



ECONOMICS & GLOBAL MARKETS RESEARCH

AUSTRALIAN ECONOMICS TOOLBOX

5 NOVEMBER 2010

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CENTRAL BANK WATCHING

- The RBA surprised markets (but not the ANZ) this week by implementing a pre-emptive rate hike of 25bp to take the cash rate to 4.75%. As a forward-looking, inflation-targeting central bank, the RBA believed it prudent to adjust monetary policy to a setting more appropriate for the strong medium-term outlook.
- While the higher currency will temper inflation in the near term, the RBA left its medium-term inflation forecasts broadly unchanged in today's quarterly *Statement on Monetary Policy*, with inflation expected to reach 3% by late 2012.
- Against this backdrop, Australian interest rates will need to move higher over the course of the economic upswing. Given the recent tightening of financial conditions however, we now look for a more gradual upward path for rates, with the RBA expected to increase the cash rate by 25bp per quarter, from Q2 2011 to bring the cash rate to 5.75% by Q1 2012 (see page 2 and 3 for further detail).
- The US Federal Reserve on the other hand extended its quantitative easing program amidst ongoing concern about stubbornly high unemployment and low inflation. The Fed intends to purchase a further USD600B of longer-term Treasuries by the end of June 2011 at a pace of around USD75B per month, broadly in line with expectations. This is in addition to its previously announced plan to reinvest principal repayments from agency debt and agency mortgage-backed securities into long-term Treasury securities, which the Fed estimates to be approximately USD250B to USD300B over the same time frame. This takes the total amount of expected Treasury purchases to USD850B to USD900B over the next 8 months. The move by the Fed does not alter our central case scenario for the Australian economy, but it does highlight considerable risks (see page 3).
- The Bank of Japan meanwhile refrained from extending its asset purchase program although did provide some more detail around its program announced on October 5, with the acquisition of JGBs to commence next week. The Bank of England and the European Central Bank left monetary policy settings unchanged.

THE WEEK AHEAD

- In Australia, labour market data, including ANZ Job Ads and official employment data will be the key given the RBA's commentary about a tightening labour market this week. Likewise, the NAB Business Survey, Westpac Consumer Confidence and housing finance data will also be closely followed as lead indicators for the RBA.
- In Asia, a host of data from Japan and particularly China will be important for the Australian economic outlook being Australia's two largest export destinations. In China, the PPI, CPI, trade balance, retail sales and industrial production will all be closely watched with growing speculation that China may need to further raise lending and deposit rates. In Japan, trade, machine orders, office vacancies, consumer confidence and leading index data will be released.
- In Europe, advance reads of Eurozone and German GDP will draw a high level of attention, as will Eurozone, German and UK industrial production data. German trade and CPI data, UK manufacturing production and the BoE's quarterly inflation report will all be released.
- In the US, a host of Fed board members will speak this week, starting with Bernanke on Sunday. Wholesale inventories, NFIB Small Business Optimism, University of Michigan Consumer Confidence and trade will all be released. On Thursday, the US has the Veterans Day Holiday, while in Canada there is Remembrance Day.

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RBA ACTS PRE-EMPTIVELY

The RBA's move to raise the cash rate by 25bp to 4.75% on Tuesday was in line with ANZ's forecast but surprised many observers. As we discussed last week, the RBA is a forward-looking inflation targeting central bank operating in an environment in which it takes between 12 to 18 months for monetary policy moves to impact inflation. In hiking, the RBA acted on its long-held view that the terms of trade and investment boom – "a large expansionary shock at a time when there are relatively modest amounts of spare capacity" – will create inflationary pressures for the Australian economy in the medium term.

In addition, the fact that there has been no significant deterioration in global indicators was important in reducing the Bank's uncertainty about the global outlook. The RBA appears particularly relieved that *"concerns about the possibility of a larger than expected slowing in Chinese growth have lessened recently and most commodity prices have firmed."*

The domestic economy on the other hand, has been evolving broadly in line with the RBA's central case scenario. While the Q3 CPI came in below expectations, this has not altered concerns about inflation pressures in the medium term. Inflation was described as being close to the low point for CPI and driven somewhat by *"unusual softness in food prices."*

Indeed as we flagged last week, today's *Statement on Monetary Policy* shows that the RBA's medium-term outlook for inflation is largely unchanged, despite some downward revision to near term forecasts due to the higher currency. (The RBA's forecasts now assume parity with the USD and a TWI of 74 compared with assumptions of the AUD/USD at 0.92 and the TWI at 70 in August.) Headline and core inflation are expected to reach 3% by the end of 2012 (compared with mid-2012 in its August update), but remain uncomfortably close to the top of the RBA's target band at 2¾% from the end of 2011. This is slightly weaker than our forecast for core inflation of 3% by late 2011.

RBA FORECASTS, YOY % CHANGE

		Jun-10	Dec-10	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13
GDP growth	Latest	3.3	3½	3½	3¾	3¾	4	4
	Aug	3	3¼	3¾	3¾	3¾	4	-
Non-farm GDP growth	Latest	3.3	3¼	3¼	3¾	3¾	4	4
	Aug	3	3¼	3¾	3¾	3¾	4	-
CPI inflation	Latest	3.1	2¾	2¾	2¾	2¾	3	3
	Aug	3.1	3¼	3¼	2¾	3	3	-
Underlying inflation	Latest	2¾	2½	2½	2¾	2¾	3	3
	Aug	2¾	2¾	2¾	2¾	3	3	-

Source: RBA

As in the previous *Statement* in August, the RBA's inflation forecasts assume some further tightening in the labour market and a further pick up in wages growth, although the pace of tightening is expected to moderate from here. Interestingly though, the RBA characterises current conditions in the labour market as somewhat less tight than in 2007 and 2008 when difficulties finding suitable labour were at their peak. It also suggests that "there is a little more spare capacity in the labour market than implied by the unemployment rate" due to the high level of unemployment. This is consistent with our view that the RBA may not be in any hurry to hike interest rates further in the near term, despite its ongoing concern about capacity pressures as the mining boom ramps up.

