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

You say late cycle, I say mid cycle

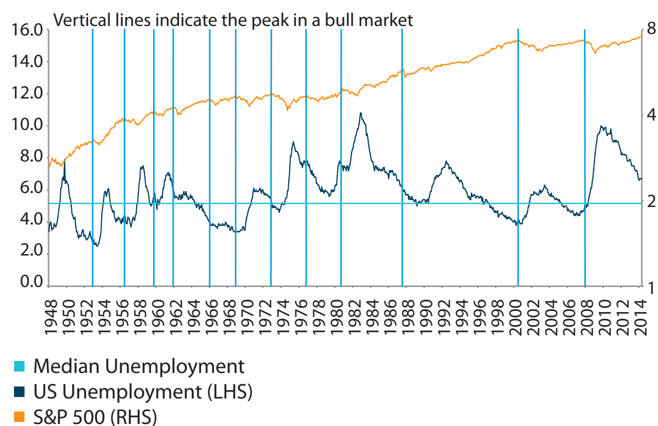
With the current US economic recovery still closer to mid-cycle, the US equity market looks likely to post positive gains for some time yet.

A key part of our investment process is to look at the close inter-linkages between the economic and market cycle. Markets will tend to lead as they attempt to anticipate economic conditions and policy actions, particularly by central banks and their intentions around interest rates.

As we wrote back in October 2013, if we look at the trend in the US share market over the past 5 years relative to previous cycles, it is beginning to look somewhat late cycle. Indeed, the S&P 500's current upswing has been amongst the strongest of the four rapid-paced bull cycles since the 1920s. It is only one month short in duration of the July 1982 cycle, the longest lasting of the rapid-pace cycles.

But if we look at the economic cycle, it looks much closer to mid-cycle. The chart on the right shows the US share market and the unemployment rate since 1948. Excluding the high inflation period of the 1970s, the unemployment rate has typically troughed around 4%, give or take ½%, at the end of a cycle. At the current pace of decline in the unemployment rate (0.8%pts per annum over the past 3 years), it won't be until mid-2017 that we reach the critical 4% level. Other indicators such as the labour underutilisation rate, which captures the impact of discouraged workers absent from the official unemployment rate, suggest it may even be a somewhat earlier cycle. The economic cycle looks to have some way to run.

S&P 500 and Unemployment



Source: ANZ Global Wealth. Bloomberg. April 2014. Chart is shown on a logarithmic scale.

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This is good news for the share market. In the United States, as the chart illustrates, we typically have not had a bear market (a decline of around 20% or more) until the unemployment rate has fallen to or below 5.6%, the median unemployment rate over the past 70 years. The rationale for this correlation is all about the interaction between inflation, the close link between it and the unemployment rate and the reaction of central banks charged with maintaining low inflation and full employment. What ultimately brings the share market's bull run to an end is the Fed's attempts to slow the economy in order to quell rising inflationary pressures. A sharp slowdown or recession eventuates from a sustained tightening in monetary policy which takes interest rates to above a sustainable level.

While the analysis has only focused on the US market, we find that the unemployment rate analysis using US data is applicable for other major markets, which is not surprising since it is half of world share market capitalisation. Putting it simply, when the US sneezes, the rest of the world catches a cold!

Even after 5 years of robust returns, there are good reasons to believe that the US share market can continue to post positive gains for some time yet. But this is not to say that the rapid gains of the past couple of years can be maintained. The economic recovery is advancing and the "danger zone" for the US share market of unemployment below 6% is approaching. Volatility is likely to ensue as markets grapple with the Fed having to raise interest rates to slow the economy to avoid an undesirable rise in inflation. However, this is far from calling an end to the current bull cycle in the US share market as the typical cycle-ending unemployment rate is still a number of years away. More attractive long run valuations from lagging markets such as Europe will also be important in supporting returns from global equities. While we remain overweight developed market equities in our portfolios, this analysis does focus our attention on the critical variable to watch – inflation.

Investment Summary

Our long term view is that as policy makers begin the process of moving policy to more normal settings, more conventional factors which drive the economic cycle are likely to come to the fore. On balance, this is likely to result in lower and more volatile economic growth, low inflation and relatively low investment returns by historical standards. Some of this has already played out this year. Meanwhile, although geopolitical risks remain, it is not possible to predict their outcome with any degree of certainty.

