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In this issue

Spotlight

Caught in a trap?

From a valuation perspective, EM looks to be more attractive than developed markets. While longer-term growth prospects are still bright, we remain concerned about the region's return prospects over the coming year.

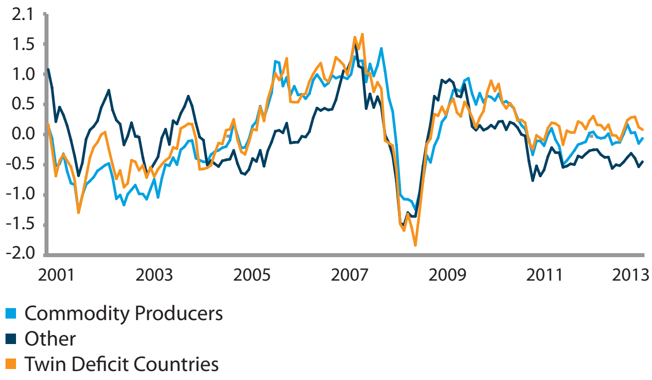
Despite cheap valuations and the liquidity provided by the US Fed's Quantitative Easing programme, over the past two years, Emerging Market (EM) equity indices have underperformed their developed market counterparts by 39%.

Most concerning is that, despite the poor performance, valuations have not improved materially over this period. Since mid-2011, despite the MSCI EM Index declining by more than 18% in US dollar (USD) terms, absolute valuations have barely improved. This reflects a deterioration in the region's fundamentals which has resulted in a 12% decline in our estimate of market fair value.

When we examine the make-up of valuations across the region we find there are quite stark divergences across countries. Our composite valuation scores for the commodity producing countries (which accounts for 28% of the MSCI EM basket) and twin deficit economies (which accounts for 16% of the MSCI EM basket) are both only around fair value at present. This is not surprising given the decline in commodity prices and weak global exports and, for the twin-deficit group, the recent sharp rise in interest rates aimed at containing inflation and supporting their currencies. Notably, earnings per share since mid-2011 has fallen by more than 20% for the commodity producers.

On the other hand, all the apparent value in EM equity markets at present is located in our other/export grouping.

Emerging Markets Composite Valuation Score by Region



Source: ANZ Global Wealth.

While we are unlikely to see a systemic crisis along the lines of the Asian financial crisis within EM, vulnerabilities remain. For one, current account positions have improved since mid-1990s, but there remain a significant number of countries (comprising approximately a third of the MSCI EM basket) whose deficits are in excess of 2% of GDP. Moreover, outside of China, Korea and Taiwan, the region's combined current account position is back to the same level as the mid-1990s.

In addition, while public debt is low, private debt has expanded rapidly. In part this reflects the fact that in EM countries, especially China, public stimulus has been undertaken via the banking sector. Private sector non-financial credit in EM countries has risen rapidly in recent years from under 80% in 2005 to almost 140% in late 2013. At the same time, total domestic bank credit has risen from 63% prior to the onset of the global financial crisis to now in excess of 90% of GDP, above the developed world. Meanwhile, outside of China, the data suggests there has been little, if any, reduction in the amount of foreign currency debt outstanding as a percentage of GDP.

Another concern is an intensification of capital outflows now that the Fed's QE is coming to an end. More developed market investors may revert to their home markets now that DM bond yields have risen from their lows, with real yields back to positive territory in the US and other regions.

This is not to say that there are no positives for the region. According to a recent survey, positioning by institutional investors is extremely low, with a record gap between EM holdings and developed world growth. This suggests that there is room for investors' holdings of EM equities to rise, when sentiment turns. At the same time, a likely pickup in global exports, albeit to a lesser extent than seen previously, should help drive some improvement in earnings growth for the market. However the risk is that EPS may lag the expected recovery in global exports, reflecting deteriorating domestic fundamentals, especially in the twin-deficit countries.

In conclusion, while key fundamentals such as current account balances have improved in aggregate for the emerging markets, there is still significant vulnerability at the country level. A detailed examination of our overall valuation metrics suggests that the region, when considered in aggregate, continues to represent something of a value trap. Even if export-driven economies such as China, Korea and Taiwan benefit from the global upswing in world trade, a higher than usual risk premium is likely to persist as China transitions to more sustainable growth and deals with a potential credit bubble.