The RBA's broadly upbeat outlook for real GDP has also been maintained, despite some small downward revisions in mid 2011. GDP growth is expected at 3½% over 2010 and 3¾% to 4% over both 2011 and 2012. The contractionary impact of AUD appreciation has been largely offset by an upward revision to the RBA's (still conservative) terms of trade forecasts. The RBA still believes the terms of trade will decline from here, but that recent strength in resource and

agricultural prices suggests the pace of decline will be more subdued. We still see significant upside risks to the RBA's terms of trade forecasts and look for another 10% rise over the coming year.

In discussing the risks to the outlook, a notable change by the RBA is the discussion surrounding the uncertainty over the scale and timing of the expected pickup in business investment. The large and complex nature of these projects makes it difficult to accurately forecast the profile for business investment and GDP, with the risk of some volatility in quarterly outcomes despite the strong outlook overall. The RBA also remains alert to a potential change to households' hitherto conservative approach to debt and spending.

Further strengthening of the AUD/USD is also on the radar. While the RBA views the appreciation to date as *"broadly consistent with increases in commodity prices and interest rate differentials"* it also notes that *"in the current international environment it is possible that the exchange rate may appreciate further for reasons unrelated to these factors. If this were to occur, both inflation and growth would likely be lower than in the central scenario"*. The unwritten inference from this commentary is that interest rates would not have to rise as far as otherwise would be the case, if this occurred. Equally importantly, the Bank views the current level of the A\$ as consistent with the fundamentals.

A MORE GRADUAL PACE OF RBA TIGHTENING FROM HERE

So where to from here? It is clear that Australian interest rates will need to rise further as the mining boom progresses. Indeed the RBA has assumed "some [further] tightening in monetary policy" into its forecasts. Not only will nominal interest rates need to move higher to match any rise in actual inflation, real interest rates will need to be taken to a more restrictive setting to reduce the risks of a future inflation breakout and rising inflation expectations.

The good news is that the RBA's pre-emptive move in November should help limit the peak in inflation and interest rates. A follow-up hike in late 2010 or early 2011 is also unlikely. With the AUD now above parity with the USD and lending rates in some instances rising by more than the cash rate, Australian financial conditions have tightened sufficiently for now. **ANZ Economics and Global Markets Research now looks for a more gradual tightening of policy, with the RBA expected to increase the cash rate by 25bp per quarter from Q2 2011, to bring the cash rate to 5.75% by Q1 2012.**

Australian term rates on the other hand are expected to remain restrained by the extension of quantitative easing in the US this week (see discussion below). These offshore factors will keep Australian term rates at relatively low levels given the strong outlook for Australian economic growth and should see the yield curve maintain a bias to flatten. This could present some good opportunities for borrowers to fix exposures.

What are the risks to our forecasts? A faster than expected fall in the unemployment rate and/or a sharper and earlier expected rebound in G3 growth prospects would likely see the cash rate move above 5.75% earlier than our forecasts. In addition, oil prices have tended to under-perform recently. If oil were to rise appreciably, while having a contractionary effect on global spending, this would push Australian headline and core inflation higher than we currently allow in our forecasts. On the other hand, a shock to Chinese economic growth and commodity demand/prices, a delay or disruption to Australia's strong mining investment pipeline or a pause in Australia's hitherto strong labour market would potentially keep the RBA on hold for longer than we currently anticipate.

QEII POSES SOME INTERESTING RISKS FOR AUSTRALIA

In contrast to the RBA, **the US Federal Reserve loosened its monetary policy settings further this week, by extending its quantitative easing program.** The Federal Reserve intends to purchase a further USD600B of longer-term Treasuries by the end of June 2011 at a pace of around USD75B per month. This is in addition to its previously announced plan to reinvest principal repayments from agency debt and agency mortgage-backed securities into

long-term Treasury securities, which the Fed estimates to be approximately USD250bn to 300bn over the same time frame. This takes the total amount of expected Treasury purchases to USD850bn to 900bn over the next 8 months.

The transmission of QEII to Australia and New Zealand will operate both through its impact on financial market variables and the impact on global economic prospects (most importantly on the US, but also on Asia).

With the Fed delivering close to expectations, **our (and most likely the RBA's) core scenario for the Australian economic outlook is little changed.** The backdrop for Australian economic growth will remain very supportive: the terms of trade will continue to rise, the strong mining investment pipeline will stay on track (as global credit markets continue to ease), domestic capacity constraints will push inflation higher and local interest rates will rise further over 2011.

Our profile for global growth remains for Chinese economic growth to slow modestly over 2011 and for the US (and the broader G3) to enter a more self-sustaining recovery from late 2011. Persistent USD weakness and relative growth prospects will keep the AUD relatively elevated. Commodities will rise further (to an expected peak next year), supported by continued demand from the emerging world and improved investor sentiment for global growth prospects. Well anchored, low, US term yields will restrain Australian term rates lower than one would normally expect given each country's respective growth outlook.