Within this broad context, we believe that the developed world is experiencing a pickup in growth prospects following the lacklustre performance of the previous few years. This environment remains generally supportive of equities. That said, after the substantial increase in asset prices of the past two years, the year ahead is likely to be characterised by a consolidation in growth assets marked by more moderate returns. We also expect to see a reasonable amount of market volatility accompanying this period of consolidation. We view recent market movements as being consistent with this view.

We maintain a moderate overweight position to equities, favouring the developed markets. This stance is derived from our assessment of valuation, macroeconomic and behavioural factors. Although emerging markets outperformed in March, we believe that the region's fundamentals are still deteriorating, and hence it is still too early to turn positive.

We are neutral fixed income. Whilst the pickup in developed world growth will limit the downside in yields, the upside is also limited by a combination of demographics and deleveraging which is currently constraining potential growth. However, in our view, fixed income returns are likely to be more attractive than cash returns.

On the currency front, we have turned more cautious on the NZD. We believe that it has advanced beyond levels that are justified from a fundamental perspective. The currency also appears to be trading at the top end of its trading range. While momentum remains strongly positive, the NZD now appears overbought.

Finally, although China's pro-growth measures may help to form a more conducive backdrop for the commodity markets in the latter part of the year, we currently prefer the risk reward trade-off offered by equities.

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. April 2014.

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Equities

An environment of accelerating growth, contained inflation and still-low interest rates favours equity assets. However, with equity valuations broadly neutral, investors are seeking value. As such, market price rises may not be as broad based as in 2013.

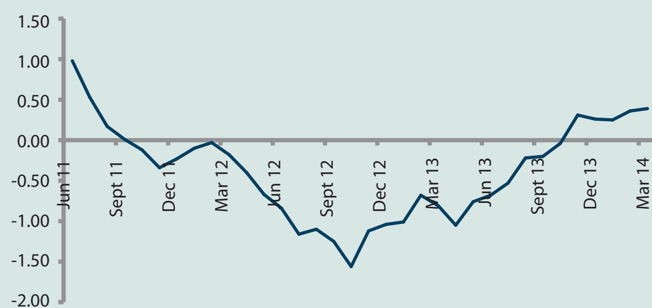
US - We remain modestly overweight the US equity market. While the S&P500 has had a good run, we remain confident that the economic and earnings recovery in the US can be sustained. Although valuations are trading slightly above fair value, we are encouraged by the slowing pace of negative earnings revisions. Earnings growth expectations seem reasonable going by our leading indicators.

On the macro front, our indicators are consistent with GDP growth close to its long run trend amid low levels of inflation. We expect US data releases to firm following a string of disappointing reads in 1Q14. Finally, investor sentiment remains at fairly neutral levels despite the S&P hovering around record levels, which is a positive.

Europe - The European equity markets fell last month on concerns of weakening EM growth and geopolitical uncertainties. Nevertheless we remain constructive on the market and see the potential for further upside if growth expectations improve. Valuations still look reasonable with a 1-year forward PE of 13x.

On the macro front, policymakers seem to be adopting a balanced approach to manage deficits in the region. Business confidence has improved in Germany, but is lagging in the peripheral countries. There appears to be room for macro data to surprise further on the upside in the Eurozone. See chart. Notably, inflation risks remain on the downside and the ECB will need to do more to ensure the region continues to recover.

Citigroup European Economic Surprise



■ Citigroup European Economic Surprise Index

Source: Bloomberg. April 2014.

Japan - We remain neutral on the Japanese equity market. The Topix fell by 7% in 1Q14, and valuations look relatively attractive with the market trading around a 1-year forward earnings of 12.7x.

The success of Abe's reflation policies is key for this market. On this front, investors are looking to the BoJ for further stimulus to offset the impact of an increase in the consumption tax, although the timing could be suspect. Given the underperformance of the Japanese equity market in 1Q14, further easing by the BoJ could be positive for the equity market. However, in our view, the extent of the gains may not match 2013's. For foreign investors, the resulting JPY weakness could further erode potential returns.

