

Markets Monthly

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Mixed effects of a weaker yen

Short of a currency war, Japan's policy to weaken the yen may have important but contrasting ramifications for Asian economies and markets.

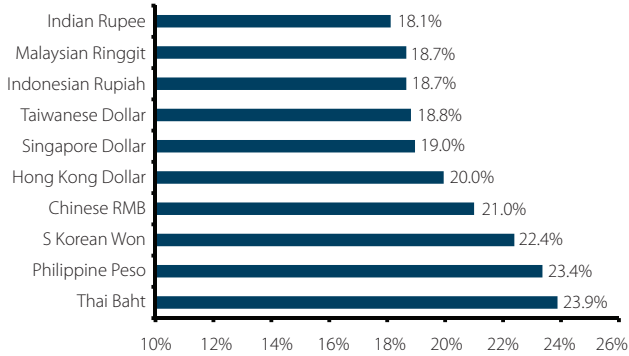
The yen has lost almost a fifth of its value against the USD since early October, the result of Japanese Prime Minister Shinzo Abe's blend of monetary and fiscal stimulus, otherwise known as "Abenomics". By facilitating this yen softness, the prime minister appears to be closer to delivering on his goal to boost domestic growth.

However, Japan's astounding equity market rally aside, growth challenges still abound. Take for example the BoJ's new inflation target of 2%. Despite this, the central bank retains its conservative inflation forecasts of 0.4% for FY13 and 0.9% for FY14, seemingly to acknowledge the difficulty in eradicating deflation.

This said, the BoJ could do more, and the early departure of BoJ governor Shirakawa paves the way, at least potentially, for more aggressive easing by the central bank. On the other hand, Japan may not be able to ignore the chorus of protests that its policy shift has already elicited from global policy makers. Jean-Claude Juncker, president of the Eurogroup of Finance ministers, and French Prime Minister Hollande are not alone in voicing their strong concerns over the euro's loss of competitiveness against the yen.

Asian governments are also growing increasingly wary. They have seen their currencies climb 18-24% against the yen in the last four months (see chart), with perhaps more strengthening to come. In our view, global risk aversion will have to escalate meaningfully for the yen's safe haven status to be restored, which is not our central scenario.

Asian Currency Movements against the JPY (1 Oct 2012 - 8 Feb 2013)



Source: Bloomberg, As of 8 Feb 2013.

We think therefore that the current yen weakness is likely to be sustained, and this could have important ramifications for Asia. On the macro front, ANZ analysts believe that Korea could suffer from a loss of competitiveness, with 32% of Korean exports competing against Japan's top export products including autos, ships and specialised machinery. On the other hand, as one

of Japan's largest importers in Asia, Taiwan is a potential benefactor. In fact, some of Taiwan's high tech sectors import more than 50% of its components from Japan.

Overall, given abundant global liquidity and signs of improvement in Asia's economic momentum, we expect the region to continue attracting capital flows over the course of the year. We therefore remain constructive on Asian currencies in the medium term, despite the possibility that Asian governments will implement currency-smoothing operations to manage their currency appreciation.

Asean countries in particular appear to be less vulnerable to yen weakness. Thailand, a production hub for Japan's auto industry, could benefit if Japan's auto makers were to gain market share. Malaysia and Indonesia too look set to benefit from stronger Japanese demand for its fuel and lubricant exports. All this, of course, assumes – but does not confirm – that growth will lift in Japan.

Investment Summary

Equity markets have enjoyed a re-rating over the past 8 months, driven by investor relief that their worst fears have not materialised. However, given the advanced gains in a relatively short period time, we ask ourselves, where do markets go from here? Troubling us is the fact that fundamentals have only improved modestly, and tail risks have only dissipated but not disappeared.

Nevertheless, while it would be reasonable to expect prices to correct after such a strong rally, we have reason to believe that the current momentum is not yet spent.

For one, the Fed is likely to anchor interest rates until US employment improves markedly which should continue to fuel risk assets for some time. The recovery of investor sentiment is from highly depressed levels, and nowhere near euphoric yet. Finally, valuations of equities remain compelling relative to bonds.