But **while our core outlooks remain little changed, there are important risks to consider:**

- Could QE II increase the risk of a synchronised global upturn in 2012-13? And how well can Australia accommodate this external stimulus, given it will already be three years into a strong expansion by this stage? The Australian economy would risk becoming more severely capacity constrained, creating more significant upside risks to inflation and interest rates.
- Excess global liquidity will support higher asset prices (bonds, equities, commodities), and the 'chase for yield' will particularly benefit commodities and Asian (including Australian) equities and Asian property prices. But it also increases the chance of an 'overshoot' in commodity and asset prices and thus raises the risk of a subsequent sharper correction.
- QE II will also potentially stoke inflationary pressures in Asia given Asian economies will continue to 'import' US policy settings via inflexible exchange rate regimes. For Australia, this again ultimately increases the risk of a sharp correction in the terms of trade via either (a) rising import prices due to higher domestic inflation in Asia and (b) a 'hard landing' in Asian economies, and thus commodity prices. This could be particularly interesting if domestic policy settings are forced to quickly and sharply adjust to counter inflation and overheating pressures at the same time.
- Higher global oil prices. Excess global liquidity and a synchronised global upturn, are likely to see commodity prices well supported but could see an outsized rise in oil, which has been relatively subdued. This may have a neutral impact on Australia's terms of trade (as Australia is a net energy exporter), but it will have a negative income effect on the Australian economy; and
- A bigger and more sustained rise in the AUD. In Australia in particular, growth will become more sector specific as the 'two-speed' economy effect becomes even more marked and the risk of 'hollowing out' increases

DATA WRAP

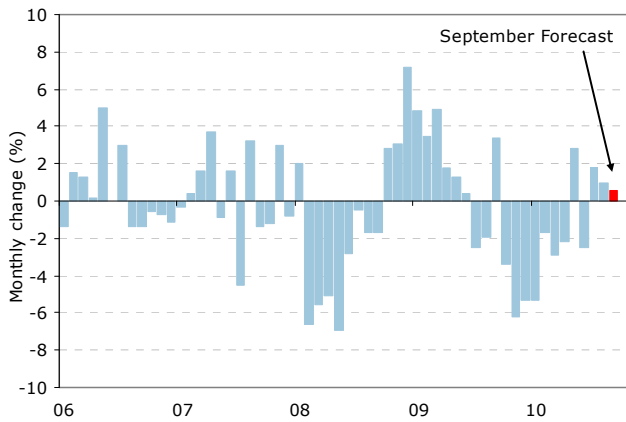
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DATA WRAP

- **The AiG's Performance of Manufacturing Index (PMI)** rose to 49.4 points in October from 47.3 points, its second consecutive month of net contraction (under 50 points). Production, new orders and exports all contracted, while inventories, deliveries and input prices rose further above 'net expansion'.
- **The TD Securities Monthly Inflation Gauge** indicated price rises accelerated to 0.3% in October, taking the Gauge's annual inflation rate to 3.8% (from 3.2% in September).
- The ABS national **house price index** grew 0.1% in Q3 2010. Q2's price rise was revised down to 2.0% (from 3.1% previously). Annual house price growth was 11.5% in Q3, down from Q2's revised annual growth rate of 16.3%.
- The monthly **RBA commodity price index** for October fell slightly to 92.2 but remained 46% higher than a year ago.
- The RBA lifted the target **overnight cash rate** by 25 bps to 4.75%. (See page 2 for further discussion.)
- **The AiG's Performance of Services Index (PSI)** rose to 50.7 points in October, indicating net expansion in this sector (over 50 points) for the first time since April 2010. Sales, capacity, new orders, employment and wages all improved this month, while inventories and input prices weakened.
- **Building approvals** fell another 6.6% in September. The previous month's fall was revised to 4.8% from 4.7%. This took the annual fall in building approvals to 11.6%, against a rise of 4.2% last month.
- Australia's **trade balance** narrowed to \$1.76bn in September, down from a revised \$2.45bn in August. Exports fell 1.5% MoM while imports rose 1.4% by value.
- **Nominal retail sales** grew 0.3% MoM in September, the same as in the previous month. **Real retail sales grew 0.7% QoQ** in the September quarter, with retail prices also up 0.7% in the quarter.
- VFACTS monthly **new automotive sales** grew 0.1% in October, to be up 13% YTD.
- **The AiG's Performance of Construction Index (PCI)** rose to 44.0 points in October from 40.8 points, its fifth consecutive month of net contraction (under 50 points). Activity, new orders, employment, deliveries and input prices all increased, but only input prices indicated 'net expansion'.

DATA PREVIEWS

CHART 1: HOUSING FINANCE (SEP)



10 NOVEMBER: HOUSING FINANCE (SEP)

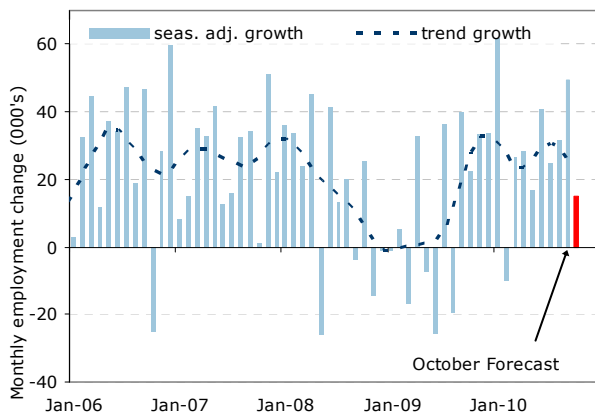
ANZ: +0.6% MoM, -25.5% YoY

Market: +1.2% MoM

Last: +1.0% MoM, -22.8% YoY

While housing finance commitments are significantly weaker in annual terms, recent monthly growth indicates housing finance is stabilising following the sharp slowdown in late 2009/early 2010. Construction finance continues to soften in the face of higher interest rates and flat house prices, while finance for dwelling purchases are stabilising. Paired with solid domestic economic conditions, we expect housing finance to post moderate growth for September. (DC)

CHART 2: EMPLOYMENT (OCT)



11 NOVEMBER: LABOUR FORCE (OCT)

Employment:

ANZ: +15.0K

Market: +20K

Last: +49.5K

Unemployment Rate:

ANZ: 5.1%

Market: 5.0%

Last: 5.1%

Participation Rate:

ANZ: 65.5%

Market: 65.5%

Last: 65.6%

The pace of employment growth accelerated in September, ramping up to 3.3% in annual terms. Monthly employment gains have averaged more than 35k over the past four months, and this has seen more people lured into the labour force, with the participation rate rising almost 0.3ppts over this period. This month, statistical analysis combined with recent trends in business surveys and in the economy's largest industries (including retail trade and construction) suggests that this pace of growth is set to slow. We forecast employment growth of just 15k in October, although we see the risks to this number as skewed to the downside. We also expect a dip in the participation rate to 65.55% following September's surge; this will see the unemployment rate remain steady at 5.1%. Moreover, we could see this more moderate pace of employment growth persist over the next few months given the relatively modest performance of some of the big employing industries of late. (AR)



DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEDT
6-Nov	US	Treasury's Geithner at News Conference in Japan					06:30	17:30
		Fed's Evans Moderates Panel at Jekyll Island, Georgia				12:00	23:00	
		Fed's Kocherlakota Speaks on Monetary Policy and Asset Bubbles				13:15	00:15	
		Fed's Bernanke (V) and Greenspan to Speak at Jekyll Island, Georgia				14:45	01:45	
8-12 Nov	UK	Nationwide Consumer Confidence	OCT	--	--	53		
8-Nov	NZ	QV House Prices YoY	OCT	--	--	2.0%	11:00	22:00
		ANZ Job Advertisements MoM	OCT	--	--	0.7%	00:30	11:30
	JP	Official Reserve Assets	OCT	--	--	\$1109.6B	23:50	10:50
		Coincident Index CI	SEP P	102.0	--	103.3	05:00	16:00
		Leading Index CI	SEP P	99.0	--	99.5	05:00	16:00
		EU	Sentix Investor Confidence	NOV	--	--	8.8	09:30
	Bimonthly meeting of BIS						07:00	18:00
	GE	Exports SA MoM	SEP	1.3%	--	-0.4%	07:00	18:00
		Imports SA MoM	SEP	0.2%	--	0.9%	07:00	18:00
		Current Account (EURO)	SEP	--	--	4.6B	07:00	18:00
		Trade Balance	SEP	12.0B	--	9.0B	07:00	18:00
		Industrial Prod. YoY (nsa wda)	SEP	9.4%	--	10.7%	11:00	22:00
		Industrial Production MoM (sa)	SEP	0.5%	--	1.7%	11:00	22:00
		US	Fed's Bullard (V) to Speak to New York Analysts Society					17:30
	Fed's Fisher Speaks in San Antonio						18:00	05:00
	Fed's Warsh (V) Speaks at Sifma Conference in New York						20:30	07:30
	9-Nov	CA	Housing Starts	OCT	180.0K	--	186.4K	13:15
NZ		NZ Card Spending MoM	OCT	--	--	1.5	21:45	08:45
		AU	NAB Business Conditions	OCT	--	--	7	00:30
NAB Business Confidence			OCT	--	--	10	00:30	11:30
JP		Japan Money Stock M2 YoY	OCT	2.8%	--	2.8%	23:50	10:50
		Japan Money Stock M3 YoY	OCT	2.1%	--	2.1%	23:50	10:50
		Bank Lending Banks Adjust YoY	OCT	--	--	-1.6%	23:50	10:50
		Bank Lending Ex-Trusts YoY	OCT	--	--	-1.8%	23:50	10:50
		Bank Lending incl Trusts YoY	OCT	--	--	-1.8%	23:50	10:50
		Current Account Total	SEP	¥1632.4B	--	¥1114.2B	23:50	10:50
		Adjusted Current Account Total	SEP	¥1273.4B	--	¥1179.0B	23:50	10:50
		Trade Balance (BoP Basis)	SEP	¥883.9B	--	¥195.9B	23:50	10:50
		Bankruptcies YoY	OCT	--	--	-4.6%	04:30	15:30
		Eco Watchers Survey: Current	OCT	--	--	41.2	05:00	16:00
		Eco Watchers Survey: Outlook	OCT	--	--	41.4	05:00	16:00
		Machine Tool Orders YoY	OCT P	--	--	113.6%	06:00	17:00
GE		Consumer Price Index MoM	OCT F	0.1%	--	0.1%	07:00	18:00
	Consumer Price Index YoY	OCT F	1.3%	--	1.3%	07:00	18:00	
	CPI - EU Harmonised MoM	OCT F	0.1%	--	0.1%	07:00	18:00	
	CPI - EU Harmonised YoY	OCT F	1.3%	--	1.3%	07:00	18:00	
UK	RICS House Price Balance	OCT	--	--	-36.0%	00:01	11:01	
	Visible Trade Balance GBP/Mn	SEP	-£8000	--	-£8227	09:30	20:30	
	Trade Balance Non EU GBP/Mn	SEP	-£4500	--	-£4694	09:30	20:30	
	Total Trade Balance (GBP/Mln)	SEP	--	--	-£4643	09:30	20:30	
	Industrial Production MoM	SEP	0.2%	--	0.3%	09:30	20:30	
	Industrial Production YoY	SEP	3.5%	--	4.2%	09:30	20:30	
	Manufacturing Production MoM	SEP	0.3%	--	0.3%	09:30	20:30	
	Manufacturing Production YoY	SEP	5.0%	--	6.0%	09:30	20:30	
NIESR GDP Estimate	OCT	--	--	0.5%	--	--		
US	NFIB Small Business Optimism	OCT	--	--	89	12:30	23:30	
	IBD/TIPP Economic Optimism	NOV	--	--	46.4	15:00	02:00	
	JOLTs Job Openings	SEP	--	--	3201	15:00	02:00	
	Wholesale Inventories	SEP	0.6%	--	0.8%	15:00	02:00	
7-Nov	ABC Consumer Confidence					22:00	09:00	
	CA	BOC Governor Carney Speaks in Geneva					17:15	04:15
New Housing Price Index MoM		SEP	--	--	0.1%	13:30	00:30	
10-12 Nov	JP	Tokyo Average Office Vacancies (%)	OCT			9.01	--	--
	CH	Property Prices	OCT	8.9		9.1	--	--