The Emerging Markets outperformed in March but we maintain our slightly underweight stance given the still poor market fundamentals. We are neutral on Asia ex Japan as China's policy stimulus could help stabilise investor sentiment towards the region.

Russia – The Russian equity market fell a further 3.4% in March, resulting in a year to date decline of 14.6% (USD terms). The market is likely to remain very volatile, sensitive to the ebb and flow of Ukraine-related tensions. Meanwhile, the outlook for the Russian economy is deteriorating on the impact of the economic sanctions, loss of confidence and continued capital outflows.

Russia's PMI has fallen below 50 and despite sluggish growth, the central bank has had to maintain a tightening bias to support the currency. As stated last month, although the market is cheap, Russia's economy, inflation dynamics and earnings must improve in order for it to re-rate. These factors do not appear to be forthcoming in the near term. Meanwhile the geopolitical risk premium of the market has risen.

Brazil – The Bovespa rallied 9% in March (USD terms) edging valuations to near fair value. Historically, the market has been strongly influenced by industrial production and inflation. On this front, the lacklustre growth outlook suggests that fundamentals are still weak. Notably, Standard & Poor's downgraded Brazil's credit rating to one-notch above junk last month.

Although the central bank appeared to signal the end of Brazil's tightening cycle for now, rate hikes may resume if the continuing drought in the country lifts inflationary pressures. Finally, despite the decline in her approval ratings, President Rousseff still looks set to win the upcoming election in October. As such, reform hopes may be left wanting.

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Within Asia

Taiwan – We are slightly constructive on the Taiwanese market. Valuations are still not expensive and the macro factors remain positive. In particular, Taiwan's export orders continue to reflect resilient demand for technology products. This is corroborated by the upward revision to earnings and outperformance of the Taiwanese tech sector in 1Q14.

Korea – Valuations are not expensive and the growth outlook for the economy remains positive. Notably, external demand appears stable whilst domestic demand seems to be gradually recovering. Rising business sentiment and elevated consumer confidence also bodes well for the outlook. While we are slightly positive on the market, we note that negative earnings revisions have weighed on sentiment, although this was largely due to the intense competition experienced by a large cap handset maker. Nevertheless, a continued deterioration in the market's earnings profile would warrant a review of our current stance.

China – The market looks cheap but the index is heavily weighted towards the banks and property sector which are likely to experience further stress from the economy's slowing trajectory and prospect of narrowing margins. While the market has rebounded in recent weeks following the announcement of a small stimulus package, a sustainable rebound is likely to require more than this, namely, evidence that the government is able to successfully deflate the shadow banking credit bubble, clear signs that the economy has bottomed, and an improvement in earnings visibility.

India – The market has rallied on reform hopes but valuations are still reasonable. A favourable inflation trend also suggests that rates will remain on hold, for now. On the political front, a win by the BJP party, coupled with a strong mandate, is likely to continue to fuel the rally. While we are slightly positive on the market, the risk that a negative election outcome (as perceived by the market) could quickly unravel investor sentiment. We will also be closely monitoring policy announcements and the pace of policy implementation post the election.

ASEAN – The outlook for the different ASEAN markets appears mixed. Credible policy responses in the face of Fed tapering and an improvement in current account positions have moderated our cautiousness towards some markets. However, the political impasse in Thailand, coupled with expensive valuations in the Philippines and Indonesia, lead us to be neutral on the region as a whole. According to our economists, a rate hike cycle could commence in the Philippines and Malaysia sometime this year on the back of rising inflationary pressures, which could weigh on investor sentiment.

Indonesia's macro backdrop continues to look relatively stable, with rising new orders and falling inventories pointing to a slight cyclical uptick in economic activity in the second quarter. While positive investor sentiment, underpinned by reform hopes, could continue to fuel the rally, we note that the market looks expensive. In addition, our economists' view that the seasonal improvement in Indonesia's current account balance could unwind in 2Q/3Q, leads us to be slightly cautious. Meanwhile, results from the recent parliamentary election showed that the PDI-P party won, but with a much narrower margin than expected. This suggests that we could see a more volatile political landscape in the run up to July's Presidential election, which could in turn erode some of the positive political premium which has been built into the market.

