Markets Monthly

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Risk Warning Statement :
Investment involves risks. Past performance is not indicative of future performance.
Investors should not make an investment decision based solely on this document

ANZ

Europe: A big step with more to come

The ECB's recently announced stimulus measures could be followed by its own version of Quantitative Easing (QE), if required. These accommodative monetary policies across the developed world continue to provide a positive backdrop for global equity markets.

The European Central Bank (ECB) announced a series of measures on June 5, effectively pumping up the stimulus required to boost economic growth and avoid an undesirably low level of inflation. This decision was in the wake of lower-than-expected headline inflation figures released in May of just 0.5% and revised ECB Staff forecasts for headline inflation of 0.7% in 2014, down from its March forecast of 1.0% and well below its 2% target through until 2016. Meanwhile, the euro zone economy is forecast to grow by just 1.0% in 2014, down from the prior forecast of 1.2%, with further downside risk possible.

More drastic steps were clearly needed to boost demand in the economy, including the use of non-traditional monetary tools. Therefore, besides reducing short-term interest rates, the ECB has also taken the unprecedented decision to shift the interest rates on its deposit facility into negative territory, thereby incentivising banks to lend excess cash to other banks or to extend their own loan programmes.

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Another measure to increase the supply of bank credit is the Targeted Long Term Refinancing Operations (TLTROs). This works by rewarding banks with existing long term cheap loans while making more available from the ECB. However, home loans are excluded, given the excessive property lending in the lead up to the global financial crisis.

These measures amount to a significant increase in stimulus for the euro zone. For example, the initial size of the TLTRO facility of €400 billion is equivalent to around 4% of euro zone GDP or more than 9% of the outstanding stock of lending to non-financial corporates. The targeted nature of the measures is also positive, with banks rewarded for making new loans specifically to the private sector.

Meanwhile, these programs have a long shelf life (four years for the TLTRO), allowing banks to confidently match the duration of their lending with the loans they will receive from the ECB. Finally, the conditionality surrounding the TLTRO facility, which forces banks to repay the loans early should they fail to meet the required criteria, further increases the incentive for banks to lend to the economy.

These accommodative conditions across the developed world are key to our expectation of a strengthening in world growth, and the sizeable breadth and depth of the recently announced measures further strengthen this position. While uncertainty remains over Germany's opposition to Quantitative Easing, we believe that the ECB will implement QE if required.

Our current preference for equities therefore remains unchanged, and we continue to have a preference for European and US markets, which we believe are poised to benefit the most from the stronger growth backdrop.

	2013 (Actual)	2014 (Forecast)	2015 (Forecast)	2016 (Forecast)
Real GDP (%)	-0.4	1.0	1.7	1.8
Headline inflation (%)	1.4	0.7	1.1	1.4
Unemployment rate (%)	12.0	11.8	11.5	11.0

Source: ECB.

Investment Summary

The return of the search for yield has been the dominant theme for financial markets in 2014. Spurred by extraordinarily low cash rates in the developed world, investors have sought out riskier assets in order to achieve a desired level of income. As a result, the performance of a range of asset classes such as emerging market bonds, listed properties, Australasian shares, Asian currencies and the Australian dollar (AUD), have all performed strongly.

In our view, we are nearing the end of this theme. We expect the pace of world growth to strengthen, supported by low central bank cash rates in the major developed economies. Having reduced debt to manageable levels, fewer cutbacks in government spending and stronger US household balance sheets will potentially assist growth. Furthermore, US unemployment has fallen to close to 6%, paving the way for wages growth acceleration and a gradual rise in US inflation.

This, in turn, should focus markets on the likelihood of US Federal Reserve (Fed) rate rises in 2015. Similar to the trend in 2013, the prospect of rates rises should see the search for yield come to an end and the attention shift instead to the prospect of capital growth. While there are risks, our base case view is supportive of continued outperformance of equities relative to cash and bonds over the medium term. However, with equity markets fairly priced, returns are likely to be more muted to those seen in 2013.