Under such circumstances, while we would not rule out bouts of market volatility as a result of upcoming European elections or ongoing US debt negotiations, these could present buying opportunities for the bond-heavy investor.

In the fixed income space, Fed governor Jeremy Stein issued a timely reminder recently that the risks associated with high yield bonds have risen, a stance we share. In particular, the increased issuance of longer dated maturities and lower rated credits are viewed as a concern. We continue to favour higher quality corporate bonds over sovereigns.

As for currencies, a peak in the USDJPY is expected only if global risk aversion escalates meaningfully, or the eventual choice for Bank of Japan governor disappoints market expectations for radical policy easing. This said, it will be difficult to time the peak, and we would prefer to take positions in currencies that are backed by strong fundamentals but have weakened in the face of the yen's depreciation. This would include the AUD, PHP, CNY and INR.

Finally, commodity markets have already priced in a fair bit of positive news. Price gains could therefore slow in the second half of the year. The outlook for industrial metals appears the most encouraging, with energy and agricultural markets likely to be held back by stronger supply gains.

After a strong start to 2013, equity markets could see some short term volatility. Nevertheless, a gradual recovery in the global economy and still accommodative monetary conditions suggest that risk assets have the capacity to trend higher over the medium term.

We remain constructive on the US equity market over the medium to longer term. The US economic recovery appears to be grinding along, which could help sustain modest earnings growth. The refinancing of debt at lower interest rates is also expected to support US corporate profitability for some time. This could help offset the potential margin pressure, and the impact of spending cuts in the latter part of the year.

Furthermore, while retail inflows into the US equity market continued unabated in January, investor sentiment does not appear to have reached euphoric levels, suggesting that the market can run further. Finally, valuations appear fair relative to long term averages, and attractive relative to bonds.

Having outperformed global equity markets over the last six months, European markets may be in for a breather. We note that the rally to date has been largely fuelled by relief over the continued survival of the European Union. Meanwhile, the macro picture for Europe remains recessionary, albeit accompanied by some improvements at the margin. An example of the latter is the significant reduction in the eurozone's external imbalance, with Greece, Ireland, Portugal and Spain showing improvements in their current accounts. Sovereign bond yields in the periphery have also stabilised, courtesy of Draghi's Open Market Transaction (OMT) programme.

This said, investors should not lose sight of the fact that the market has re-rated without any significant earnings recovery, pushing up valuations. A number of corporates have even resorted to cutting dividends in recent months and further pruning of dividends cannot be ruled out. The market may be unable to hold onto its gains should earnings continue its decline.

The Japanese market, on the other hand, has seen a spectacular rally of close to 30% over the last three months, and may have more to offer over the medium term. Taking into account the yen's depreciation, returns in USD are a more modest 10%. Not surprisingly, the market appears

overbought in the near term, and the rapidly falling yen reduces the market's appeal for foreign investors. However, once the yen finally stabilises, this long under-rated market may be worthy of a close look.

Those who do so may be pleasantly surprised to find that long term inflationary expectations have started to rise meaningfully in Japan. In addition, Japan's moribund consumer confidence index jumped in January to its best level since August 2007 (see chart). A growth pick up in Japan could provide scope for margins and earnings to lift off from currently depressed levels, bolstering market gains.

Japan Household Consumer Confidence Index (Jan 09 - Jan 13)



Source: ANZ. Bloomberg. Feb 2013.

Among the emerging markets, we continue to favour Asia. The macro pulse in this region shows tentative albeit uneven improvement, with China experiencing a stronger rebound in exports than the rest of the region. Consumption indicators declined in some Asean economies but appear broadly stable, while inflation appears benign across the region.

China/Hong Kong – We remain slightly positive on China although cloudy macro readings post the Chinese New Year holidays could weigh on sentiment in the near term. Given the extent of the market rally over the last couple of months, a rebound in earnings and/or positive newsflow on China's structural reforms may be needed for the market to move higher. Meanwhile, inflationary pressures bear monitoring, as premature tightening by the authorities could put a stop to the market's uptrend.

