ANZ RESEARCH

# NEW ZEALAND ECONOMICS
# MARKET FOCUS

18 January 2016

INSIDE



NZ ECONOMICS TEAM


**Cameron Bagrie**
**Chief Economist**
Telephone: +64 4 802 2212
E-mail: Cameron.Bagrie@anz.com
**Twitter @ANZ_cambagrie**

**Philip Borkin**
**Senior Economist**
Telephone: +64 9 357 4065
Email: Philip.Borkin@anz.com

**David Croy**
**Senior Rates Strategist**
Telephone: +64 4 576 1022
E-mail: David.Croy@anz.com

**Mark Smith**
**Senior Economist**
Telephone: +64 9 357 4096
E-mail: Mark.Smith2@anz.com

**Sam Tuck**
**Senior FX Strategist**
Telephone: +64 9 357 4086
E-mail: Sam.Tuck@anz.com

**Kyle Uerata**
**Economist**
Telephone: +64 4 802 2357
E-mail: kyle.uerata@anz.com

**Con Williams**
**Rural Economist**
Telephone: +64 4 802 2361
E-mail: Con.Williams@anz.com

**Sharon Zöllner**
**Senior Economist**
Telephone: +64 9 357 4094
E-mail: Sharon.Zollner@anz.com


## JITTERBUG

### ECONOMIC OVERVIEW

The vibe from our Chief Economist's recent trip to Asia has not inspired confidence regarding the region's near-term growth prospects, although we still believe in the positive medium-term story. Risks and challenges are clear. Although the domestic economy is still chugging along well – data this week (QSBO) should be consistent with that – it reinforces that the risk profile for the OCR is still skewed lower. We continue to closely watch the five factors we listed last year (China, funding markets, domestic inflation, credit growth and NZD) to determine whether a change in our view of a stable OCR is warranted. However, for now, across real economic barometers we expect the positive vibe apparent in late 2015 to extend into 2016; the economy is looking okay.

### CPI PREVIEW

Lower food and petrol prices are expected to deliver a 0.3% q/q fall, with annual CPI inflation easing to 0.3%, the 5th consecutive quarter below 1%. Low inflation is not solely due to lower commodity prices, with another soft quarterly print for non-tradable inflation expected. Annual core inflation readings are expected to come in a 1-1.5% range. With clear downside risks to the RBNZ's short-term inflation outlook, risks are tilted to a lower OCR.

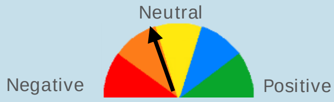
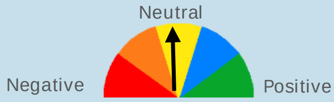
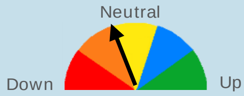
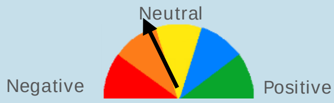
### INTEREST RATE STRATEGY

Concerns over the outlook for China and lower oil prices are expected to keep markets on edge. Low domestic inflation and a benign short-term inflation outlook are expected to support receiving-side interest, with market pricing for OCR cuts to intensify, despite the NZD's adjustment to date. Increasing credit spreads have resulted in weak price action across credit markets and we are watching local deposit rates for signs of flow-on. NZGS yields have outperformed in the global rally, and will remain bid if markets remain turbulent.

### CURRENCY STRATEGY

Risks for NZD/USD remain firmly skewed to the downside with China and commodity prices clearly warning of further weakness. However, in the short term sentiment is already weak and technical indicators are oversold. We prefer to sell rallies rather than position for further immediate declines. NZD/AUD strength demonstrates that markets expect the New Zealand economy to hold up better than the Australian economy, a theme we concur with and expect to be borne out in the data.

### THE ANZ HEATMAP

| Variable | View | Comment | Risk profile (change to view) |
|---|---|---|---|
| GDP | 2.6% y/y for 2016 Q4 | Moderate growth outlook. Downside risks exist (globe) but some local upside risks also evident. |   |
| Unemployment rate | 5.9% for 2016 Q4 | The demand for labour is sluggish, while labour supply remains strong. Wage inflation contained. |   |
| OCR | 2.50% by Dec 2016 | OCR is back at record lows. We have a flat forecast for 2016, with downside risk. |   |
| CPI | 1.1% y/y for 2016 Q4 | Lower petrol prices and further ACC levy cuts from July expected to keep headline inflation low this year. Core inflation measures likely to remain sub 2%. |   |

# ECONOMIC OVERVIEW


## SUMMARY

The vibe from our Chief Economist's recent trip to Asia has not inspired confidence regarding the region's near-term growth prospects, although we still believe in the positive medium-term story. Risks and challenges are clear. Although the domestic economy is still chugging along well – and data this week (QSBO) should be consistent with that – it reinforces that the risk profile for the OCR is still skewed lower. We continue to closely watch the five factors we listed last year (China, funding markets, domestic inflation, credit growth and NZD) to determine whether a change in our view of a stable OCR is warranted. However, for now, across real economic barometers we expect the positive vibe apparent in late 2015 to extend into 2016; the economy is looking okay.