Over in the currency markets, with US data on an improving track, we expect a period of selective USD strength. Finally, while there could be room for commodity prices to rebound on further signs of improvement in the Chinese economy, we still favour the risk-reward trade-off offered by equities over the medium term.

Asset Allocation	3-12 month view
Global Equities	Moderately Overweight
US	Moderately Overweight
Europe	Moderately Overweight
UK	Moderately Overweight
Japan	Neutral
Emerging Markets	Moderately Underweight
Asia ex Japan	Neutral
Global Bonds	Neutral
Cash	Moderately Underweight

Source: ANZ Global Wealth. June 2014.

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Equities

There is further upside to the European market on the back of improving macro-economic and financial conditions.

US - We remain modestly overweight the US equity market, given that valuations are now slightly above fair value with trailing PER around 17x and 12-month forward PER just below 16x.

US economic data has surprised positively but we are cognizant that economic surprises at these high levels typically precede a short period of data disappointment and as such, equity markets face a near-term risk. However, the medium term trend in economic dataflow remains robust and is likely to underpin analysts' earnings growth expectations. Finally, given limited inflation risks, the Fed is only expected to reduce its extremely accommodative policy stance gradually.

Europe - - In our view, there is further upside to the market if the equity risk premium continues to decline on the back of improving macro-economic and financial conditions. Indeed, current PMI readings in the Eurozone are consistent with growth of close to 2%, which is close to its long run average. While this growth remains dominated by Germany, the improving business surveys in the peripheral countries suggest that the recovery could be broadening out.

Meanwhile, earnings expectations are currently very modest and only starting to gain upside momentum. On the valuation front, the market looks cheaper, albeit marginally, than the US, with the 12-month forward PER at 14x.

Current PMI readings in the Eurozone are consistent with growth of close to 2%

Source: Bloomberg. June 2014.

Japan - Valuations appear relatively attractive with a 12-month forward PER at 13x, which reflects an expected improvement in earnings arising from stronger growth and higher inflation expectations. However, the earnings outlook remains highly uncertain with analysts' earnings forecasts continuing to be revised downward.

While the Japanese market should benefit from a global economic pickup given its high composition of cyclical companies, the success of the Abe government's reflation policies and structural reforms are also key. As such, we would prefer to see greater evidence of the latter before turning more positive. Additionally, while further downside in the JPY could potentially boost demand for Japan's exports and lift inflation, it would in turn erode total returns for foreign investors.

Emerging Markets

While recent PMI readings suggest that the Chinese economy may be stabilising, we would look for more evidence of a sustainable recovery in the economy before turning positive.

Russia – The Russian market rebounded close to 10% in May, as Putin's more conciliatory stance and the importance of Russia's energy resources helped preserve ties with the Western majors, and caused capital flows to return. On the macro front, expectations of a peaking out in inflationary pressures and therefore a lower likelihood of further rate hikes are positives. However, we prefer to remain cautious as the unfolding of armed conflict in Eastern Ukraine poses fresh geopolitical risks.

Brazil – The Bovespa edged marginally lower in May. The outlook for the economy and market remains challenging in the medium term in our view. Industrial production declined 5.8%yoy in April, with 20 out of the 26 sectors surveyed registering contractions. Expectations of electricity rationing in the months ahead point to manufacturing activity staying subdued and weighing on the economy.

Against a flagging economy and poor confidence readings, the central bank has adopted a more dovish tone, hoping that the previous series of rate hikes will help temper inflation going forward. Meanwhile, the government looks set to miss its fiscal target for the year on the back of poor tax receipts.

Within Asia

Taiwan – We remain slightly constructive on the Taiwanese market. Valuations are fair and Taiwan continues to be one of the standouts in Asia for its positive earnings revision. We expect earnings to continue to be underpinned by the global recovery, in particular, the demand for technology products. Electronic shipments rose 14.7%yoy in April and export orders in the month was also better than expected, and relatively broad based.