In light of this, our portfolios are underweight EM equities, with our global equities overweight concentrated in developed markets where short-term currency risks are more favourable, shorter-term fundamentals remain more positive and the earnings outlook more certain.

Investment Summary

We believe that the weakness evident in recent US data is at least partly due to extreme winter weather. Neither this data, nor the volatility in the markets, has prompted a change to our medium-term macroeconomic view. We still expect stimulatory monetary policy settings and a smaller drag from fiscal policy. This will help drive a pickup in the pace of global growth in 2014 to around its long-run trend pace.

With significant excess capacity throughout the developed world constraining inflation, we expect major central banks to maintain short-term interest rates at around their current extremely low levels throughout the year. We anticipate that this environment will favour equity markets over the course of the year, albeit with much more modest returns than experienced in 2013.

We continue to favour developed market equities, particularly those in the US and Europe, where short-term currency risk is more favourable, fundamentals remain more positive and the earnings outlook appears more supportive. On the other hand, we have turned more cautious on the emerging markets. Recent developments, including a deterioration in the fundamentals of commodity producing countries and those burdened by significant twin current account and fiscal deficits, point to the possibility of continued underperformance over the next 6-12 months.

On the currency front, the soft US numbers since the start of the year has weighed on the USD. Markets appear to be seeking reassurance that the soft patch in the US economy is only temporary. For now, we maintain our reversification theme as the basis for USD outperformance versus the peripheral currencies.

Finally, in the commodity complex, March and April are seasonally strong months for the Chinese economy. Positive Chinese PMI readings during this period will help instil confidence back into the sector.

Equities

With equity valuations around neutral, the focus is increasingly on the outlook for earnings. Recent data have increased our confidence in an earnings pickup across the developed world, particularly in the US and Europe.

US - The US remains one of our favoured equity markets. Admittedly, valuations are currently trading above fair value, but we note that the pace of negative earnings revisions has slowed and EPS growth expectations seem reasonable considering the strong signs shown by our profit leading indicators.

On the macro front, the robust non-farms payroll reading in March provides some comfort that the labour market is bouncing back from weather-induced weakness. That said, some slowing in momentum after the uplift in Q4 and the jump in positive economic data surprises, is to be expected.

Europe - We remain constructive on the European equity market and believe that the market can move higher. The region's equity risk premium is expected to decline further on the back of improving macro-economic and financial conditions. At the same time, we note that earnings expectations are still very modest.

A recovery in earnings growth would therefore make market valuations look more attractive. On the earnings front, we are optimistic that revenue growth can accelerate as the European and global economy picks up. At the same time, margins are currently close to 10-year lows and can rise as operational leverage kicks in. Notably, the gap between the macro backdrop and earnings is at its largest in over a decade.

Japan - We remain neutral on the Japanese equity market. On the one hand, the market is likely to benefit from a pick-up in the global economy, given that cyclical sectors constitute nearly 60% of the Topix. On the other hand, valuations appear mixed with earnings forecasts already reflecting expectations of stronger economic growth and a weaker yen.

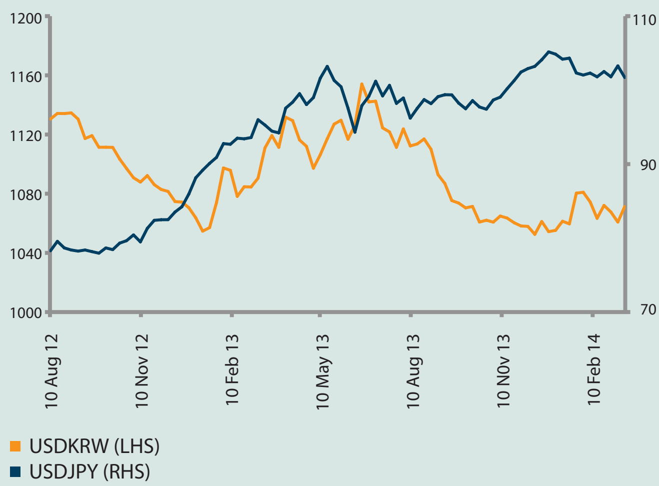
While Japan's 4Q GDP came in below expectations, growth is expected to have rebounded in the current quarter, with spending likely to have picked up ahead of the consumption tax increase in in April. The BoJ is also under pressure to step in at the first sign of the economy faltering. While further yen weakness will help lift exports and inflation, the potential of an erosion in returns may make the market less attractive to foreign investors.