Over in Thailand, political developments remain fluid, with no government formed yet, aside from a caretaker administration that is under legal probe. This is likely to cause investment spending to be delayed, in line with softening domestic consumption. The deterioration in Thailand's growth outlook can be seen in analysts' negative earnings revision over the last three months. On the other hand, the market is not expensive which suggests that patient investors may be rewarded when Thailand's political situation normalises. That said, catalysts appear lacking in the short term.

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

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

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Fixed Income

Global bond yields have range traded over the past few months. We expect this to continue over the coming year.

Global fixed interest markets continued to fare well in March, continuing the relatively strong performance since the start of the year. Despite the rise in US bond yields stemming from the Fed's comments, European yields declined further in line with the weak outlook for inflation. Meanwhile higher-yielding peripheral European bond markets continued to attract capital flows, with Italian 10-year government bond yields falling a further 19 basis points (bps) in March, while Spanish yields fell 28bps.

By contrast, the Australian fixed income market recorded a flat outcome. Government bond yields rose following the release of strong data on retail and housing data. In addition, the market is factoring in rate increases by the Reserve Bank of Australia (RBA) from early next year, holding back returns in the sector.

We have a neutral stance towards fixed income and expect that the range-trading environment for global bond yields to continue. Whilst the pickup in developed world growth will limit the downside in yields, the upside is also limited by a combination of demographics and deleveraging, leading to potential growth constraints. Nevertheless, we expect this asset class to perform slightly in excess of cash returns.

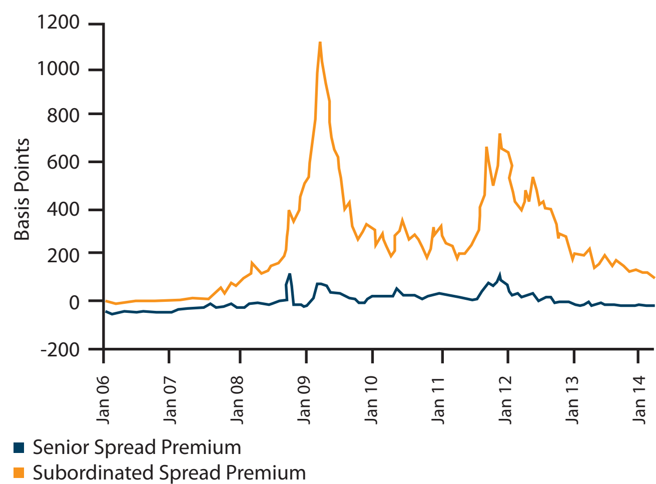
We are neutral Australian fixed income as valuations appear expensive. The recent pick up in Australian activity momentum will likely favour corporates over the sovereigns. Global forces combined with an expected cyclical pickup in the local economy should serve to put a floor under bond yields. However, as is the case globally, we expect any rise in Australian bond yields to be modest following the increase seen last year.

Within fixed income, our preference is for the US and European financial sector, as well as European Investment Grade corporates.

We believe that there is further room for spread compression within US financials as their credit fundamentals continue to benefit from the benign growth environment. The potential rise in borrowing rates in the US is also likely to be positive for the sector's earnings. Notably, the Fed's recent stress test in 1Q14 revealed that almost all of the 30 largest US banks had sufficient capital buffers to continue lending even in an economic crisis. Indeed, US banks' balance sheets have improved significantly since the 2008 financial crisis.

Likewise, we expect the improving macro conditions in Europe to be supportive of further spread tightening within the European financial sector. At the same time, the establishment of the Single Resolution Mechanism for winding down failed banks, plus the creation of a single banking regulator under the European Central Bank will help restore confidence in Europe's banks. We particularly favour subordinated bank debt which offers investors a higher yield pick up over senior debt, although we acknowledge that premiums have been narrowing. See chart. Investors looking to subordinated debt may want to consider the bullet securities issued by the higher rated banks.

European Financials Senior and Subordinated Spread Premium



Source: iBoxx. April 2014.