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Korea – Valuations for both the market and the KRW have become slightly expensive. While the KOSPI has not rallied, continued downwards revision in earnings have made valuations less attractive. We maintain our slightly positive stance on expectation that earnings will eventually benefit from the pick-up in the global economy in 2H14. In addition, a stabilisation in the Chinese economy should also be positive for Korea. That said, potential yen weakness in the second half of the year could hurt Korea's competitiveness further and is therefore a risk.

China – The market is cheap but China's growth and earnings outlook remains challenging in the coming months. Although the recent PMI readings suggest that the Chinese economy may be stabilising, helped by the stronger external demand, the slowing property market is likely to be a drag.

However, the government is likely keen to avoid a hard landing in the property sector, given its importance to the Chinese economy. Indeed, the real estate sector is estimated to account for about 15% of Chinese GDP and has links to multiple sectors including basic materials, construction and home appliances. The government has recently announced numerous easing measures for the sector, but this may take some time to filter through. We would look for more evidence of a sustainable recovery in the economy before turning positive.

Hong Kong – Valuations are slightly expensive but encouragingly, earnings forecasts have been revised up over the last two months, albeit modestly. This clearly bears monitoring. The Hong Kong market could benefit from improved investor sentiment should China's growth profile stabilises.

On the other hand, we note that property developers have reportedly started cutting prices and liquidating their inventory in anticipation of an increasingly uncertain property market outlook. At the same time, the government's plans to reduce the number of Mainland tourists by 20%, under the Individual Visit Scheme, could further dampen Hong Kong's already sluggish retail sales. On balance, we remain neutral on the market.

India – Valuations are expensive as the market has rallied ahead on optimism that the BJP party will be able to lift the country's flagging growth prospects. Despite having been given a strong mandate, the new government clearly faces a number of challenges. This said, the stage appears to be set for a gradual economic recovery, helped by signals from the RBI governor, for the first time, that there is scope to lower interest rates, if inflation moderates faster than expected. Lower credit costs would indeed provide Indian corporates with a much needed reprieve. Meanwhile, positive newsflow from a reformist government is likely to keep the market supported.

While we continue to have a positive outlook for the market, given its strong run to date, investors with significant exposure may want to take some profit and those seeking to gain exposure may choose to wait for a better entry point.

ASEAN – All the ASEAN markets are now expensive, with the exception of Malaysia, which is fairly priced and Singapore, which is cheap. Meanwhile, rising inflationary pressures in the region sets the stage for the start of a tightening cycle.

The Singapore market is not expensive but the outlook remains relatively unexciting. Singapore's domestic growth may moderate in the near term with downside risks stemming from the semiconductor industry. Meanwhile, higher wages continue to exert pressure on businesses. Headline inflation picked up to 2.5%yoy in April from 1.2% the previous month. We favour selected industrial companies within Singapore, especially those whose earnings are likely to be boosted by the global growth recovery.

While Thailand is seeing relatively large downward earnings revisions, we note that the junta has been able to proceed with the disbursement of payments owed to the farmers under the rice buying program. Planned infrastructure investment has also been given the go ahead. Meanwhile, manufacturing, which accounts for about 1/3 of GDP, surprised on the upside in April, thereby reducing the odds of a technical recession.

Over in Indonesia, earnings have been revised up modestly, which is encouraging. However, the recent slippage in the current account potentially puts the currency in a vulnerable spot. Indonesia has enjoyed several quarters of improving trade balances and falling inflation, which reduced the risk of external sentiment souring. These trends appear to have run their course and may be reversing temporarily. As such, the next move by the central bank is more likely to be a rate hike.

EM Market	3-12 month view
Russia	Slightly Negative
Brazil	Slightly Negative
Within Asia	**3-12 month view***
China	Neutral
Hong Kong	Neutral
India	Slightly Positive
Korea	Slightly Positive
Taiwan	Slightly Positive
ASEAN	Neutral

Source: ANZ. June 2014. *This is the relative preference within Asia ex Japan Equities.