Despite the Emerging Market's lagging performance, valuations do not look excessively cheap. In our view, this is a reflection of a deterioration in the region's fundamentals. We expect EM to continue underperforming at least over the next six to 12 months.

Taiwan – The market looks slightly cheap on our composite measure. Our slightly positive stance on the Taiwan market is premised on the assumption that Taiwanese exporters will benefit from the pick-up in the global economy. Although orders for non-tech products fell in January, we are encouraged by the rise in the demand for communication chips, semiconductors, as well as handheld device assemblies/components. In our view, the outlook bodes well for the tech sector, which accounts for more than a third of the TAIEX market capitalisation.

Korea – The market looks slightly cheap on our composite measure. Meanwhile Korea's economic momentum is still healthy and inflation is unlikely to be problematic in the medium term. That said, Korean corporates' poorer than expected earnings in 4Q13 has led to a raft of downward earnings revisions. Year to date, 2014 consensus earnings have been revised down by 7.3%. It appears that the strength of the Korean won, particularly against the Japanese Yen, has hurt Korea's competitiveness and weighed on earnings. Given the current over valuation of the won, some weakening of the currency going forward would grant Korean corporates some relief. See chart. We maintain our slightly constructive view on the market.

USDJPY vs USDKRW



Source: Bloomberg. March 2014.

China – With trusts totalling RMB4tr expected to mature this year, the Chinese government will have to navigate between the need to maintain financial stability and the desire to reduce moral hazard. Importantly, our economists are less concerned about systemic risk within the Chinese banking system as they believe policymakers still wield substantial control over both domestic creditors and debtors. This implies that acute credit risks can be absorbed when required. Nevertheless, the likelihood of a number of trusts defaulting over the next few months, coupled with concerns over China's slowing growth trajectory, is likely to keep the market volatile. Nevertheless, we maintain a neutral stance, taking into account the market's cheap valuation.

India – While we believe that the Indian economy has bottomed, a sharp rebound appears unlikely. Poor infrastructure, weak investments and low productivity are just some of the impediments to stronger growth and earnings. That said, better than expected inflation outcomes may give the RBI some room for pause in its rate hike cycle, thereby granting corporates some reprieve.

In our view, a market friendly outcome to the upcoming elections in May would be an important catalyst for the market. Although it will take time for the new government's policies to have an impact on the real economy, the lift in business and investor confidence is likely to have a positive impact on the market. Finally, valuations look slightly attractive relative to its long term mean.

ASEAN – The Indonesian market has surpassed our expectations and is the best performing Asian equity market to date. The returns in USD terms are even more impressive given the rupiah's more than 5% rally since the start of the year. That said, we retain our cautious stance towards the market. Valuations appear slightly expensive, as the market has rallied ahead of the Presidential election on the back of reform hopes. Meanwhile, the reversal of the trade balance to a deficit in January is a reminder of the challenges still faced by the economy in tackling its current deficit problem. Notably, the full impact of Indonesia's iron ore export ban is expected to hurt February's trade numbers.

Our economists have downgraded Thailand's 2014 GDP forecast to 2.2% as growth is likely to be constrained by the political gridlock. Consumer sentiment has taken a hit from the political impasse, with private consumption, private investment and manufacturing production contracting in January. Meanwhile, exports have also declined marginally, partly on the back of lower automobile exports. While rate cuts will lend a boost to growth, inflationary pressures are rising, owing to higher food and energy prices. While the market does not look expensive, Thailand's political situation will need to normalise before it can trend higher.

Russia – The Russian equity market and the rouble has fallen by 17% and 10% respectively (year to date as of 13 March) on the back of the tensions on the Ukraine/Russian border. Russian assets could come under further pressure in the days and weeks ahead, as tensions simmer. Meanwhile, although the market is cheap, Russia's economy, inflation dynamics and earnings must improve in order for it to re-rate. These factors do not appear to be forthcoming in the near term. Meanwhile the risk premium of the market has probably risen.

