Treasury bond yield drop sharply (by more than 30 basis points to 1.86%), its lowest reading in 17 months, before rebounding to its prior level. This event highlighted the negative side effect of government regulations to strengthen the banking sector following the financial crisis, which have significantly reduced secondary market liquidity in bond markets. These regulations, while safe guarding the banking sector, have inadvertently increased the liquidity risk for the financial sector more generally.

In particular, if one of the world's deepest and most liquid financial markets can experience such volatile price movements, then it is probably reasonable to assume that less liquid assets such as high yield bonds may see even greater volatility in the shift to tighter global liquidity conditions. We maintain our cautious stance on high yield bonds, and believe that the sector may be vulnerable as the intensity of the search for yield eases.

Over in Asia, the ongoing slowdown in the Chinese property market is making it more challenging for small Chinese developers to gain access to the capital markets and refinance their loans. On this front, the larger investment-grade rated developers would probably fare better than their high yield counterparts in the near term. However, while contracted property sales have been relatively resilient for some of these larger property players, we note that the sales figures may mask rising inventory problems which would only reveal themselves when the developments have been completed, a few years down the road. On balance, we remain cautious on the Chinese High Yield space.

Meanwhile, the rally in Indian bonds can continue if the Modi government quickens its pace of reforms. The two recent state election victories have strengthened the position of India's ruling party and the coming months would be a test of whether investors' faith in the new government is justified. Lower commodity prices are lending a hand in the meantime, and the continued drop in gold and oil prices would potentially provide India with a triple benefit of improved current account, inflation and fiscal balances. With inflation readings now well below the Reserve Bank of India's target for 2015 and 2016 (See Figure 2), rate cuts may come onto the agenda sooner than expected, which could potentially grant the companies some relief.

Figure 2. India CPI (%yoy)



Source: CEIC, ANZ Research. November 2014.

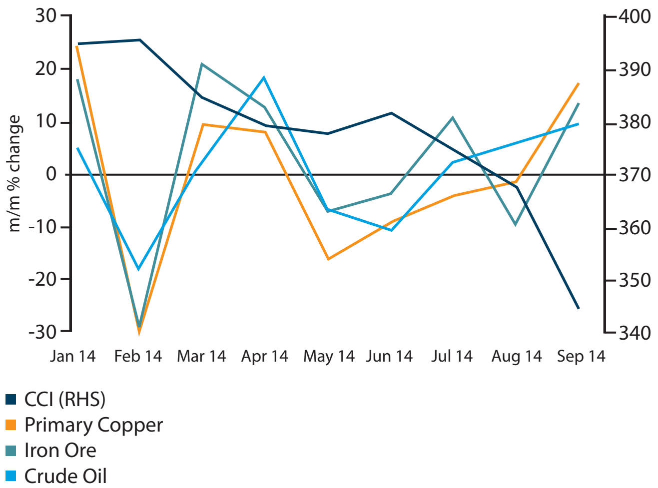
Commodities

While any signs of stabilisation in the Chinese economy would be supportive of demand, supply dynamics remain challenging for a number of commodities.

Commodity prices will remain under pressure as real economic activity continues to tread water outside of the US. Not surprisingly, much of the weakness in industrial commodities is the result of subdued growth in China, since it accounts for 40% to 50% of global base metals demand, two-thirds of global seaborne iron-ore imports, and is the world's second largest consumer of oil.

The sell-off in commodity prices in recent months has led to some opportunistic buying in oil, copper and iron ore among Chinese traders. See Figure 3. However, further price weakness in the Chinese property market and the ongoing tight domestic credit conditions have stopped this opportunistic buying from developing into a stronger restocking cycle.

Figure 3. Chinese imports of commodities (% mom)



Source: China Customs. ANZ Research. November 2014.

Going forward, China's growth momentum is likely to remain subdued as any monetary policy easing is expected to be relatively modest. As such, any gains in commodity prices are likely to be capped.

The negative sentiment surrounding gold may persist for a while.

Gold prices hit a fresh four-year low in October. The BoJ's surprise decision to expand its monetary base further saw the US dollar make new highs and gold fall below its key support level of US$1180/oz.

Notably, the pickup in Chinese physical demand in September was not sustained, despite the continued decline in gold prices. The Chinese government's investigation into precious metal shipments to Hong Kong may have hurt onshore sentiment, though it is unclear how much gold is actually involved in the current "round tripping".