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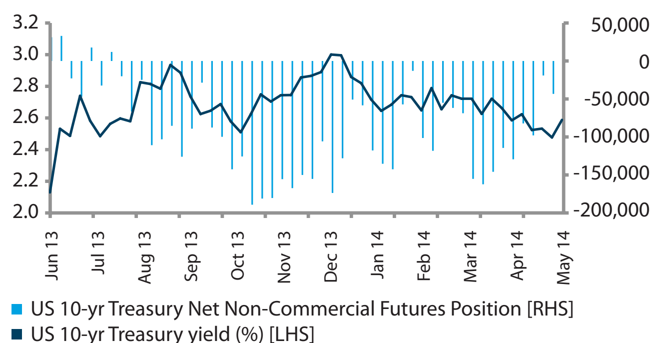
Fixed Income

Against our base case of trend-like global growth and contained inflationary pressures, bonds are looking expensive. Following their recent outperformance, we have taken steps to moderately underweight Australian and New Zealand sovereigns.

The rally in bond yields since the start of the year has confounded many investors. Driven by a number of factors including softer global economic data, a continued disinflation trend and expectations of Quantitative Easing (QE) by the ECB, those who had been bearish on US Treasuries appear to have finally capitulated. Last month, hedge funds and other speculators drastically reduced their net short positions in 10-year Treasury futures, the most since February. See chart.

Speculators have reduced their shorts in 10-yr US Treasuries



Source: Bloomberg. June 2014.

At the same time, reports suggest that China could have been a significant buyer of US Treasuries from the period November to March, when the PBoC intervened in the currency markets to weaken the CNY. With the CNY now appearing to have stabilised, as suggested by its recent official daily fixing, the large scale intervention and growth in China's FX reserves is unlikely to continue. That could remove demand for US Treasuries at a time when the cutting of net short position investors has already been completed. Coupled with a continued bout of positive data from the US, and signs that US inflation has based, a rise in US bond yields in the months ahead is now looking more likely.

Against our base case of trend-like global economic expansion and contained inflationary pressures, bonds are looking expensive. Indeed, our analysis puts the current fair value for the 10-year US bond yield closer to 2.8%, rising to 3.25% over the next 12 months.

Consistent with this analysis, we have moved to a moderate underweight for Australia and New Zealand sovereigns. Having already outperformed global bond markets in recent months, these bonds prices could fall victim to sustained strength in the New Zealand economy and mounting evidence of a turn in the Australian labour market. While the Australian economy still has its uncertainties, in particular due to falling mining investment and a moderate tightening in fiscal policy, we expect a recovery to gradually build, with a first rate hike likely in 2015. Finally, our expectations of rising US bond yields suggest the possibility of Australian and New Zealand bond yields also being pushed higher.

Within fixed income, we continue to favour corporate bonds over sovereigns, where we expect returns to be driven by modest spread tightening and positive carry. However, within corporate bonds, we still prefer the risk return trade-off offered by investment grade credits. Valuations are looking stretched in the high yield bond space and current spreads may not provide sufficient buffer for investors, should default rates reach historically high levels.

In terms of regions, we continue to prefer developed market bonds over emerging market bonds. With the now-fading impact of the poor weather on the US economic data, many indicators, notably consumer spending and industrial production, have started to beat expectations as they return to their underlying trend. Meanwhile, although the improvement in Europe's economic readings appears to have peaked in early 2014, the ECB's easing measures are expected to help enhance the euro area's growth prospects.

On the other hand, the lingering effect of high private sector debt in China is unlikely to disappear quickly, while growth in the other emerging markets appears modest by historical standards. Therefore, while the relatively attractive valuations and higher yields of the emerging markets may appeal, we suggest that investors remain cautious for now.

There is room for commodity prices to move higher on further signs of improvement in the Chinese economy.