Brazil – The Brazilian equity market looks only slightly cheap despite having underperformed the MSCI Emerging Markets Index by 25% (In USD terms) over the past 12 months. While many of Brazil's headwinds are well known, conditions are unlikely to improve in the near term. Business confidence is weak as companies struggle with the tightening financial conditions. Interest rates have been hiked by 375bp since April 2013. It also probably does not help that Argentina, Brazil's third largest trading partner is likely to be entering into a recession. Finally, structural reforms needed to lift growth are unlikely to materialise before the presidential elections in October. Further weakening of GDP growth raises the risk of an intensification of social tensions.

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	Slightly Negative
Brazil	Slightly Negative

Source: ANZ. March 2014.

Fixed Income

We expect that the range trading environment for global bond yields seen in the past few months to continue over the coming year.

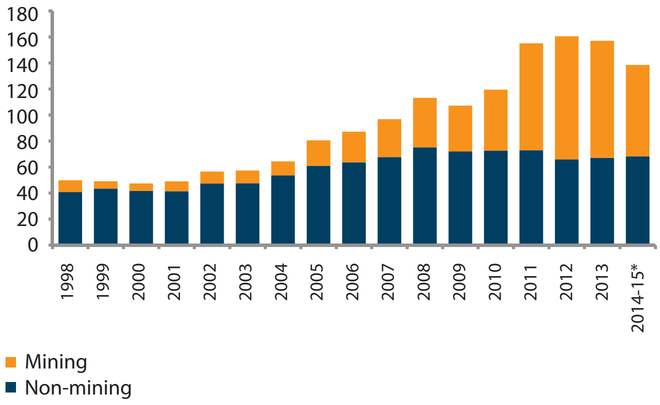
Global fixed interest markets held up relatively well in February despite strong equity markets gains. US 10-year government bond yields finished the month unchanged while bond yields fell in Japan and Europe. This reflected weaker growth in Japan and the continued decline in inflation throughout the euro area which saw markets begin to speculate that the European Central Bank would provide further stimulus over coming months. Overall, the Barclays Global Aggregate Bond Index returned a solid 0.7% for the month, following strong gains in January.

We maintain a neutral outlook to fixed income. The expected cyclical upswing in developed world growth is relatively soft by historical standards. In addition, we believe that potential growth is being held down by demographics and deleveraging. This suggests that yields will struggle to rise significantly from their current levels and could perform slightly in excess of cash returns. With bond yields around the middle of their trading range, a neutral allocation remains warranted.

Within fixed income, we favour US financials which is likely to benefit from a stable credit profile and modest spread compression. We also like European Investment Grade Corporates, in particular Financials. The improving macro conditions in the Eurozone should be supportive of further spread tightening. Notably, the Eurozone recovery, although fragile, is gathering momentum and the lagged effects of easy monetary policy appear to be taking effect. Germany's industrial production rose 0.8% mom in January while its business confidence index rose to 111.3 in January, the highest level since July 2011. Moody's recent upgrade of Spain's sovereign rating to Baa2, coupled with the strong issuance of periphery bank debt also reflects rising investor confidence in the Eurozone. Year to date, bond issuance by Europe's peripheral banks has hit a post-crisis high.

Meanwhile, we have a neutral outlook on Australian and New Zealand fixed interest. Over in New Zealand, despite the prospect of rate rises, we feel that the RBNZ will not be overly aggressive in its tightening velocity given the negative implications for the services sector. As for Australia, the medium term outlook for the economy appears to be subpar as the mining boom transition unfolds in the second half of the year. Business investment plans for the 2014/15 financial year showed not only a sharp falloff in mining investment, but worryingly a sharp fall in manufacturing investment intentions. There also appeared to be a lack of any material growth in the service sector, thereby casting doubt that the non-mining sectors of the economy will be able to offset the expected weakness in mining investment. See chart. Expectations of a soft labour market and this uneven growth profile will probably allow the Reserve Bank of Australia to stay on hold.