India – We remain neutral on the India market, although we acknowledge that the government has made some progress towards reforms since the start of the year. For one, the move to deregulate diesel prices is expected to help reduce the government's fiscal deficit. The delayed implementation of controversial tax rules is also aimed at easing foreign investor concerns. Nevertheless, event risks are high, with a number of states going to the polls over the next few months. The Indian parliament will also be debating the foreign investment limit for the insurance sector. We prefer to adopt a wait and see approach for now.

Korea – The Korean market underperformed its Asian peers in January, as the yen's decline stoked investor concerns. With Korea competing directly with Japan in the auto, ship building, home appliance and electronics sectors, investors have translated the yen's depreciation as a loss of competitiveness for Korean corporates. Nevertheless, we remain slightly positive on the Korean equity market and believe that a recovering global economy would potentially offset the impact of a weaker yen.

Taiwan – We have turned more constructive on the Taiwan equity market. A weaker yen could boost margins for selected sectors given the high percentage of imported components from Japan. At the same time, the banks could enjoy new revenue streams following the recent launch of their RMB business. Our more benign outlook for the global economy also suggests better times ahead for Taiwan's chemical companies, which were last year's laggards. Valuations for the technology supply chain is also more attractive, after the sell-off following Apple's disappointing guidance and earnings results.

Singapore – The outlook for the Singapore has turned more challenging. The latest property measures are likely to cool the property market, potentially affecting the mortgage-related earnings of the banks. Notably, mortgage lending in Singapore grew at double-digit rates every month for the last 41 months, as borrowers took advantage of the abnormal negative real mortgage rates. Meanwhile inflationary pressures appear sticky, prompting the central bank to keep the SGD elevated. This has hurt Singapore's export competitiveness.

Malaysia – We retain a neutral outlook in view of the upcoming general elections, which are widely expected to take place sometime in 1Q13. With first time voters accounting for 22% of the total electorate, the election outcome is still uncertain, and could weigh on stocks as investors choose to wait on the sidelines.

Philippines – Over in the Philippines, consumption and earnings have been underpinned by stronger than expected overseas remittances. Modest inflation and ample liquidity also provide a conducive backdrop for growth. While we acknowledge the attractive fundamentals, valuations are our key concern, as the market is currently the most expensive market in Asia. Investors seeking exposure may want to exercise some patience and wait for market dips.

Indonesia – Inflation may edge higher given the recent hikes in electricity prices and minimum wages, prompting the central bank to hike rates. In the near term, stronger demand and higher commodity export prices may reduce Indonesia's current account deficit, boosting both the currency and investor sentiment. However, current fuel subsidies are widening Indonesia's oil and gas deficits. Structural reforms to remove these subsidies could be a potential trigger to upgrade the market but with elections due in 2014, measures leading to fuel price hikes are unlikely to take place this year.

Thailand – The country's role as a production hub for the Japanese auto makers could see a boost if the latter is able to reap the benefits of a weaker yen. While there may not be many listed companies able to cash in on this development, potential positive effects could spill over to the domestic demand and related sectors. The Thai market's valuations are also currently the most attractive within Asean.

Market	6-12 month view
China	Slightly positive
Hong Kong	Neutral
India	Neutral
Indonesia	Neutral
Korea	Slightly positive
Singapore	Neutral
Taiwan	Slightly positive
Thailand	Slightly positive

Source: ANZ, Feb 2013.

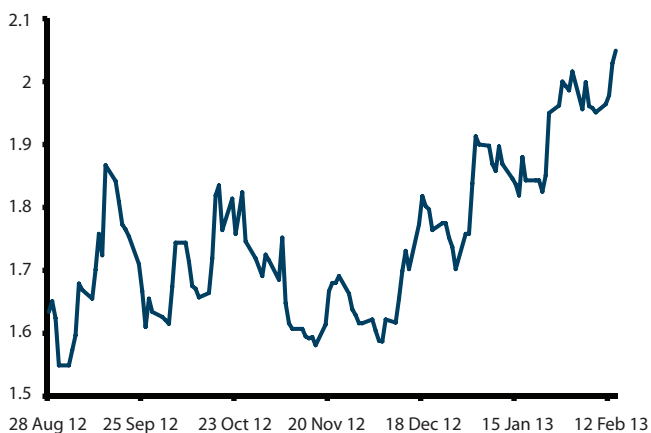
Fixed Income

While global bond yields rose in January, we are reluctant to view this as the beginning of the end for fixed income assets. Global economic and political uncertainties suggest that high quality fixed income assets still have a role to play in investors' portfolios.