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEDT
10-Nov	NZ	Reserve Bank Financial Stability Report					20:00	07:00
	AU	Westpac Consumer Confidence sa MoM	NOV	--	--	3.3%	23:30	10:30
		Westpac Consumer Confidence Index	NOV	--	--	117	23:30	10:30
		Home Loans	SEP	1.2%	0.6%	1.0%	00:30	11:30
		Investment Lending	SEP	--	--	-3.9%	00:30	11:30
		Value of Loans MoM	SEP	--	--	0.0%	00:30	11:30
		AOFM Auctions A\$500m of July 2022 Bonds					--	--
	JP	Consumer Confidence	OCT	40.8	--	41.4	05:00	16:00
		Consumer Confidence Households	OCT	40.6	--	41.2	05:00	16:00
	CH	Trade Balance (USD)	OCT	\$25.00B	--	\$16.88B	--	--
		Exports YoY	OCT	23.0%	--	25.1%	--	--
		Imports YoY	OCT	28.3%	--	24.1%	--	--
	UK	BOE Quarterly Inflation Report					10:30	21:30
	US	MBA Mortgage Applications	5-Nov	--	--	-5.0%	12:00	23:00
		Trade Balance	SEP	-\$45.0B	--	-\$46.3B	13:30	00:30
		Import Price Index MoM	OCT	1.1%	--	-0.3%	13:30	00:30
		Import Price Index YoY	OCT	3.6%	--	3.5%	13:30	00:30
		Initial Jobless Claims	6-Nov	450K	--	457K	13:30	00:30
		Continuing Claims	30-Oct	--	--	4340K	13:30	00:30
		Monthly Budget Statement	OCT	-\$153.5B	--	-\$176.4B	19:00	06:00
	CA	International Merchandise Trade	SEP	-1.5B	--	-1.3B	13:30	00:30
11-Nov	NZ	REI Monthly House Price Index	OCT	--	--	--	21:00	08:00
		Business NZ PMI	OCT	--	--	49.2	21:30	08:30
		Food Prices MoM	OCT	--	--	0.7%	21:45	08:45
	AU	Consumer Inflation Expectation	NOV	--	--	3.8%	00:00	11:00
		Unemployment Rate	OCT	5.0%	5.1%	5.1%	00:30	11:30
		Employment Change	OCT	20.0K	15.0K	49.5K	00:30	11:30
		Full Time Employment Change	OCT	--	--	55.8K	00:30	11:30
		Part Time Employment Change	OCT	--	--	-6.3K	00:30	11:30
		Participation Rate	OCT	65.5%	65.55%	65.6%	00:30	11:30
	JP	Loans & Discounts Corp YoY	SEP	--	--	-4.3%	23:50	10:50
		Machine Orders MoM	SEP	-9.5%	--	10.1%	23:50	10:50
		Machine Orders YoY	SEP	4.9%	--	24.1%	23:50	10:50
		Domestic CGPI MoM	OCT	-0.2%	--	0.0%	23:50	10:50
		Domestic CGPI YoY	OCT	0.5%	--	-0.1%	23:50	10:50
		Japan Buying Foreign Bonds	5-Nov	--	--	¥566.6B	23:50	10:50
		Japan Buying Foreign Stocks	5-Nov	--	--	¥28.8B	23:50	10:50
		Foreign Buying Japan Bonds	5-Nov	--	--	¥373.6B	23:50	10:50
		Foreign Buying Japan Stocks	5-Nov	--	--	¥51.0B	23:50	10:50
	CH	Producer Price Index YoY	OCT	4.5%	--	4.3%	02:00	13:00
		Purchasing Price Index YoY	OCT	--	--	7.1%	02:00	13:00
		Consumer Price Index YoY	OCT	4.0%	--	3.6%	02:00	13:00
		Retail Sales YoY	OCT	18.8%	--	18.8%	02:00	13:00
		Retail Sales YTD YoY	OCT	18.4%	--	18.3%	02:00	13:00
		Industrial Production YoY	OCT	13.5%	--	13.3%	02:00	13:00
		Industrial Production YTD YoY	OCT	16.0%	--	16.3%	02:00	13:00
		Fixed Assets Inv Urban YTD YoY	OCT	24.4%	--	24.5%	02:00	13:00
	EU	Armistice Day Holiday (France)					--	--
		ECB Monthly Report	NOV				09:00	20:00
		ECB's Stark speaks on a panel in Berlin					10:15	21:15
		ECB's Mersch and IMF's Vinals Speak in Luxembourg					17:00	04:00
	UK	BOE's Haldane speech released					11:01	22:01
	US	Veterans Day Holiday					--	--
		Fed's Lockhart Speaks on U.S. Economic Outlook in Atlanta					23:00	10:00
	CA	Remembrance Day Holiday					--	--