Over in India, gold prices lifted amid the Diwali festival and in anticipation of the start of the Indian wedding season. Physical demand for gold is expected to stay strong over the next eight months. That said, a sharp jump in gold imports in September has triggered debate around import controls. If pre-existing curbs on gold imports are reinstated, this would be a negative for physical demand.

On balance, it looks like the negative sentiment surrounding gold may persist for a while.

The surge in iron ore production from Australia and Brazil, who together account for close to 80% of global iron ore seaborne exports is coinciding with a slowdown in the Chinese economy.

Iron ore prices are down close to 40% year to date and continue to struggle amid languid demand and an oversupplied market.

We are likely to see further consolidation in the industry as high-cost producers continue to be pressured by a wall of supply coming out of Australia and Brazil, where top producers intent on dominating the seaborne trade market have announced further steps to lower production costs. The surge in iron ore production from Australia and Brazil, who together account for close to 80% of global iron ore exports is coinciding with a slowdown in the Chinese economy. Given that China's imports account for about two-thirds of the global iron ore seaborne trade, the outlook for prices remain depressed over the medium term.

Output cuts by OPEC may not be able to offset rising US supply and the rapid build-up in global crude oil stockpiles.

An oversupplied market has raised investor bearishness, with investors either liquidating their long positions or increasing their shorts. A downgrade in growth and inflation forecasts for the euro area for 2014 and 2015 by the European Commission further rattled markets in November. For now, Saudi Arabia has maintained that it is happy to wait for demand dynamics to improve in order to balance the market. However, reports suggest that the world's largest crude oil exporter had cut output in September.

We believe that minor OPEC production cuts are possible, particularly if other members share the load with Saudi Arabia. Even so, output cuts by OPEC may not be able to offset rising US supply and the rapid build-up in global crude oil stockpiles.

Recently, there have been reports of opportunistic buying, particularly from China. Notably, China's oil imports continue to post record gains. However, European demand is still weak and any upside from replenishing tight product stockpiles for winter demand in the US and Europe may only provide fleeting support.

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Currencies

We continue to expect US dollar strength in the medium term on the back of strong data momentum and a hawkish Fed.

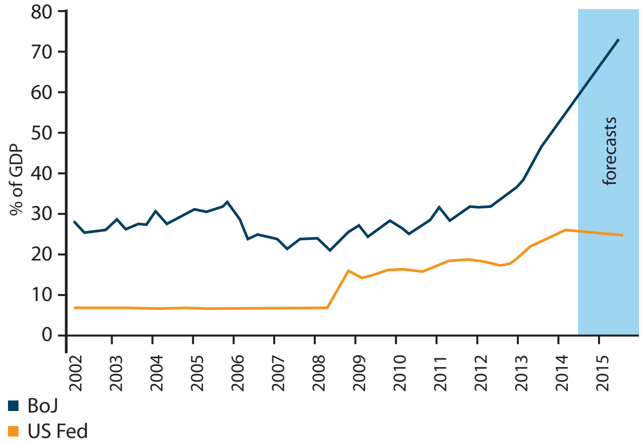
USD – The Federal Open Market Committee's (FOMC) October statement made it clear that the US Federal Reserve (Fed) is increasingly confident about the outlook for the economy and could tighten rates earlier if there is a faster progress towards its dual mandate of maximum employment and stable prices. This adds weight to our view that the first rate hike may occur before the middle of next year. Therefore, while the USD could consolidate in the near term, the medium-term trajectory is upwards.

EUR – ECB President Mario Draghi sent the euro lower in early November when he confirmed that preparations were underway for additional easing, if required. Despite Draghi's comments that existing policy settings are currently adequate, he could not temper rising market expectations that sovereign bond purchases would take place over the next three months. In the short term, the uptake of the Targeted Long Term Refinancing Operations (TLTRO) in December would be important in shaping market sentiment about Quantitative Easing (QE). Meanwhile, it is likely that the ECB would lower its growth and inflation forecasts for 2014 and 2015 next month. Against the backdrop of a re-accelerating US economy, this is likely to maintain downward pressure on the euro for now.

JPY – The BoJ surprised the market in October when it announced it would increase its annual monetary base at a pace of ¥80 trillion. In addition, it plans to purchase Japanese Global Bonds (JGB) at an annual pace of ¥80 trillion, up about ¥30 trillion from its current pace. If the central bank continues with this pace of asset purchases in 2015, then the size of the BoJ's balance sheet (as a % of gross domestic product (GDP)) would likely dwarf the Fed's by year end. See Figure 4.