That said, investors will want to be mindful that more severe economic sanctions imposed by the West on Russia could have negative spill over effects on European corporates, as well as on the European banks which have direct lending exposure to Russia.

Finally, we saw renewed appetite for emerging market debt in early April. Investors were attracted by the relative valuations and the shift in market expectations towards still accommodative Fed and ECB monetary policies. Nevertheless, given the headwinds that still remain, we do not see the potential for significant spread tightening in the short term and remain cautious on this asset class.

Within the emerging markets, we continue to favour Asian corporates, which are likely to be supported by the continued recovery in the global economy and a stabilisation in Asian growth. This view is not without risks as Asian fixed income remains vulnerable to negative sentiment arising from more defaults in China, a renewed focus on current account deficits and an escalation of Ukraine-related tensions.

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Commodities

China is looking to arrest the deterioration in its growth momentum. Should this materialise, commodity markets can look forward to a more conducive backdrop in the latter part of the year.

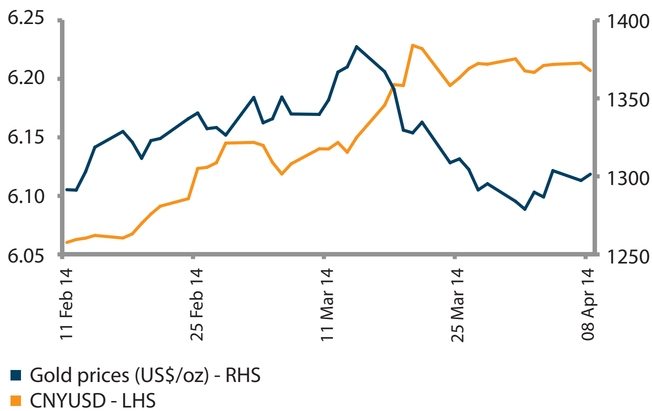
The outlook for China remains key for commodities. On this front, China's latest official PMI reading in March suggests that China's growth deceleration may be bottoming. The PMI rose by 0.1 pt to 50.3 after falling for three consecutive months. Encouragingly, the export order index picked up by 1.9pts to 50.1; meanwhile, new orders and output also show signs of improving. However, low crude steel output and still-large iron ore inventories in ports and steel mills imply that China's economic bottoming is still in its early stages.

While pro-growth measures, the cyclical upturn of newly started projects, and easier monetary policy could help to arrest China's growth deceleration, investors should bear in mind that any policy is likely aimed at stabilising growth, rather than supercharging it.

The weak CNY is affecting Chinese demand for gold.

Our near term outlook for gold is neutral. Chinese demand is waning on the back of a weaker yuan, and last month, gold prices in China fell below London spot prices for the first time since September 2012. As such, a return to the CNY's appreciation trend may be needed to improve the price differential. See chart.

Gold prices against USDCNY



Source: Bloomberg. April 2014.

Over in India, there is speculation of some easing in the gold import restrictions which were imposed last year to curb the country's current account deficit. In our view, a decision is unlikely to be made before the elections. However, should we be proven wrong, an easing of the restrictions prior to or shortly after the start of India's peak wedding season in May is likely to see a strong lift in gold imports, which would be supportive of prices.

Rising Chinese steel output and seasonal decline in inventories could support a relief rally in iron ore and coking coal.

Chinese steel stocks are beginning to moderate after building strongly in January and March – a key reason for the recent weakness in steel prices. More recently, we have seen a 1.3 million tonnes decrease in Chinese steel inventories. As construction activity in China picks up, China's steel inventory is likely to moderate further. In previous years, steel price recoveries have tended to occur mid-cycle, between June-August.

Chinese steel output is also gradually improving, back above 2 million tonnes a day in early March and at its highest level since November. With output on the uptrend and the seasonal decline in inventories, implied consumption looks better, supporting a potential relief rally in steel inputs such as iron ore and coking coal. That said, supply dynamics are expected to keep a cap on price gains.

We see mild upside in copper prices over the coming months, as Chinese seasonal demand improves.

Copper prices have fallen to a four year low on the back of disappointing Chinese data and concerns of "hidden" inventories tied to financing deals. While China consumes about 40% of global copper production, not all of that goes straight into manufacturing or construction. Of late, Chinese companies have been using copper as collateral for their hard-currency loans.