DATA & EVENT CALENDAR

DATE	COUNTRY	DATA/EVENT	PERIOD	MARKET	ANZ	LAST	GMT	AEDT
12-Nov	NZ	REINZ Housing Price Index	OCT	--	--	3192.9	21:00	08:00
		REINZ Housing Price Index MoM	OCT	--	--	-0.3%	21:00	08:00
		REINZ House Sales YoY	OCT	--	--	-33.1%	21:00	08:00
		Non Resident Bond Holdings	OCT	--	--	64.0%	02:00	13:00
AU	AOFM Auctions A\$700m of June 2016 Bonds					--	--	
EU		Euro-Zone GDP sa QoQ	Q3 A	0.4%	--	1.0%	10:00	21:00
		Euro-Zone GDP sa YoY	Q3 A	1.9%	--	1.9%	10:00	21:00
		Euro-Zone Ind. Prod. wda YoY	SEP	7.0%	--	8.2%	10:00	21:00
		Euro-Zone Ind. Prod. sa MoM	SEP	0.2%	--	1.2%	10:00	21:00
	ECB's Gonzalez-Paramo Speaks in Lugo, Spain					19:00	06:00	
GE		GDP nsa YoY	Q3 P	3.7%	--	--	07:00	18:00
		GDP sa QoQ	Q3 P	0.7%	--	--	07:00	18:00
		GDP wda YoY	Q3 P	3.7%	--	--	07:00	18:00
US		Uni of Michigan Confidence	NOV P	69	--	67.7	14:55	01:55

FIVE WEEKS AT A GLANCE

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
8 NOVEMBER AU: ANZ Job Ads (Oct) JP: Coincident Index (Sep) GE: Trade (Sep), IP (Sep) CA: Housing Starts (Oct)	9 NOVEMBER NZ: Card Spending JP: Money Stock (Oct) GE: CPI (Oct F) UK: RICS House Price Balance (Oct), Trade Balance (Sep), IP (Sep), Manufacturing Production (Sep), NIESR GDP estimate (Oct) US: NFIB Small business optimism (Oct), Wholesale inventories (Sep) CA: New House Prices (Oct)	10 NOVEMBER AU: Westpac Consumer Confidence (Nov), Housing Finance (Sep) JP: Consumer Confidence (Oct) CH: Trade (Oct) UK: BoE Quarterly Inflation Report US: Trade balance (Sep), Jobless Claims (Nov 6), monthly budget statement (Oct) CA: Trade (Sep)	11 NOVEMBER NZ: Business PMI (Oct), Food Prices (Oct) AU: Labour Force (Oct) JP: Machine Orders (Sep), Domestic CGPI (Oct) CH: PPI (Oct), CPI (Oct), Retail Sales (Oct), IP (Oct) US: Veterans Day Holiday CA: Remembrance Day Holiday	12 NOVEMBER NZ: REINZ House Price Index (Oct) EU: GDP (Q3 A), IP (Sep) GE: GDP (Q3 P) US: University of Michigan consumer confidence (Nov P)
15 NOVEMBER AU: New Motor Vehicle Sales (Oct) JP: IP (Sep F), Housing Loans ((Q3), Tertiary Industry Index (Sep) EU: Trade Balance (Sep) UK: CPI (Oct), Retail Price Index (Oct) US: Retail Sales (Oct), Empire Manufacturing (Nov), Business Inventories (Sep)	16 NOVEMBER AU: RBA Board Minutes (Nov) , Westpac Leading Index (Sep) JP: BoJ Target Rate CH: Leading Index EU: CPI (Oct), ZEW Survey (Nov) GE: ZEW Survey (Nov) UK: BoE minutes , Jobless Claims (Oct), Ave Weekly Earnings (Sep), ILO Unemployment Rate (Sep) US: PPI (Oct) IP (Oct),	17 NOVEMBER NZ: PPI (Q3) AU: DEWR Skilled Vacancies (Nov), Wage Cost Index (Q3) JP: Leading Index (Sep F) EU: Construction Output (Sep) US: CPI (Oct), Housing Starts (Oct), Building Permits (Oct)	18 NOVEMBER NZ: ANZ Consumer Confidence (Nov) EU: Current Account (Sep) UK: Major Bank Mortgage Approvals (Oct), Retail Sales (Oct), Public Sector Borrowing (Oct) US: Jobless Claims (Nov 13), Leading Indicators (Oct), Philli Fed (Nov) CA: Leading Indicators (Oct), Wholesale Sales (Sep)	19 NOVEMBER NZ: Credit Card Spending (Oct) JP: Activity Index (Sep) GE: Producer Prices (Oct)
22 NOVEMBER EU: Consumer Confidence (Nov A) US: Chicago Red National Activity Index (Oct)	23 NOVEMBER NZ: Net Migration (Oct) GE: GDP (Q3 F) US: GDP (Q3 S), Existing Home Sales (Oct), Richmond Fed Manufacturing Index (Nov) CA: CPI (Oct), Retail Sales (Sep)	24 NOVEMBER NZ: RBNZ 2yr Inflation Expectation (Q4) AU: Conference Board Leading Index (Sep) EU: Ind.I New Orders (Sep) GE: IFO Bus. Survey (Nov) UK: GDP (Q3 P) US: FOMC minutes , Capital and Durable Goods Orders (Oct), Personal Incomes (Oct), U of Mich. Confidence (Nov F), New Home Sales (Oct),	25 NOVEMBER AU: Private Capital Expenditure (Q3) JP: Merchandise Trade Balance (Oct), Corporate Service Price Index (Oct)	26 NOVEMBER JP: CPI (Oct), Tokyo CPI (Nov) CH: MNI Business Condition Survey (Nov) EU: M3 (Oct) JP: CPI (Nov)
29 NOVEMBER NZ: Trade Balance (Oct), NBNZ Business Confidence AU: Corporate profits (Q3), Inventories (Q3) JP: Retail Trade (Oct) EU: Bus. Confidence (Nov), Consumer Confidence (Nov) UK: Consumer Credit (Oct), Mortgage Approvals (Oct)	30 NOVEMBER NZ: Building Permits (Oct) AU: Building Approvals (Oct), Private Credit (Oct), CA (Q3), RP-Rismark House Prices (Oct) JP: Jobless Rate (Oct), IP (Oct P), Vehicle production (Oct), Constr. Orders (Oct) EU: CPI (Nov), Unemployment (Oct) GE: Unemployment (Nov) US: Cons. Conf. (Nov)	1 DECEMBER NZ: ANZ Commodity Prices (Nov) AU: AiG PMI (Nov), GDP (Q3), RBA Commodity Prices (Nov) JP: Vehicle Sales (Nov) CH: PMI Manu. (Nov) EU/UK/GE: PMI Manufacturing (Nov F) US: ISM Manuf. (Nov), Nonfarm productivity (Q3F), Construction	2 DECEMBER AU: Retail Sales (Oct), ABARE Commodity Statistics JP: Capital Spending (Q3) EU: GDP (Q3 P), PPI (Oct), ECB Rates Decision UK: PMI Construction (Nov) US: Pending Home Sales (Oct), Jobless Claims (Nov 27)	3 DECEMBER AU: AiG Performance of Services Index (Nov) CH: Non-manufacturing PMI (Nov) EU: PMI Services (Nov F), Retail Sales (Oct) GE: PMI Services (Nov F) UK: PMI Services (Nov) US: Payrolls (Nov), Factory Orders (Oct) CA: Employment (Nov)
6 DECEMBER AU: ANZ Job Ads (Nov), TD Sec Inflation (Nov), AiG perf of construction (Nov) EU: Sentix Investor Confidence (Dec) CA: Building Permits (Oct)	7 DECEMBER NZ: Manpower Survey (Q1) AU: Manpower Survey (Q1), RBA Cash Rate Decision JP: Coincident Index (Oct P) CH: Manpower Survey (Q1) GE: Factory Orders (Oct) UK: IP (Oct), Manufacturing Production (Oct) US: Consumer Credit (Oct) CA: BoC Rates Decision	8 DECEMBER NZ: Manufacturing Activity (Q3) AU: Investment Lending (Oct), Housing Finance Decision (Oct) JP: Trade Balance (Oct), Current Account (Oct), Machine Orders (Oct) GE: Trade Balance (Oct), IP (Oct) CA: Housing Starts (Nov)	9 DECEMBER NZ: RBNZ Cash Rate Decision, Card Spending (Nov) AU: Employment (Nov) JP: GDP (Q3 F) EU: ECB Monthly Report GE: CPI (Nov F) UK: Trade Balance (Oct), BoE Rate Decision US: Wholesale Inventories (Oct) CA: New Housing Price Index (Oct)	10 DECEMBER NZ: ToT (Q3) JP: Consumer Confidence (Nov), BSI Index (Q4) CH: Trade Balance (Nov) UK: PPI (Nov) US: Trade Balance (Oct), Uni Michigan Consumer Confidence (DEC P), Monthly Budget Statement (Nov) CA: International Trade (Oct)