This will provide further impetus for the yen to continue to underperform the USD. Not surprisingly, the JGB yield curve flattened in response to the BoJ's policy announcement. As such, a lower, flatter yield curve would in time, drive money offshore. Traditionally, US Treasuries and Mortgage Backed Securities are typical recipients of such flows, on the back of yield and liquidity appeal, coupled with the potential for some dollar appreciation.

Figure 4. BoJ and Fed balance sheet (% of GDP)



Source: Bloomberg. ANZ Research. November 2014.

GBP – The Bank of England (BoE) was clearly more cautious on the outlook of the UK economy in its latest Inflation Report, where it revised down the inflation forecasts for 2015 and 2016 significantly. Notably, the strength of the sterling in the last 15 months, coupled with the weakness in commodity prices, has helped to reduce inflationary pressures in the economy substantially.

In this environment, it would be difficult for the BoE to hike interest rates in the near term. Indeed, the market has now pushed back expectations for the BoE's first rate hike to after 1H15. This is likely to weigh on the sterling's performance in the near term, particularly against the USD, AUD and NZD.

AUD – Despite the recent BoJ announcement, in our view, US policy dynamics remain the key determinant of the direction of the Australian dollar (AUD). With the US economic recovery remaining on track, we see the AUD continuing to be undermined by narrowing interest rate differentials with the US and further declines in the terms of trade. Indeed, the Reserve Bank of Australia is likely to maintain a neutral bias in the medium term as the data continues to show that the Australian economy is growing below trend.

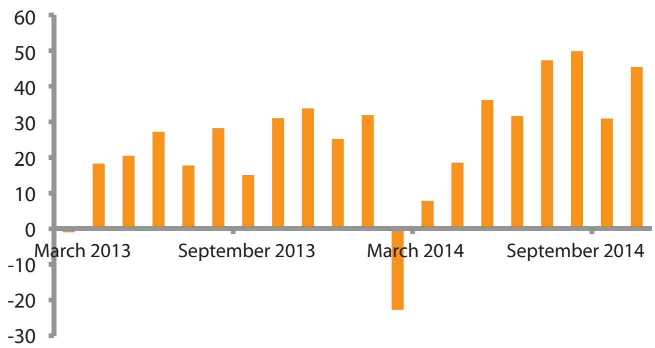
While some fresh inflows from Japanese investors into Australian fixed income cannot be ruled out, we note that the current high level of the AUD/JPY is probably not an attractive level for new money to enter the market.

NZD – The failure of the New Zealand dollar (NZD) to decline materially on a more upbeat Fed and dovish Reserve Bank of New Zealand is telling. With the BoJ providing more liquidity, the NZD's yield appeal could lend some support, particularly against the euro and yen. However, we still expect the currency to weaken against the USD in the medium term as the greenback continues to find support from a hawkish Fed and strong data momentum.

With Fed rate hike prospects back on the table, we expect the USD to continue appreciating against most Asian currencies. That said, a possible reallocation of Japanese pension fund assets into the region could provide some offset.

CNY –We continue to look for a modest appreciation in the yuan into year-end and throughout 2015 on the back of strong trade surpluses and continued foreign investor demand for onshore renminbi assets. See Figure 5. Although recent trade data suggest cross-border financial arbitrage may be re-emerging, at this stage, we do not expect the authorities to engineer a fresh round of currency depreciation to stamp out speculative flows like they did earlier this year.

Figure 5. China's trade balance (US$ million)



Source: Bloomberg. November 2014.

On the other hand, the Chinese central bank's patience may be tested if speculative activity increases strongly, and large bets on yuan appreciation are being wagered through options products or the yuan starts trading at a premium. In those circumstances, the risk of foreign exchange intervention would be high.

IDR – With the new cabinet appointed and sworn in, the market's focus will now turn to the fuel subsidy announcement, which is likely to take place nearer the end of the year. Going forward, the Indonesian Rupiah (IDR) is at risk from an under-delivery of reforms. At the same time, Indonesia's weak trade and current account balances would likely keep the IDR vulnerable to the Fed's normalisation process. That said, given its high yield, potential diversification flows from Japanese pension funds could provide the IDR some buffer.