Therefore, while concerns of a slowing Chinese economy have hurt copper prices, other factors may be at play. In particular, the onset of China's first onshore bond default has caused banks to be more reluctant to lend. This in turn has heightened concerns that Chinese companies hard pressed for cash could end up selling their copper inventory instead, leading to a supply overhang.

Although copper financing deals are likely to have played a role in the copper price volatility, further downside in prices may be limited as speculators are already in a net short position. In fact, the expected improvement in Chinese fundamentals, coupled with the rise in Chinese seasonal demand, suggests that a mild upside in copper prices cannot be ruled out.

Currencies

The conditions for a sustained depreciation in the euro do not seem to be in place. Attempting to cap the euro during this period of low inflation may the best outcome the ECB can hope for.

USD – The USD could remain soft in the near term as US long bond yields stay capped. Federal Reserve Chair Janet Yellen is of the view that the US economy will need extraordinary support for "some time", amid the Fed's concern that considerable slack remains in the economy and labour market. As such, while currencies offering high carry could remain in favour for some time, our view is for the NZD, AUD and Asian currencies to decline against USD over the medium term.

EUR – There has been much speculation on potential policy action from the ECB to reduce the disinflationary pressures in the Eurozone. On this front, we think that the introduction of a negative deposit rate is unlikely, as it would be seen as targeting the exchange rate, which goes against the ECB's recent rhetoric. The move could also be counterproductive as it may trigger deposit outflows from banks at a time when much work is being done to recapitalise them. In addition, it appears that the ECB has further work to do on the design of QE, so that too may be some way off.

In our view, should inflation stays persistently low, we believe that the ECB may opt to cut the refi rate (currently 25 bp) and could leave the SMP bond purchases unsterilized. The latter could send a signal over possible QE in the future and play into the ECB's forward guidance that interest rates will stay low for longer. In fact, a cut in the refi rate may happen as early as next month, should inflation fail to bounce back in April.

While this could cap the euro in the near term, our analysts maintain that conditions for a sustained depreciation in the currency do not seem to be in place. Reforms over the last 20 months in the Eurozone have helped stabilise economic activity, reduce tail risks, improve competitiveness and fiscal positions, resulting in a return of investor confidence and capital inflows for the region. These fundamentals appear intact and are supportive for the currency in the medium term, especially against the major crosses.

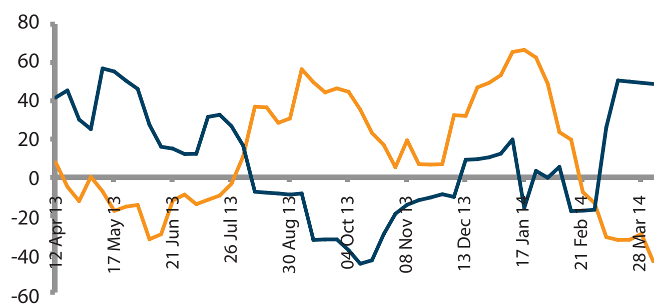
JPY – The rise in Japan's consumption tax rate from 5% to 8% came into effect in April. While this has the potential to negatively impact the economy, the BoJ is likely to take a few months to assess the situation before responding with further easing. Our economists believe that aggregate wage growth will disappoint, leading the central bank to do more to lift inflation in the latter half of this year. This backdrop would favour JPY weakness.

AUD – The Australian economy, and consumer spending in particular, has strengthened somewhat in recent months. The prospects are for a solid expansion in housing construction. Businesses also appear more confident while exports appear to be strengthening, However, weaker mining investment, subdued public spending and still cautious investment intentions in the business sector are contributing to the RBA's expectation of a relatively slow improvement in the economy.

With unemployment still expected to track slightly higher in the near term, we should see wages growth remain well controlled. This in turn is likely to keep inflation in check. These factors cause us to maintain our expectations for cash rates to remain unchanged in 2014, and for any tightening to occur only in early 2015. We continue to believe that the RBA favours a lower AUD in order to facilitate a more balanced growth in the economy.