Nevertheless, the rally in bond markets is mature and yields could trend higher in the medium term, especially if the economic momentum continues to build. In such an environment, corporate bonds can be expected to outperform sovereigns. Notably, given the low bond yields offered by US Treasuries and other core government bonds such as Bunds and Gilts, it would not take a large rise in bond yields for returns to turn negative.

Over in the US, although US activity data has improved, the Fed seems intent on staying accommodative well after the economic recovery has taken hold. Nevertheless, we have likely seen the low in US Treasury bond yields. In fact, we think that the new floor for 10-year Treasury bond yields is around 1.70%, although we do not see the 10-year yield rising above 2.20% over the course of the year.

US 10-year Treasury bond yield (28 Aug 2012 - 14 Feb 2013)



Source: ANZ, Bloomberg, 14 Feb 2013.

We retain a quality bias within US corporate bonds, and would draw attention to Fed governor Jeremy Stein's warning of a potential bubble in speculative-grade US bonds. The Fed's accommodative policy appears to be fuelling a scramble for yield among US investors. Moody's also noted that the covenants on recently issued speculative grade bonds were the weakest in two years.

Meanwhile, the Australian bond market has sold off since September 2012 and now potentially offers an attractive entry point for investors who are looking to "insure" their portfolios against equity dips. In bonds' favour is the RBA's easing bias. In fact, rate cuts may exceed current market expectations given the slowing domestic economy and rising unemployment rate.

Australia's high yielding and strong AAA credit rating are also likely to remain in demand, and the recent government bond tenders are showing continued strong investor interest. Any unwinding of safe haven demand by investors is therefore expected to have a smaller impact on Australian versus other government bonds, with the exception of New Zealand government bonds.

In our view, the latter also offer good defensive traits, given that NZ has the highest yields of any G10 government bonds, and offshore demand looks set to continue into 2013. The high NZD and low inflation are likely to help offset the expansionary impact of the Christchurch rebuild and buoyant Auckland housing market. The RBNZ would probably resort to prudential policy measures to cool the housing market rather than raise interest rates. Supply is also tight, with the issuance of government bonds expected to fall to US\$600m/month in 2013 from US\$1b/month in 2012.

The fundamentals for New Zealand corporate bonds remain positive, but investors may want to wait for better valuations. On the supply front, there could be US\$4b of corporate bonds maturing in the first half of 2013, potentially reducing the supply of good quality bonds in the market. At the same time, Kiwisaver (a retirement saving scheme) inflows are likely to underpin long term demand for New Zealand fixed income going forward.

Within Asia, bonds are likely to deliver a positive performance in 2013, although returns may be lower than last year. The search for yield, coupled with improving Asian macros, is likely to see a rising level of participation by financial institutions, private banks and retail money in the Asian bond market. On the other hand, supply is expected to moderate after a record issuance in 2012.

A potential upgrade to investment grade status could buoy both Philippines and Indonesian sovereigns and quasi-sovereigns. In addition, corporate bonds in the state-owned Chinese/Thai oil & gas sectors possess relatively defensive characteristics, while offering investors a healthy yield pick up. Conversely, India needs to demonstrate continued progress on its reforms and deficit reduction plans to attract foreign investment and divert the risk of being downgraded. Finally, we remain cautious on Asian high yields, based on our view that current valuations no longer commensurate with the potential risks.

Commodity markets had an upbeat start to the year but having priced in a fair bit of good news, could show slower gains in the second half of the year. We currently favour industrial metals, while energy and agriculture markets are expected to be held back by supply factors.