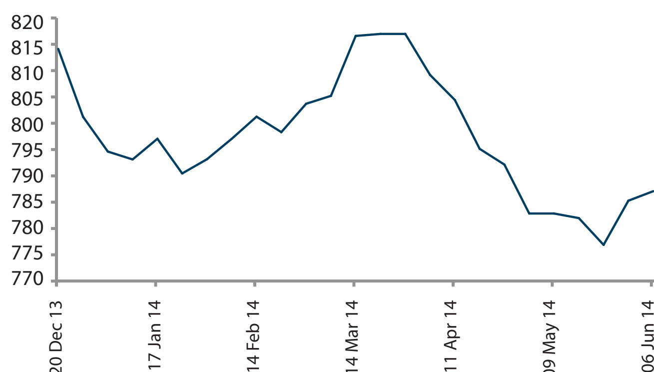
There are signs of marginal economic improvement in China. The recent manufacturing PMI shows some tentative signs of an early-cycle recovery. That said, although the pick-up in momentum is significant, the absolute levels are still relatively muted. While there could be room for commodity prices to rebound on further signs of improvement in the Chinese economy, we still prefer the risk-reward trade off offered by equities over the medium term.

Gold prices are likely to come under further pressure as a result of tepid Chinese demand and continued redemption by gold ETF investors.

We see gold prices declining further in the medium term. Compared to last year, Chinese demand has been unresponsive to the 10% fall in gold prices since March. In fact, we estimate that China's gold supply probably exceeded demand by around 100 tonnes in 1Q14, which will take some time to work its way through the system. As a result, China's gold imports will probably slow over the next few quarters.

At the same time, exchange-traded fund (ETF) selling is likely to continue pressuring prices. Tensions between Ukraine and Russia sparked "safe-haven" gold demand earlier this year, providing a brief respite from the heavy selling in 2013. But a resumption of the downward trend has seen net holdings in gold ETFs decline by 39 metric tonnes in the year-to-date. See chart. We expect steady net redemptions of gold ETFs to become the norm for at least the next 12 months, though the threat of geo-political risk remains ever present. As such, we have revised our gold forecasts lower.

SPDR gold trust gold holdings (MT)



Source: Bloomberg. June 2014.

Meanwhile, the relaxation of India's gold import restrictions did not have a significant impact on gold prices as the move was largely expected, although the timing of the announcement surprised many. While this opens up the scope for higher import volumes, there could be a delay as traders are likely to wait for import duties to be cut, thought to be sometime in July.

The iron ore market looks oversold and prices may stage a relief rally on the back of any positive news events going forward.

Iron ore prices have fallen 30% since the start of the year, clearly entering a bear market. Sentiment is particularly negative with weak cyclical factors, such as rising supply and falling demand, and weak structural developments, such as the crackdown on inefficient high-cost iron ore and steel capacity, expected to fuel heavy shorting activity.

However, current positioning seems to suggest that the market is oversold with a lot of the negative news largely priced in. As such, the market may respond favourably to positive news events, raising the probability of a relief rally of about 10-15% from current levels.

Finally, the closure of inefficient Chinese steel mills may not be all that bad for iron ore prices. Instead, this could allow the more efficient producers to raise utilisation rates and restore profitability, enabling these mills to absorb higher iron ore prices going forward. These larger and more efficient steel producers are also likely to use higher quality imported iron ore, thereby providing a support to prices.

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Currencies

We anticipate a period of selective USD strength. The USD is likely to outperform the AUD and NZD, whereas the EUR and GBP are expected to remain relatively resilient.

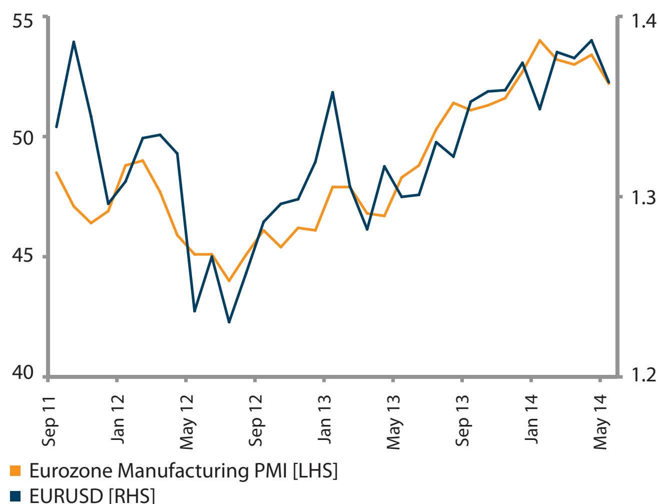
USD – Since early in the year, the USD has traded poorly against the peripheral currencies, and carry trades have outperformed. However, we believe that this trend has ended and we are looking for a period of selective USD strength. Certainly, with US data on an improving track, rising US bond yields could be the trigger for such a move. Alternatively, a less benign scenario of weaker than expected economic growth or rising risks around China would also be potentially supportive of a stronger USD. Considering the two scenarios, we expect the USD to outperform the AUD and NZD, with the impact on the EUR and GBP staying more muted.