Australia Nominal Business Investment (US$ billion)



* Projections for 2013-14 and 2014-15

Source: ABS & ANZ Global Wealth.

Meanwhile, in the Emerging Markets, recent developments in the Ukraine, coupled with China's first onshore bond default, reinforce our preference for developed market debt over emerging market bonds over the medium term. While we believe that the Ukraine is too small in both economic and financial terms to produce a global financial or economic contagion, investor sentiment could take a hit. We note that EM corporate spreads widened more than their developed market peers in response to recent tensions. It is important to note that the Ukraine situation comes on the back of already increased EM concerns. Many markets have been weighed down by growth concerns in China, structural issues in twin deficit economies, risks of debt default in the Ukraine and Turkey and portfolio outflows from the region since the US Federal Reserve tapering announcement.

Over in Asia, China experienced its first onshore bond default in March when solar cell producer Chaori failed to pay the full interest on its bonds. The Chinese government appears to be backing off its practice of bailing out companies with bad debt, with the intention that the market plays a bigger role in credit allocation. While this repricing of risk is a positive development for China's bond market over the long term, it is likely to weigh on Asian credit markets and heighten volatility in the near term. In our view, further trust product and/or bond defaults cannot be ruled out this year and we maintain our cautious stance towards emerging market debt and Asian high yields.

Commodities

To achieve market confidence, Chinese PMI readings over the next few months will need to show strength.

Commodity markets started 2014 in mixed fashion, with slowing Chinese activity weighing on iron ore and coal prices. On the other hand, energy and agricultural markets were buoyed by one of the coldest winters in 30 years, while dry conditions in parts of Brazil rallied sugar and coffee markets.

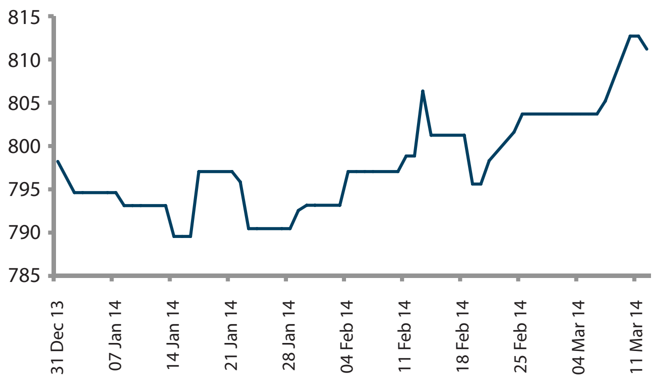
Going forward, it would likely require strong Chinese PMI readings in March and April, which are seasonally strong months in the Chinese economy, to instil confidence back into the commodity markets. To date, investment funds have shown little interest in commodities, given their pessimism over China's growth outlook. Nevertheless, we note that the Chinese government has maintained its GDP growth target at 7.5% for this year which, according to our Chinese economist, will likely require some amount of fiscal stimulus and credit easing. If this materialises, the pick-up in Chinese demand will likely be positive for commodities, especially for the base metals and bulk markets.

Gold prices may correct before heading higher.

Precious metals prices have had a strong start this year, with gold rallying 12% in the first two months of the year. While our year-end price for gold stands at US$1450/oz, we see the potential for some softness in prices to below US$1300/oz in the near term, notwithstanding the safe haven demand that has supported prices recently. Chinese gold demand has slowed significantly in response to higher prices, as seen from the sharp difference between Shanghai and London gold prices in recent weeks.

However, broader sentiment towards gold appears to be turning more positive. Physical gold holdings of exchange traded funds have stabilised after falling by more than 30% in 2013. See chart. Speculators have also increased their long positions amid further short covering, taking the non-commercial net long position to 141k contracts, the highest since February 2013.

SPDR Gold Trust Gold Holdings (Metric Tons)



Source: Bloomberg. March 2014.

While iron ore prices could see some reprieve, the upside is likely to be limited.

Iron ore prices fell in March in response to the slump in China's February exports, as well as to reports that iron ore stocks in China have risen to their highest level since 2006. Credit worries and default fears in the Chinese steel sector have not helped. The heavily cash-strapped steel sector has had to pull back on operating levels as a result of insufficient working capital.