CENTRAL BANK RELEASES FOR 2010

JANUARY	FEBRUARY	MARCH	APRIL
6th – FOMC Minutes 7th – BoE 14th – ECB 19th – BoC 20th – BoE Minutes 25-26th – BoJ 27th – FOMC 28th – RBNZ	2nd - RBA 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 17th – FOMC Minutes 17-18th – BoJ 18th – ECB 23rd – BoJ Minutes	2nd – BoC 2nd – RBA 4th – BoE 4th – ECB 11th – RBNZ 11th – RBNZ MP Statement 11th – SNB 16th – FOMC 16th – RBA Minutes 17th – BoE Minutes 16-17th – BoJ 18th – ECB 23rd – BoJ Minutes	6th – RBA 6-7th – BoJ 8th – BoE 8th – ECB 12th – BoJ Minutes 20th – BoC 20th – RBA 21st – BoE Minutes 22nd – ECB 28th – FOMC 29th – RBNZ 30th – BoJ
MAY	JUNE	JULY	AUGUST
4th – RBA 6th – ECB 7th – RBA MP Statement 10th – BoE 10th – BoJ Minutes 18th – RBA Minutes 19th – BoE Minutes 20th – ECB 20-21st – BoJ 26th – BoJ Minutes	1st – BoC 1st – RBA 10th – BoE 10th – ECB 10th – RBNZ 10th – RBNZ MP Statement 14-15th – BoJ 15th – RBA Minutes 17th – SNB 18th – BoJ Minutes 23rd – BoE Minutes 23rd – FOMC 24th – ECB	6th – RBA 8th – BoE 8th – ECB 20th – RBA Minutes 20th – BoC 21st – BoE Minutes 22nd – ECB 29th – RBNZ	3rd – RBA 5th – BoE 5th – ECB 6th – RBA MP Statement 10th – FOMC 17th – RBA Minutes 18th – BoE Minutes
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
2nd – ECB 7th – RBA 8th – BoC 9th – BoE 16th – ECB 16th – RBNZ 16th – RBNZ MP Statement 16th – SNB 21st – RBA Minutes 21st – FOMC 22nd – BoE Minutes	5th – RBA 7th – BoE 7th – ECB 19th – RBA Minutes 19th – BoC 20th – BoE Minutes 21st – ECB 28th – RBNZ	2nd – RBA 3rd – FOMC 4th – BoE 4th – ECB 5th – RBA MP Statement 16th – RBA Minutes 17th – BoE Minutes 18th – ECB	2nd – ECB 7th – RBA 9th – BoE 9th – RBNZ 9th – RBNZ MP Statement 14th – FOMC 16th – ECB 16th – SNB 21st – RBA Minutes 22nd – BoE Minutes

***Notes:** Entries are the dates of central bank interest rate announcements for 2010, unless specified as minutes or otherwise.

Dates are indicative only and are subject to change by central bank authorities.

BoJ data are available only to June.