INR – We continue to see the Indian Rupee (INR) as an outperformer in the region, underpinned by strong portfolio inflows helped by the government's reform momentum and a likely rebound of the economy. The attractive yield of INR bonds will also likely to continue to appeal to investors. Finally, lower global oil prices are likely to benefit India, further supporting the currency in the near term.

SGD – While the Monetary Authority of Singapore (MAS) may have maintained its gradual and modest appreciation policy in the October policy review, the Singapore dollar (SGD) would be driven by broader USD sentiment. On this front, we see US bond yields heading higher which is likely to translate into a stronger USD. As such, we look for further SGD weakness against the USD next year.

Returns

Country Equity Markets	YTD	1-Yr	3-Yr
ASX 200	3.3%	1.9%	28.6%
FTSE 100	-3.0%	-2.7%	18.1%
Hang Seng	3.0%	3.4%	20.8%
India Sensex	31.6%	31.7%	57.4%
Jakarta Comp	19.1%	12.8%	34.3%
Korea KOSPI	-2.3%	-3.2%	2.9%
Malaysia KLCI	-0.6%	2.7%	24.3%
Nikkei 225	0.8%	14.6%	82.6%
S&P 500	9.2%	14.9%	61.0%
Shanghai-A	14.4%	13.0%	-1.9%
Singapore ST	3.4%	2.0%	14.7%
Taiwan Weighted	4.2%	6.2%	18.3%

Regional Equity Markets	YTD	1-Yr	3-Yr
MSCI World	2.7%	5.6%	35.1%
MSCI Europe	-6.8%	-3.8%	22.3%
MSCI BRIC	0.9%	-2.3%	-5.7%
MSCI Emerging Market	1.3%	-1.8%	2.1%
MSC AP ex Japan	3.7%	1.1%	13.5%

Fixed Income	Yield	1-mth chg	YTD chg
Aust Govt (10Y)	3.29	-19	-95
Bunds (10Y)	0.84	-11	-109
Gilts (10Y)	2.25	-18	-78
JGB (10Y)	0.46	-7	-28
NZ Govt (10Y)	3.99	-15	-73
SG Govt (10Y)	2.29	-18	-27
US Trsy (2Y)	0.49	-8	11
US Trsy (10Y)	2.34	-15	-69

Currencies	Level	1-mth chg	YTD chg
USD-JPY	112.32	-2.4%	-6.7%
EUR-USD	1.25	-0.5%	-8.9%
AUD-USD	0.88	0.9%	-1.3%
USD-SGD	1.29	-0.8%	-1.8%
NZD-USD	0.78	0.5%	-5.2%
GBP-USD	1.60	-1.1%	-3.4%
USD-CAD	1.13	-0.8%	-6.1%
USD-TWD	30.45	-0.1%	-2.2%
USD-IDR	12085.00	0.8%	0.7%
USD-INR	61.37	0.6%	0.7%
USD-KRW	1068.82	-1.3%	-1.8%

Source: Bloomberg. As of 31 October 2014.

Commodities	Level	1-mth chg	YTD chg
Copper	6695	0.4%	-9.0%
Gold	1172	-3.2%	-2.6%
WTI Oil	81	-11.6%	-18.2%

Forecasts

Precious Metals (US$/oz)	Mar-15	Jun-15	Sep-15
Gold	1220	1240	1260
Platinum	1320	1360	1400
Palladium	800	805	810
Silver	18.5	19.1	19.5

Energy (US$/bbl)	Mar-15	Jun-15	Sep-15
WTI Nymex	88	90	92

Currencies	Mar-15	Jun-15	Sep-15
USD-JPY	110	110	110
EUR-USD	1.27	1.3	1.33
GBP-USD	1.63	1.64	1.65
AUD-USD	0.86	0.86	0.85
NZD-USD	0.76	0.75	0.74
USD-SGD	1.29	1.3	1.31
USD-TWD	30.7	30.7	30.7
USD-IDR	12150	12300	12450
USD-INR	61.8	61.8	62.3

Cross Rates	Mar-15	Jun-15	Sep-15
AUDNZD	1.13	1.15	1.15
AUDSGD	1.11	1.12	1.11
NZDSGD	0.98	0.98	0.97
EURSGD	1.64	1.69	1.74
SGDJPY	85.27	84.62	83.97
GBPSGD	2.10	2.13	2.16
AUDIDR	10449	10578	10583
NZDIDR	9234	9225	9213
EURIDR	15431	15990	16559
JPYIDR	110	112	113
GBPIDR	19805	20172	20543

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

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