Oil demand is forecast to grow very marginally in 2013, as stronger demand in the US and China is offset by slower growth in Europe and India. In particular, we expect China to increase its crude oil imports and strategic stockpiling given mature domestic oil fields and lack of new discoveries.

Meanwhile, OPEC supplies could rise this year in line with demand, although we expect Saudi Arabia to continue to exercise supply discipline. This year's geopolitical risk premium is likely to be around US\$10-15/bbl. Already lower than last year's, this premium could be further eroded should current sanctions on Iran be removed.

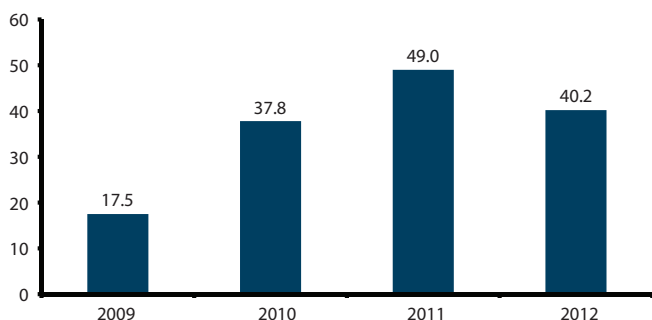
Outside Iran, the greatest supply risks in 2013 come from Libya, Algeria and Nigeria. Sudan is awaiting a revenue sharing agreement before it can start supplying the market. Finally, any increase in Iraq's output is likely to be highly volatile. Our Dec 2013 forecasts for Brent and WTI are US\$118/bbl and US\$99/bbl respectively.

India's new import duties are unlikely to dampen the demand for gold. Meanwhile, China's rising inflation, coupled with a strengthening RMB, could revive demand for the precious metal.

The Indian government raised import duties on gold again, this time from 4% to 6%, in an effort to reduce the country's gold imports and rein in India's current account deficit. The world's second largest consumer of gold, India's 969 tonnes of gold imports in 2012 accounted for around 60% of its current account deficit and about a third of global gold mine output (see chart).

In 2012, new gold import duties of 4%, coupled with a weak rupee, helped to lower the volume of gold imports by about 20-25%. In view of the recent tax hike, we expect demand for pure, a semi-pure gold product (which attracts a much lower duty of 1%) to rise. Black market activity could also increase. Overall, the amount of gold entering India is likely to remain elevated.

India gold imports (USD b)



Source: World Gold Council weight data for 2009-2011 and All India Gems & Jewellery Trade Federation weight estimates for 2012.

RMB and rupee strength will also help lower the cost of imported gold in the world's top two consumers. At the same time, inflation in China could revive demand for a hedge against low or negative real interest rates.

As such, although we have trimmed our near term gold forecast, our end 2013 target of US\$1890/oz remains unchanged. Investors have trimmed their gold positions on optimism of a global recovery, an exercise which we expect to be completed by the first half of the year, thus allowing prices to accelerate in the second half.

On the other hand, we expect silver prices to experience significant volatility during the year. Investment demand for silver is expected to expand in 2013, contributing to an overall 6% demand growth for the metal. However, should investment demand push prices beyond US\$40/oz, we caution that the retracement could be swift. Meanwhile, demand from the solar industry is vulnerable to substitution once prices edge above US\$30/oz.

We think supply shortages will lift platinum prices in 2013. Operating losses suffered by Anglo American Platinum, the world's largest producer of platinum, raise the possibility of capacity closures, which could trigger labour unrest and disrupt production.

The company posted an operating loss of US\$705m in 2012, after making a profit of more than US\$1b in 2011, following two months of wildcat strikes at its South African plants.

Palladium is our top pick among the precious metal group amid a combination of heightened demand and faltering supply. Russian stockpile sales, which have historically contributed about 5% to global supply, are likely to end this year. In addition, mine supply from Russia, which accounts for about 45% of global supply is also expected to moderate. Output from South Africa, which accounts for 33% of global supply, could also be adversely affected by labour unrest emanating from the platinum industry.