Key: BoC: Bank of Canada, BoJ: Bank of Japan, BoE: Bank of England, ECB: European Central Bank, FOMC: Federal Open Market Committee, RBA: Reserve Bank of Australia, RBNZ: Reserve Bank of New Zealand, SNB: Swiss National Bank

Source: Central bank websites.

FORECASTS

AUSTRALIAN ECONOMIC INDICATORS	2009	2010F	2011F	2012F
Economic activity (annual % change)				
Private final demand	0.4	2.7	4.7	5.3
Household consumption	1.7	3.3	2.8	2.2
Dwelling investment	-4.5	2.9	-4.7	0.6
Business investment	-2.3	1.2	14.2	15.9
Public demand	3.2	10.4	-0.7	1.7
Domestic final demand	1.0	4.5	3.4	4.4
Inventories (contribution to GDP)	-0.5	0.5	0.0	0.0
Gross National Expenditure (GNE)	0.5	5.0	3.4	4.4
Exports	0.9	3.8	5.7	6.7
Imports	-8.3	14.3	10.6	10.0
Net Exports (contribution to GDP)	2.0	-2.2	-1.3	-1.1
Gross Domestic Product (GDP)	1.2	3.0	3.2	3.8
Prices and wages (annual % change)				
Inflation:				
Headline CPI	1.8	2.9	2.9	3.0
Underlying*	3.7	2.7	2.7	3.0
Wages	3.6	3.2	3.9	4.1
Labour market				
Employment (annual % change)	0.7	2.5	2.3	2.3
Unemployment rate (annual average %)	5.6	5.2	4.7	4.5
External sector				
Terms of trade (annual % change)	100.3	119.4	131.0	129.0
Current account balance: A\$bn	-51.4	-41.9	-49.3	-75.8
% of GDP	-4.1	-3.1	-3.3	-4.8

* Average of RBA weighted median and trimmed mean statistical measure

AUSTRALIAN INTEREST RATES	CURRENT	DEC 10F	MAR 11F	JUN 11F	SEP 11F	DEC 11F
RBA cash rate	4.75	4.75	4.75	5.00	5.25	5.50
90 day bill	4.99	5.00	5.05	5.20	5.45	5.70
3 year bond	5.02	5.00	5.20	5.60	5.90	5.90
10 year bond	5.24	5.20	5.30	5.60	5.80	5.70
3s10s yield curve	0.22	0.20	0.10	0.00	-0.10	-0.20
3 year swap	5.42	5.40	5.60	6.00	6.30	6.30
10 year swap	5.78	5.75	5.85	6.15	6.35	6.25

INTERNATIONAL INTEREST RATES	CURRENT	DEC 10F	MAR 11F	JUN 11F	SEP 11F	DEC 11F
RBNZ cash rate	3.00	3.00	3.25	3.75	4.00	4.25
NZ 90 day bill	3.17	3.22	3.67	4.17	4.25	4.7
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.25
US 2 year note	0.34	0.30	0.40	0.50	0.70	1.00
US 10 year note	2.50	2.50	2.60	2.90	3.10	3.20
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.10
ECB refinance rate	1.00	1.00	1.00	1.00	1.00	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.50

For additional information on interest rates please refer to ANZ's *Interest Rate Strategy Weekly*



FORECASTS

FOREIGN EXCHANGE RATES	CURRENT	DEC 10 F	MAR 11 F	JUN 11 F	SEP 11 F	DEC 11 F
Australian exchange rates						
A\$/US\$	1.0146	0.95	0.94	0.98	1.00	0.98
NZ\$/US\$	0.7934	0.72	0.72	0.73	0.74	0.72
A\$/¥	82.02	76.0	73.3	73.5	75.0	76.4
A\$/€	0.7148	0.68	0.66	0.69	0.69	0.69
A\$/£	0.6240	0.60	0.59	0.61	0.62	0.61
A\$/NZ\$	1.2788	1.32	1.31	1.34	1.35	1.35
A\$/C\$	1.0177	0.95	0.93	0.96	0.98	0.98
A\$/CHF	0.9728	1.01	1.02	1.07	1.10	1.09
A\$/CNY	6.7572	6.18	6.01	6.16	6.20	5.97
A\$ Trade weighted index	74.40	70.6	69.7	71.6	72.0	70.4
International cross rates						
US\$/¥	80.85	80.0	78.0	75.0	75.0	78.0
€/US\$	1.4195	1.40	1.42	1.42	1.45	1.42
€/¥	114.76	112	111	107	109	111
£/US\$	1.6260	1.58	1.60	1.60	1.62	1.60
€/£	0.8730	0.89	0.89	0.89	0.90	0.89
US\$/C\$	1.0031	1.00	0.99	0.98	0.98	1.00
US\$/CHF	0.9587	1.06	1.08	1.09	1.10	1.11
US\$ index	75.98	77.3	76.2	75.6	74.6	76.3
Asia exchange rates						
US\$/CNY	6.6600	6.50	6.39	6.29	6.20	6.09
US\$/HKD	7.7511	7.75	7.75	7.75	7.75	7.75
US\$/IDR	8893	9250	9500	9200	9000	8900
US\$/INR	44.21	45.8	46.3	46.5	45.6	44.7
US\$/KRW	1106	1200	1250	1200	1100	1000
US\$/MYR	3.0830	3.17	3.24	3.22	3.19	3.14
US\$/PHP	42.660	44.5	45.5	45.0	44.5	44.0
US\$/SGD	1.2830	1.30	1.31	1.29	1.27	1.27
US\$/THB	29.650	30.00	31.00	30.50	30.00	30.00
US\$/TWD	30.084	31.20	31.80	31.30	30.80	30.30
US\$/VND	19495	19500	20000	20000	20000	20000
Pacific exchange rates						
PGK/US\$	0.3820	0.386	0.372	0.358	0.344	0.330
FJD/US\$	0.5506	0.508	0.514	0.517	0.508	0.500

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