Nevertheless, our commodity strategists are more upbeat about prospects in the coming months as seasonal demand improves. Declining Chinese steel inventory also help to support oversold steel prices, and ultimately iron ore and coking coal prices. That said, the upside for iron ore prices may be limited in the face of ample supply and rising seaborne supply. The outlook for coking coal, on the other hand, looks more positive.

The energy market remains one of our preferred commodity markets for 2014.

The energy market remains one of our preferred commodity markets for 2014, given its strong leverage to better global market growth. At the same time, stronger demand from China is supportive of crude oil prices amid higher construction activity going into 2Q14. US motorists are also moving towards their summer driving season, which should see stronger gasoline demand. Notably, the Energy Information Administration (EIA), and the International Energy Agency (IEA) recently raised their 2013-2014 consumption projections on the back of better demand from the OECD countries.

On the supply front, OPEC output fell under 30 million b/d in January for the first time since October 2010, with Libya in particular suffering another bout of supply disruptions. Geopolitical risks in Venezuela, parts of Northern Africa and contagion from the recent tension in the Ukraine will continue to support Brent. Iranian nuclear disarmament discussions are progressing steadily, however significant Iranian output is unlikely to be a factor in the near term, but may be something to look out for later in the year.

Tighter supply conditions may be supportive for base metals.

Copper has been the laggard despite consistent declines in LME stocks over the past 12 months. That said, the 75kt decline in LME copper stockpiles since early January has been completely offset by the corresponding 75kt increase in Shanghai stockpiles over the same period. The perceived increase in inventory financing activity in China has put a cloud over the total supply overhang of copper in the market at present. But with most of this priced in, we see mild upside for copper prices over the months ahead as Chinese seasonal demand improves.

Currencies

The market's ongoing focus on China's growth transition and shadow banking system is expected to weigh on the AUD.

USD – The softness in the US numbers in the early part of the year surprised us. While partly weather induced, we note that much of the consolidation in the data had occurred before the weather became unseasonably cold. However, US data surprises have been declining since December. Going forward, we believe a turn in the US numbers is needed to assure markets that the soft patch in the US economy is only temporary. Nevertheless, given our reversification theme, we still expect the USD to outperform the peripheral currencies.

EUR – The euro responded positively to the ECB's decision to leave policy unchanged in early March. The Eurozone recovery, although fragile, is gathering momentum and the lagged effects of easy monetary policy appear to be taking effect. As such, only an unexpected weakening in activity or a further unanticipated drop in inflation is likely to prompt the ECB to ease.

Importantly, ECB governor Draghi stressed during the press conference that the central bank does not have an exchange rate target although he acknowledged that the rise of the currency was one of the factors keeping inflation low.

The demand for the common currency remains strong as the resilience of the euro area is attracting strong capital inflows. Despite the contraction in credit, the economy is recovering with some PMIs within the euro area reaching their highest levels in 2.5 years. This demonstrates the benefits of structural reform-enhanced competitiveness and the large balance of payments surplus.

According to our currency strategists, while there is always risk that monetary policy may be eased further, they believe that the best way to support the economy further would be to fix the banks and restore the flow of credit.

GBP – While waiting to confirm that the UK unemployment rate fell below 7% in 1Q14, the BoE has updated its forward guidance. The central bank believes that there is sufficient spare capacity in the economy not to have to raise interest rates for a considerable period of time following a breach of the 7% unemployment threshold. They stress that there is, as yet, insufficient evidence of a self-sustaining recovery in jobs, income and spending. Therefore interest rate increases, when they come, will likely be very gradual.

With regard to the impact of a strong sterling on exports, the BoE noted that while exports rose only 0.1% in 4Q13, imports fell 1.7%, causing little deterioration in the trade balance. Our currency strategists therefore see little opposition to GBP strength from the BoE. They believe that a strong currency will help to anchor inflation expectations and keep downward pressure on interest rates. We continue to look for moderate sterling gains across the board in coming months.

JPY – The BoJ meeting in March passed without further easing, as expected. However, further BoJ easing in the coming months is widely expected, which could be negative for the yen.