Meanwhile, attractive prospects for gasoline automobile sales are likely to drive demand for palladium, which is used in catalytic converters. The ageing US vehicle fleet is ripe for replacement and car sales may rise if economic confidence and job security grows. Chinese auto demand could also recover once 2012's excess inventories have been run down.

The recent strong gains in iron ore prices suggest a peak in 1Q13, although prices are not expected to fall significantly. We see copper prices rallying steadily to end the year around US\$8930 tonne, supported by improving housing markets in the US and China.

Chinese traders are likely to replenish iron ore inventories in 2Q13. Other regions are also expected to register small improvements in demand, with possibly even Europe eking out a modest gain for the first time in three years. On the supply side, we see stronger exports from Australia. Brazil too is likely to contribute more, following completion of project expansions in 2014. We see spot iron ore prices averaging US\$143/tonne in 2013.

Global copper demand is expected to be driven primarily by a rise in Chinese consumption, although some of the copper inventory built up last year could return to the market and displace China's import demand in the short term. This broadly positive demand dynamic is somewhat tempered by rising mine supply. In fact, copper supply is expected to surpass demand in 2013, after two years of deficits, resulting in a further surplus in 2014.

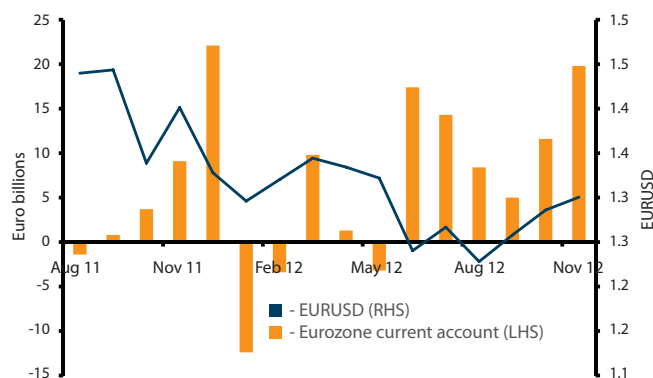
Currencies

Against the backdrop of a softer USD, we see the euro scaling greater heights. While news of the region's structural problems and upcoming elections could spook the market, it is reasonable to assume that the worst of its debt crisis is past.

We expect the USD to stay soft despite the stronger US economy. Besides the Fed's accommodative stance, record purchases of US Treasuries, amounting to US\$2 trillion between mid 2008 and end 2012, are unlikely to persist during a global recovery. The US's trade deficit also historically deteriorates as the global trade cycle improves, again weighing on the USD.

Over in Europe, we see good prospects for a firmer euro, amid receding risks of a currency union collapse. The resolve of national governments to adhere to their budgetary commitments appears sound, and current accounts are seeing sustained improvement (see chart). We believe that the worst of Europe's downturn is over, and the pick up we are witnessing in Germany should translate into improved activity for the broader euro area.

Eurozone current account (EUR billions) vs EUR



Source: Bloomberg. ANZ, Feb 2013.

Not surprisingly, the EUR's recent rise against the JPY has attracted some concern over the potential impact on Europe's exports, a bright spot for the eurozone in 2012. That said, Japan only accounted for 2% of euro area's exports last year. More worrying is the common currency's rise against the GBP, given that the UK accounted for around 12% of euro area exports, although we expect the improving competitiveness in Spain and other periphery countries to provide some offset.

That said, the unit labour costs in France have proven sticky despite the downturn, which is hurting the economy. Going forward, the sluggish French economy could be enough of a concern to dampen market sentiment. The upcoming elections in Italy and Germany could also spook markets, although we expect policies to remain euro friendly. We also see the risk of an ECB rate cut later this year, particularly if domestic demand stays subdued, and the stronger currency continues to temper inflationary pressures. On balance, we stay positive on EUR and see it heading towards 1.37 by mid-2013.

Meanwhile, the JPY could be in store for a temporary pullback. Notably, its recent moves have been driven mainly by expectations rather than fundamentals such as changes in money supply or interest rate differentials. However a more enduring correction would require a meaningful fall in global sentiment aversion or possibly, substantial market disappointment in the choice of governor for the Bank of Japan.