EUR – The ECB cut interest rates as expected in June and announced measures to assist a recovery in credit growth. Notably, the key refi rate was cut from 25 bps to 15bps, the deposit rate from zero to -10bps and the marginal lending facility was reduced by 35bps to 0.4%. The package of measures to support bank lending was comprehensive and included the introduction of targeted LTROs (TLRTOs), and extension of the fixed rate full allotment repo until Dec 2016. The ECB also made the decision to leave the Securities Market Programme (SMP) unsterilised, broaden the eligibility of assets that the ECB will accept as collateral and intensify the preparatory work related to outright purchases in the Asset Backed Securities (ABS) market.

In our view, while the reduction in interest rates should help to boost credit demand at the margin, a more dynamic recovery in the real economy is needed to drive money demand. On this front, falling unemployment, higher levels of investment and repairing the banking system are key.

That said, measures to support growth and reduce tail risks across the euro area are ultimately positive for the euro. Therefore, while quantitative easing expectations could create volatility for the currency in the near term, our medium term outlook for the euro remains constructive.

Euro vs Eurozone PMI



Source: Bloomberg. June 2014.

JPY – Japan's inflation appears to have stabilised for now, with limited catalysts for it to resume its upward momentum anytime soon. As such, the BoJ may ease further in late 3Q14 once it realises that inflation is likely to undershoot its forecast. At the same time, the BoJ may also want to step up its purchases of JGBs to stabilise the bond market. The rebalancing of the government's pension fund, expected to be completed by September or October, could see the allocation to domestic bonds lowered to 40% from 60%. This would mean a shift of around JPY200 billion out of the domestic bond market. Overall, the backdrop signals further weakness for the JPY.

GBP – We see the pound remaining relatively well supported by a traditional economic upswing and speculation that the BoE will be the first major central bank in this economic cycle to hike its rates.

Indeed, the weight of evidence points to an acceleration in UK growth, which is increasingly balanced. The labour market is improving rapidly, underpinning retail sales. House price inflation is also strong in 1Q14, rising by 8%yoy. As such, the BoE could be expected to start to normalise interest rates by 4Q14 or 1Q15.

AUD – We continue to expect the AUD to trend lower in the medium term. In our view, a justification of current levels would require the gap between Australian and US cash rates to widen by another 50 basis points and for commodity prices to rise by 10%, or alternatively, for commodity prices to rally by 20% in isolation. Both these scenarios are not our central case. Notably, even if commodity prices were to rebound somewhat on signs of growth stabilisation in China, any bounce will probably be limited, given the excess capacity existing in China's steel sector.

At the same time, domestic fundamentals underpinning the AUD may wane. The recent Commonwealth Budget has hit confidence and the consumer confidence index is down to levels not seen since 2009. In turn, the uncertain policy environment may start to hit business confidence, which could impinge on both employment growth and non-mining investment, adding further downward pressure on the economy.

NZD – The RBNZ hiked cash rates to 3.25% in June, as expected. Given growing domestic inflation pressures, we expect the central bank to look through the falling dairy prices and to hike rates again in July. In the near term, the NZD's positive carry remains a key support for the currency. However, as we move into a more mature phase of New Zealand's economic expansion, we believe that the currency will find it hard to strengthen further, especially in an environment where there is less room for further positive surprises. In particular, the boost from terms of trade seems largely completed, following the relatively cautious outlook for dairy prices and early signs of weakness in the forestry sector.