AUD – The AUD has held up remarkably well in February despite US rates rising once again and Chinese growth concerns driving commodity prices lower. Part of this has been driven by the market re-adjusting its outlook for the Australian economy. Q4 GDP growth came in slightly above expectations at 0.8%, with annual growth rising to 2.8%. Importantly, the major surprise was stronger-than-expected consumer spending. Meanwhile, the emerging recovery in jobs advertisements and tourism was also positive for sentiment.

However the RBA has recently indicated that the exchange rate remains "high by historical standards", reflecting the Bank's preference for a lower AUD over any further reduction in interest rates. Our currency strategists expect the AUD to resume its decline over the course of 2014, as the market's focus shifts. While the AUD thrived in the post-crisis world amid the search for positive real yields and healthy fiscal balances, we believe that, going forward, currency markets will be more focussed on China's growth transition and the government's handling of its shadow banking system. The result is a likely increase in the AUD's risk premium.

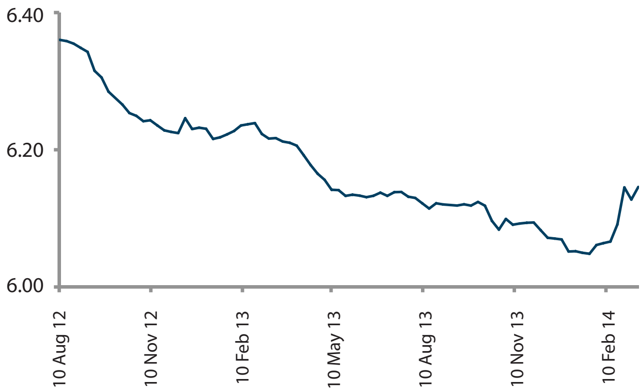
NZD – We expect the NZDUSD to remain elevated through to at least mid-year, supported by RBNZ policy settings, commodity prices and a solid growth outlook. The higher cash rate will ensure that the NZD remains attractive until such time as the market begins to believe that the RBNZ has successfully slowed down the NZ economy.

The second half of the year may be a different story. A slow depreciation against the USD as the recovery takes hold in the US over 2014.

More yuan weakness can be expected in the near term, given current bearish sentiment towards the currency, and if the last band widening experience of the yuan is any guide.

CNY – The CNY fell more than 1% in February, triggered by weaker PBoC CNY fixings. See chart. We believe that the PBoC may be trying to introduce two-way fluctuations in the RMB exchange rate, so as to curb the suspicious capital inflows embedded in foreign trades via export over-invoicing and round-tripping. This appears to have worked, with China's exports contracting 18%yoy in February after a 10.6%yoy gain in January.

USDCNY



Source: Bloomberg. March 2014.

Meanwhile, the People's Bank of China has announced that the yuan trading band will be widened from +/-1% to +/-2%. Given current bearish sentiment towards the currency, and if the last band widening experience in 2012 is any guide, further yuan weakness cannot be ruled out in the near term.

In addition, there is risk that further unwinding of structured products, which had been sold in the past year to benefit from yuan appreciation, could cause an overshoot in the USDCNH.

INR – The INR has continued to benefit from the RBI's monetary tightening and a faster improvement in the current account. At the same time, the run of weak US data in January/February has capped US yields and weakened the USD. This has helped revive portfolio flows into India, particularly in the bond market.

For now, we remain watchful of a possible roll-back of some gold import curbs which could negatively impact the current account. At the same time, we see much optimism built into asset markets on the back of a BJP win in the upcoming elections, which could unravel if faced with a different outcome. Finally, while the recent episode of weak US data has provided some reprieve, we believe that global capital flows could once again present challenges for India, as the Fed continues on its tapering course.

IDR – The recent improvement in Indonesia's external balance has been supportive of the currency, although the trade deficit in January highlights its monthly volatility. Meanwhile, we expect Bank Indonesia to be on a prolonged hold at 7.50%. We believe that US asset markets will appear more attractive than their Asian counterparts should the US data improve and the Fed stays on track with its QE tapering. This could weigh on the medium term outlook for the IDR.

SGD – Singapore's inflation remained low in January (+1.4%yoy), despite a Lunar New Year pick up in food prices. Headline inflation continues to be weighed down by falling private transportation costs, while contribution from accomodations is also moderating. Our economists expect headline inflation to average 3.3% yoy in 2014, up from 2.4% in 2013. The next policy meeting will be in April 2014 and we are not expecting any change in the policy direction.