With safe haven flows into Australian government debt moderating in line with an improving global economy, we expect Foreign Direct Investments (FDI) in liquefied natural gas (LNG) and increasingly, real estate, to be key pillars of support for the AUD in the medium term. Notably, committed LNG investments amount to around AUD 90 billion over the next two years, with the bulk of these projects almost entirely foreign owned and funded. At the same time, official approvals

appear to suggest that the future investment in domestic residential and commercial real estate could match, and even surpass, mining investment. As such, despite the anticipated peak in the mining boom, we see the AUD staying elevated at around 1.05.

RBA's policy stance going forward would be dependent on labour market conditions and the outlook for non-mining investment. Meanwhile, inflationary pressures remain muted and should not prevent the RBA from easing further, if desired. We have pencilled in 50 basis points of rate cuts over the course of the year.

The NZD is set to remain elevated, courtesy of USD weakness and continued offshore investment in NZ bonds. That said, it could be difficult for the currency to push significantly higher from current levels, as valuations are already somewhat stretched, and a strong NZD has started to hurt exports. On the interest rate front, we see the Reserve Bank staying put for the year, as growth impetus from a stronger global economy and the Christchurch rebuild has been offset by fiscal consolidation and a weak labour market. We have a 0.84 forecast for the NZDUSD come June 2013.

Asian currencies could be in for a period of consolidation in the near term, as investors mull over the impact of JPY weakness and potential currency intervention. This does not distract us from our medium term constructive outlook, given our expectation of continued capital flows into the region.

RMB – We are looking for the renminbi to appreciate modestly, with ANZ's end-2013 forecast standing at 6.10. China's growth profile stabilised in 4Q12 and is expected to pick up, causing capital flows to return. This said, we are sensitive to the fact that the PBoC will resist any drag on exports resulting from an overly strong currency.

INR – We are cautiously optimistic on the rupee. Reform momentum appears to be picking up, and the recent deregulation of diesel prices could help to reduce the government's subsidy bill by 0.15% of GDP. The government may push ahead with more fiscal measures before the budget announcement in late February. A credible budget will help India avert a potential credit downgrade. We see the USDINR heading towards 52.5 by June 2013.

IDR – We think that Indonesia could see an improvement in its trade account balance boosted by a modest recovery in commodity prices, coupled with a growth pick up among its trading partners. However, the improvement is likely to be short lived unless structural reforms are undertaken. Fuel subsidies have raised Indonesia's dependence on energy imports, widening the oil and gas trade deficit. Our June 2013 forecast for the IDR stands at 9900.

SGD –The SGD could underperform other Asian currencies in 2013. Recent measures to cool the Singapore property market is expected to temper foreign demand for Singapore property, and weigh on the SGD. Singapore's growth outlook is also likely to moderate as high labour and transport costs keep inflation high, adding to business costs. At the same time, safe haven demand for the SGD could wane amid an improving global macro backdrop. Our June 2013 forecast for USDSGD is 1.20.

TWD – Taiwan launched its offshore yuan market (CNT) in early February with much fanfare. Local sources estimate that the total CNT deposits garnered on launch day amounted to CNT1.5 billion. Going by Hong Kong's yuan deposits, which account for about 9% of total bank deposits, we believe that CNT deposits have the potential to surpass 300 billion (or USD 50 billion). This could in turn put upward pressure on the USDTWD over the medium term, as Taiwanese residents exchange their TWD for CNT. We expect the USDTWD to average 29.4 by June 2013.