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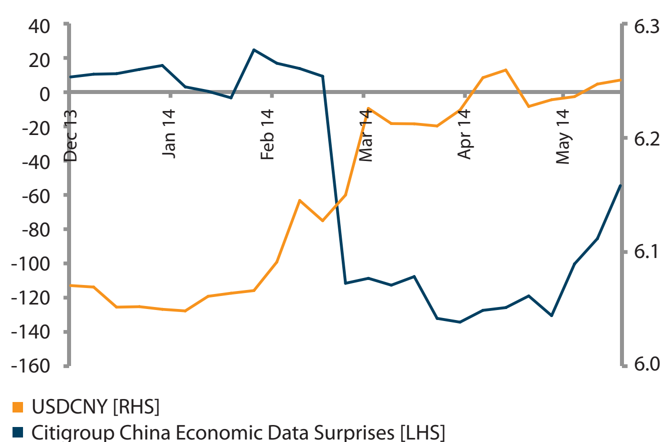
Political factors will continue to drive selected Asian currencies going forward. While heightened uncertainty in the Indonesia's presidential election could dampen the IDR, expectations of economic reforms in India are supportive of the INR.

CNY – We had been expecting a return of RMB appreciation sometime in the second half of the year, conditional upon a rebound in Chinese economic activity. On this front, there has been some signs of stabilisation. For example, after a modest improvement in May's PMI readings, China's export growth rebounded to 7%yoy. Going forward, recent supportive policies and improving demand from the advanced economies suggest to our economists that export growth could pick up. At the point of writing, we see surprisingly low USDCNY fixes which suggests that we may have seen the peak in USDCNY.

China economic data surprises vs CNY



Source: Bloomberg. June 2014.

IDR – Indonesia's trade balance deteriorated dramatically over April, plunging to a deficit of $1,962 million from a surplus of $669m in March. Exports were hurt by weaker prices for key commodity and manufactured exports. Meanwhile, we could be seeing higher value added imports as manufacturing platforms migrate from both Thailand and Malaysia to the Indonesian archipelago. If this transpires, Indonesia's trade balance could deteriorate for some time before an eventual improvement. This, coupled with signs of firming price pressures, is likely to put pressure on the central bank to hike rates. That said, the currency's present trend suggests that expectations of tightening have been largely priced in.

On the political front, the surprise decision by the Golkar Party to back the Parabowo-Hatta ticket for July's presidential election means that there is less certainty for a win by reform-oriented Joko Widodo. On balance, the backdrop is not conducive for the IDR in the medium term.

INR – Given the BJP party's strong mandate and expectations that much needed economic reforms will be delivered, we have turned more bullish on the INR in the near term and see the potential for it to head towards 56, provided Prime Minister Modi is able to live up to expectations. While the recent relaxation of gold import restrictions could put pressure on India's trade balance, the outlook for the rupee also hinges on capital flows. On this front, any early decision by the new government to revive investment projects has the potential to boost Foreign Direct Investments, thereby making up for any potential deterioration in the trade balance

SGD – We expect the SGD to depreciate against the USD over the medium term, and we have a year-end target of 1.29. This is based on our view that the USD will strengthen as the US economic recovery gathers pace following recent weather-induced weakness. As a low yielding currency and one with a high beta to the US, we see SGD assets becoming less attractive as we get closer to interest rate rises in the US.

In addition, with our financial conditions index suggesting a moderation in Singapore's economic growth ahead, this could make local equities less attractive to foreign investors, thereby dampening demand for the SGD. Finally, the property market could also have a marginal impact on the SGD. Prior to the recent tightening measures, investors faced few restrictions in buying private properties in Singapore. Unsurprisingly, the rise in property prices accompanied an appreciation in the SGD. With house prices having fallen for two consecutive quarters and further declines are likely, this could weigh on the currency.