TWD – The government raised the GDP forecast on the back of expectations for a sustainable global recovery in 2014. Meanwhile, inflation is expected to remain below 1%yoy in 1H14 and gradually rise in the second half of the year. Against this backdrop, the central bank is likely to keep interest rates unchanged for most of 2014, barring a potential rate hike in December.

Returns

Country Equity Markets	YTD	1-Yr	3-Yr
ASX 200	1.0%	5.9%	11.9%
FTSE 100	0.9%	7.1%	13.6%
Hang Seng	-2.0%	-0.8%	-2.1%
India Sensex	-0.2%	12.0%	18.5%
Jakarta Comp	8.1%	-3.7%	33.1%
Korea KOSPI	-1.6%	-2.3%	2.1%
Malaysia KLCI	-1.7%	12.1%	23.1%
Nikkei 225	-9.5%	27.5%	38.8%
S&P 500	0.6%	22.8%	40.1%
Shanghai-A	-2.8%	-13.1%	-29.2%
Singapore ST	-1.8%	-4.9%	3.3%
Taiwan Weighted	0.3%	9.4%	0.5%

Regional Equity Markets	YTD	1-Yr	3-Yr
MSCI World	0.4%	15.7%	18.9%
MSCI Europe	2.9%	22.0%	16.1%
MSCI BRIC	-5.8%	-11.5%	-24.6%
MSCI Emerging Market	-3.6%	-8.4%	-12.8%
MSC AP ex Japan	-1.1%	-3.8%	-0.1%

Fixed Income	Yield	1-mth chg	YTD chg
Aust Govt (10Y)	4.02	2	-22
Bunds (10Y)	1.62	-3	-31
Gilts (10Y)	2.72	1	-30
JGB (10Y)	0.59	-4	-16
NZ Govt (10Y)	4.56	0	-16
SG Govt (10Y)	2.46	0	-10
US Trsy (2Y)	0.32	-1	-6
US Trsy (10Y)	2.65	0	-38

Currencies	Level	1-mth chg	YTD chg
USD-JPY	101.80	0.2%	3.3%
EUR-USD	1.38	2.3%	0.4%
AUD-USD	0.89	1.9%	0.1%
USD-SGD	1.27	0.7%	-0.4%
NZD-USD	0.84	3.7%	2.1%
GBP-USD	1.67	1.9%	1.1%
USD-CAD	1.11	0.6%	-4.2%
USD-TWD	30.32	0.0%	-1.7%
USD-IDR	11610.00	4.9%	4.6%
USD-INR	61.76	1.4%	0.1%
USD-KRW	1067.60	1.2%	-1.7%

Commodities	Level	1-mth chg	YTD chg
Copper	7010	-0.8%	-4.8%
Gold	1322	6.6%	9.9%
WTI Oil	103	5.2%	4.2%

Source: Bloomberg. As of 28 February 2014.

Forecasts

Precious Metals (US$/oz)	Jun-14	Sep-14	Dec-14
Gold	1350	1400	1450
Platinum	1463	1492	1529
Palladium	750	765	784
Silver	22.5	23.3	24.2

Energy (US$/bbl)	Jun-14	Sep-14	Dec-14
WTI Nymex	103	100	102

Currencies	Jun-14	Sep-14	Dec-14
USD-JPY	107	110	110
EUR-USD	1.39	1.40	1.42
GBP-USD	1.70	1.72	1.73
AUD-USD	0.84	0.84	0.84
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	1.02	1.05	1.08
AUDSGD	1.08	1.09	1.10
NZDSGD	1.06	1.04	1.02
EURSGD	1.79	1.82	1.86
SGDJPY	82.95	84.62	83.97
GBPSGD	2.19	2.24	2.27
AUDIDR	10332	10416	10500
NZDIDR	10086	9920	9750
EURIDR	17097	17360	17750
JPYIDR	115	113	114
GBPIDR	20910	21328	21625

Source: ANZ Economics & Markets Research. As of 20 Feb 2014. Forecasts are quarterly averages.

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