Returns

Country Equity Markets	YTD	1-Yr	3-Yr
ASX 200	4.9%	14.5%	6.8%
FTSE 100	6.4%	10.5%	21.0%
Hang Seng	4.7%	16.4%	17.9%
India Sensex	2.4%	15.7%	21.6%
Jakarta Comp	3.2%	13.0%	70.6%
Korea KOSPI	-1.8%	0.3%	22.4%
Malaysia KLCI	-3.6%	7.0%	29.3%
Nikkei 225	7.2%	26.5%	9.2%
S&P 500	5.0%	14.1%	39.5%
Shanghai-A	5.1%	4.0%	-20.2%
Singapore ST	3.6%	12.9%	19.6%
Taiwan Weighted	2.0%	4.4%	2.7%

Regional Equity Markets	YTD	1-Yr	3-Yr
MSCI World	4.5%	12.1%	24.0%
MSCI Europe	5.7%	16.4%	12.7%
MSCI BRIC	4.2%	1.3%	0.8%
MSCI Emerging Market	1.3%	4.9%	14.5%
MSC AP ex Japan	2.6%	10.5%	22.6%

Fixed Income	Yield	1-mth chg	YTD chg
Aust Govt (10Y)	3.45	13	18
Bunds (10Y)	1.68	37	36
Gilts (10Y)	2.10	28	27
JGB (10Y)	0.75	-4	-4
NZ Govt (10Y)	3.69	15	18
SG Govt (10Y)	1.42	10	12
US Trsy (2Y)	0.26	2	2
US Trsy (10Y)	1.98	28	23

Currencies	Level	1-mth chg	YTD chg
USD-JPY	91.71	-6.7%	-5.7%
EUR-USD	1.36	2.7%	2.9%
AUD-USD	1.04	0.5%	0.3%
USD-SGD	1.24	-1.1%	-1.3%
NZD-USD	0.84	2.3%	1.2%
GBP-USD	1.59	-1.8%	-2.4%
USD-CAD	1.00	0.0%	-0.5%
USD-TWD	29.55	-1.8%	-1.8%
USD-IDR	9744.00	-0.7%	0.5%
USD-INR	53.23	2.8%	3.2%
USD-KRW	1088.59	-1.7%	-2.3%

Source: Bloomberg. As of 31 Jan 2013.

Commodities	Level	1-mth chg	YTD chg
Aluminium	2091	1.4%	0.9%
Copper	8165	3.5%	3.0%
Gold	1661	0.3%	-0.9%
Lead	2431	4.1%	4.3%
Nickel	18325	6.5%	7.4%
WTI Oil	97	7.4%	6.2%
Zinc	2145	4.5%	3.1%

Forecasts

Base Metals (US\$/lb)	Jun-13	Sep-13	Dec-13
Aluminium	0.98	1.02	1.04
Copper	3.90	4.00	4.05
Nickel	8.40	8.90	9.40
Zinc	0.99	1.02	1.04
Lead	1.07	1.06	1.07
Tin	10.10	10.30	10.50

Precious Metals (US\$/oz)	Jun-13	Sep-13	Dec-13
Gold	1790	1835	1890
Platinum	1820	1835	1860
Palladium	760	780	800
Silver	33.5	35.5	36.8

Energy (US\$/bbl)	Jun-13	Sep-13	Dec-13
WTI Nymex	100	101	102

Currencies	Jun-13	Sep-13	Dec-13
USD-JPY	84	82	82
EUR-USD	1.37	1.40	1.43
GBP-USD	1.64	1.65	1.66
AUD-USD	1.05	1.05	1.05
NZD-USD	0.84	0.84	0.84
USD-SGD	1.20	1.20	1.19
USD-TWD	29.4	29.3	29.2
USD-IDR	9900	9800	9800
USD-INR	52.5	52.0	51.5

Cross Rates	Jun-13	Sep-13	Dec-13
AUDNZD	1.25	1.25	1.25
AUDSGD	1.26	1.26	1.25
NZDSGD	1.01	1.01	1.00
EURSGD	1.64	1.68	1.70
SGDJPY	70.00	68.33	68.91
GBPSGD	1.97	1.98	1.98
AUDIDR	10395	10290	10290
NZDIDR	8316	8232	8232
EURIDR	13563	13720	14014
JPYIDR	118	120	120
GBPIDR	16236	16170	16268

Source: ANZ Economics & Markets Research. As of 8 Feb 2013. Base/precious metals, energy and bulk forecasts are end of period prices. Agriculture and currency forecasts are quarterly averages.

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