In our view, the AUD's recent rally is a result of weak US data, a re-rating of growth expectations in Australia plus expectations of policy easing from China. Going forward, we feel that Australian growth surprises will be harder to come by while the opposite is probably true for the US. See chart. Any easing in China is also likely to be aimed at stabilising growth, rather than supercharging it, and this quantum of easing appears to be already priced into the Australian dollar. As such, we see downside potential for the AUD from its current level of around 0.92.

US and Australian Economic Surprise Index



■ Citigroup Australian Economic Surprise Index
■ Citigroup US Economic Surprise Index

Source: Bloomberg. April 2014..

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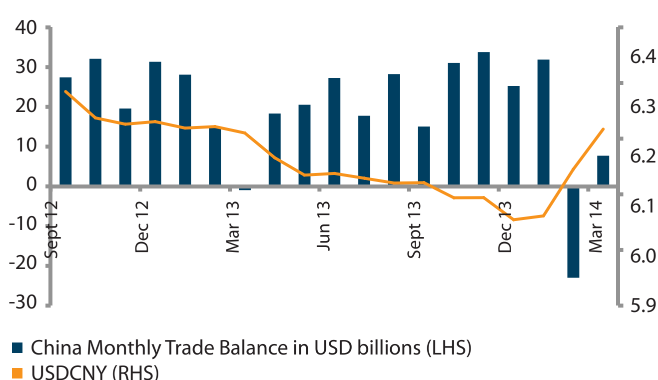
NZD – We have turned more cautious on the NZD in the medium term. While New Zealand's economic picture remains robust and the NZD's high yield could continue to appeal to investors in the near term, we believe that the currency has advanced beyond levels that are justified from a fundamental perspective. The currency also appears to be trading at the top end of its trading range. While momentum remains strongly positive, the NZD now appears overbought.

The rallies in the rupee and rupiah may be running out of steam. On the other hand, a resumption of trade surpluses could see the RMB appreciate modestly in 2H14.

CNY – In view of the recent weakness in Chinese economic data and doubling of the CNY trading band, we have revised our year end forecast for the USDCNY to 6.08 from 5.98. Further near term weakness in the RMB may result from onshore corporates' hedging activities, investors' bearish bets on the currency and renewed capital outflows. That said, the potential increase in financial stability risks would likely spur the PBoC to put a halt to any sustained depreciation in the currency.

At the same time, the monetary easing currently underway is likely to help support economic activity in 2H14. This, together with a resumption of trade surpluses, will likely see the RMB appreciate modestly in the second half of the year.

China Trade Balance and USDCNY



Source: Bloomberg. April 2014.

INR – Voting is now underway in India, which will run until 12 May. Historically, the rupee tends to underperform the USD and other regional currencies during the voting period. As such, there is risk that the rupee could give back some of its recent gains in the coming weeks. At the same time, India's peak wedding season in May tends to be associated with INR weakness given the corresponding rise in gold imports.

That said, the extent of INR weakness this year rests on whether existing gold import restrictions in India are eased. Beyond the near term, a BJP win may see a post-election rally in the currency although this would be dependent on the strength of the mandate.

IDR – The IDR's strong rally may be running out of steam. Although the improvement in Indonesia's trade balance, coupled with softer than expected inflationary pressures earlier in the year is supportive of the currency, much of the positive news may have already been priced in.

The rupiah has also benefited from expectations of strong performances by the PDI-P party and Joko Widodo in the Parliamentary and Presidential elections. On this front, the smaller than expected win by the PDI-P party in the recently held Parliamentary election points to a more volatile political landscape in the run up to the July Presidential election. As such, there is risk that some of the recent strong foreign inflows into Indonesian assets may start to unwind, leading to rupiah weakness in the near term.

SGD – The Monetary Authority of Singapore (MAS) maintained their current policy stance for a modest and gradual appreciation of the S$NEER (Nominal Effective Exchange Rate) at its April Monetary Policy Review with no change to the slope and width of the policy band, as well as the level at which it is centred. The hurdle for policy easing appears high with core inflation expected to remain elevated given tight labour market conditions.

We expect the SGD to depreciate against the USD over the medium term, and have a year-end target of 1.30. 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.