TWD – We see modest downside risk for the TWD in the near term. While Taiwan's trade balance has remained in surplus, it is less of a driver for the TWD compared to portfolio flows. Specifically, our currency strategists expect foreign inflows to ease following the strong flows in recent months. In addition, with US yields looking to have based, the USD is likely to trade better against Asian currencies on the back of improving US data.

Returns

Country Equity Markets	YTD	1-Yr	3-Yr
ASX 200	2.6%	11.4%	17.7%
FTSE 100	1.4%	2.8%	14.3%
Hang Seng	-1.0%	2.7%	-0.4%
India Sensex	14.4%	19.8%	32.8%
Jakarta Comp	14.5%	-4.6%	27.9%
Korea KOSPI	-0.8%	-0.3%	-4.7%
Malaysia KLCI	0.3%	5.5%	21.4%
Nikkei 225	-9.5%	8.5%	55.1%
S&P 500	4.1%	16.3%	43.0%
Shanghai-A	-3.6%	-12.0%	-24.7%
Singapore ST	4.1%	-1.2%	4.9%
Taiwan Weighted	5.4%	10.1%	2.9%

Regional Equity Markets	YTD	1-Yr	3-Yr
MSCI World	3.2%	13.4%	22.7%
MSCI Europe	3.8%	18.0%	16.7%
MSCI BRIC	-0.4%	-2.0%	-20.7%
MSCI Emerging Market	2.5%	1.1%	-10.5%
MSC AP ex Japan	4.1%	4.8%	0.4%

Fixed Income	Yield	1-mth chg	YTD chg
Aust Govt (10Y)	3.66	-29	-58
Bunds (10Y)	1.36	-11	-57
Gilts (10Y)	2.57	-9	-45
JGB (10Y)	0.58	-5	-16
NZ Govt (10Y)	4.24	-17	-48
SG Govt (10Y)	2.24	-18	-32
US Trsy (2Y)	0.37	-4	-1
US Trsy (10Y)	2.48	-17	-55

Currencies	Level	1-mth chg	YTD chg
USD-JPY	101.77	0.5%	3.4%
EUR-USD	1.36	-1.7%	-0.8%
AUD-USD	0.93	0.2%	4.4%
USD-SGD	1.25	0.0%	0.7%
NZD-USD	0.85	-1.4%	3.5%
GBP-USD	1.68	-0.7%	1.2%
USD-CAD	1.08	1.1%	-2.1%
USD-TWD	30.02	0.7%	-0.7%
USD-IDR	11676	-1.0%	4.1%
USD-INR	59.10	2.0%	4.4%
USD-KRW	1020.20	1.3%	2.8%

Source: Bloomberg. As of 30 May 2014.

Forecasts

Precious Metals (US$/oz)	Sep-14	Dec-14	Mar-15
Gold	1220	1180	1220
Platinum	1480	1520	1500
Palladium	850	870	849
Silver	18.4	18.0	18.5

Energy (US$/bbl)	Sep-14	Dec-14	Mar-15
WTI Nymex	102	104	107

Currencies	Sep-14	Dec-14	Mar-15
USD-JPY	107	110	110
EUR-USD	1.40	1.42	1.42
GBP-USD	1.72	1.73	1.75
AUD-USD	0.88	0.85	0.84
NZD-USD	0.83	0.81	0.79
USD-SGD	1.28	1.29	1.30
USD-TWD	30.5	30.6	30.7
USD-IDR	11750	12000	12000
USD-INR	57.5	59.5	60.0

Cross Rates	Sep-14	Dec-14	Mar-15
AUDNZD	1.06	1.05	1.06
AUDSGD	1.13	1.10	1.09
NZDSGD	1.06	1.04	1.03
EURSGD	1.79	1.83	1.85
SGDJPY	83.59	85.27	84.62
GBPSGD	2.20	2.23	2.28
AUDIDR	10340	10200	10080
NZDIDR	9753	9720	9480
EURIDR	16450	17040	17040
JPYIDR	110	109	109
GBPIDR	20210	20760	21000

Source: ANZ Economics & Markets Research. As of 6 June 2014. Forecasts are quarterly averages.

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