TWD – The CBC held its policy rate as widely expected, consistent with an environment of low inflation and uncertain global economic conditions. Our economists are cautiously optimistic on Taiwan's external outlook as they believe that growth momentum in China has bottomed and a cyclical upturn is underway.

Returns

Country Equity Markets	YTD	1-Yr	3-Yr
ASX 200	0.8%	8.6%	11.5%
FTSE 100	-2.2%	2.9%	11.7%
Hang Seng	-5.0%	-0.7%	-5.9%
India Sensex	5.7%	18.8%	15.1%
Jakarta Comp	11.6%	-3.5%	29.6%
Korea KOSPI	-1.3%	-1.0%	-5.7%
Malaysia KLCI	-1.0%	10.6%	19.7%
Nikkei 225	-9.5%	18.9%	51.1%
S&P 500	1.3%	19.3%	41.2%
Shanghai-A	-3.9%	-9.1%	-30.6%
Singapore ST	0.7%	-3.6%	2.7%
Taiwan Weighted	2.8%	11.8%	1.9%

Regional Equity Markets	YTD	1-Yr	3-Yr
MSCI World	0.6%	14.2%	19.6%
MSCI Europe	1.5%	21.0%	15.8%
MSCI BRIC	-3.1%	-6.3%	-26.5%
MSCI Emerging Market	-0.8%	-3.9%	-15.1%
MSC AP ex Japan	0.4%	-0.6%	-3.3%

Fixed Income	Yield	1-mth chg	YTD chg
Aust Govt (10Y)	4.08	6	-15
Bunds (10Y)	1.57	-6	-36
Gilts (10Y)	2.74	2	-29
JGB (10Y)	0.64	6	-10
NZ Govt (10Y)	4.59	3	-13
SG Govt (10Y)	2.49	3	-7
US Trsy (2Y)	0.42	10	4
US Trsy (10Y)	2.72	7	-31

Currencies	Level	1-mth chg	YTD chg
USD-JPY	103.21	-1.4%	2.0%
EUR-USD	1.38	0.0%	0.4%
AUD-USD	0.92	3.4%	3.5%
USD-SGD	1.26	0.6%	0.3%
NZD-USD	0.87	3.1%	5.3%
GBP-USD	1.66	-0.6%	0.5%
USD-CAD	1.11	0.0%	-4.1%
USD-TWD	30.49	-0.5%	-2.3%
USD-IDR	11361.00	2.1%	6.7%
USD-INR	59.89	3.0%	3.1%
USD-KRW	1064.70	0.3%	-1.4%

Commodities	Level	1-mth chg	YTD chg
Aluminium	1785	1.8%	-0.8%
Copper	6645	-5.2%	-9.7%
Gold	1283	-2.9%	6.7%
Lead	2068	-3.1%	-6.8%
Nickel	15900	8.0%	14.4%
WTI Oil	102	-1.0%	3.2%
Zinc	1983	-4.3%	-3.5%

Source: Bloomberg. As of 31 March 2014.

Forecasts

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

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

Currencies	Jun-14	Sep-14	Dec-14
USD-JPY	105	107	110
EUR-USD	1.39	1.4	1.42
GBP-USD	1.69	1.72	1.73
AUD-USD	0.88	0.87	0.85
NZD-USD	0.83	0.83	0.81
USD-SGD	1.28	1.29	1.3
USD-TWD	30.3	30.4	30.5
USD-IDR	11500	11750	12000
USD-INR	62.5	63.5	64

Cross Rates	Jun-14	Sep-14	Dec-14
AUDNZD	1.06	1.05	1.05
AUDSGD	1.13	1.12	1.11
NZDSGD	1.06	1.07	1.05
EURSGD	1.78	1.81	1.85
SGDJPY	82.03	82.95	84.62
GBPSGD	2.16	2.22	2.25
AUDIDR	10120	10223	10200
NZDIDR	9545	9753	9720
EURIDR	15985	16450	17040
JPYIDR	110	110	109
GBPIDR	19435	20210	20760

Source: ANZ Economics & Markets Research. As of 4 Apr 2014. Forecasts are quarterly averages.

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