## FORTHCOMING EVENTS

**REINZ Housing Market report – Dec**. A 1-2% fall in sales volumes is expected, with annual house price inflation to slow towards (or slightly below) 10%.

**NZIER QSBO – Q4** (10:00am, Tuesday, 19 January). General business confidence is expected to move mildly back into positive territory and activity measures should signal firmer rates of annual GDP growth. Pricing intentions are expected to remain close to zero, with increases in surveyed capacity utilisation likely.

**GlobalDairyTrade auction** (early am, Wednesday, 20 January). NZX whole milk powder price futures suggest another small fall.

**CPI – Q4** (10:45am, Wednesday, 20 January). A 0.3% quarterly fall in the headline CPI is expected (+0.3% y/y). Please see our preview on page 5.

**ANZ Job Ads – Dec** (10:00am, Thursday, 21 January).

**BNZ Business NZ PMI – Dec** (10:30am, Thursday, 21 January). A mid 50's reading is expected.

**ANZ Roy Morgan Consumer Confidence – Jan** (1:00pm, Thursday, 21 January).

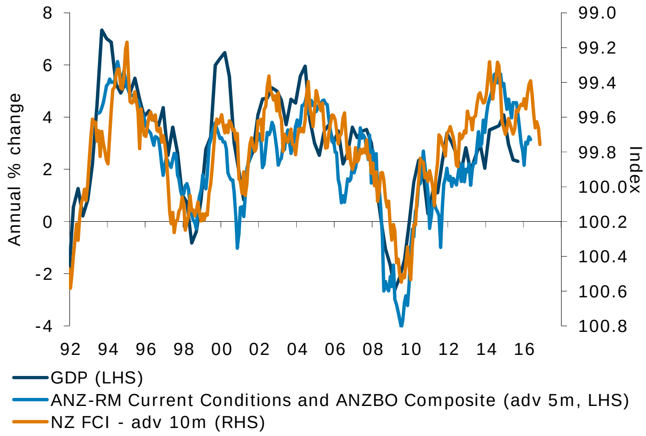
**BNZ Business NZ PSI – Dec** (10:30am, Tuesday, 26 January). A late 50's reading is expected.

## WHAT'S THE VIEW?

**Our Chief Economist was up in Asia last week,** which was somewhat fortuitous (or not) considering the market movements to start the year. The key takeaways from the trip included:

- **Sentiment has swung much more bearish.** It is of course not surprising to see sentiment turn given the combination of equity, commodity and currency gyrations, but it was the depth of concern that surprised.
- **Views on China's 'actual' growth story – and prospects for wider Asia more broadly – were much more subdued relative to prior trips**.
- **There were some genuine worries over whether Chinese authorities have actually lost control of some key market variables.** Views seemed to oscillate from day to day on this, in part because market participants were dealing with regulatory changes on a daily basis, hinting of heavily reactive policies. One policy response often created leakage elsewhere, somewhat akin to the game *whack-a-mole;* you whack one mole with your hammer and another pops up!
- **The firepower of China was constantly acknowledged** (rates are going down) but the **key concern was whether Pandora's Box (pricing of risk and allocation of capital) had been opened too far to easily be closed**, given the backdrop of weakening growth.
- **The consensus was that China's RMB was going down**, either in a managed fashion or potentially in a one-off hit. A weaker currency exports one's problems. It also means a NZD on a TWI basis that will struggle to push materially lower despite recent movements in the NZD/USD.
- **We heard lots of stories about capital flight from China**; in some instances a capital loss was being accepted simply because it was the lesser of two evils versus waiting for currency depreciation.
- **Any views were low-conviction ones, if they existed at all.** We were constantly asked for our thoughts on the state of play; we had a view, but found the question ironic given we observe the region from afar (though sometimes that can be an advantage).

**FIGURE 1. CONFIDENCE, FCI & GDP**




Source: ANZ, Bloomberg, Statistics NZ, Roy Morgan, Westpac, McDermott Millar

# ECONOMIC OVERVIEW

**In short, our Chief Economist didn't exactly come back hyped up about the short-term growth prospects for the Asian region or prospects for local export prices to recover; rather the opposite.** We still believe in the medium-term positive story for the region, but the short-term one faces considerable challenges.

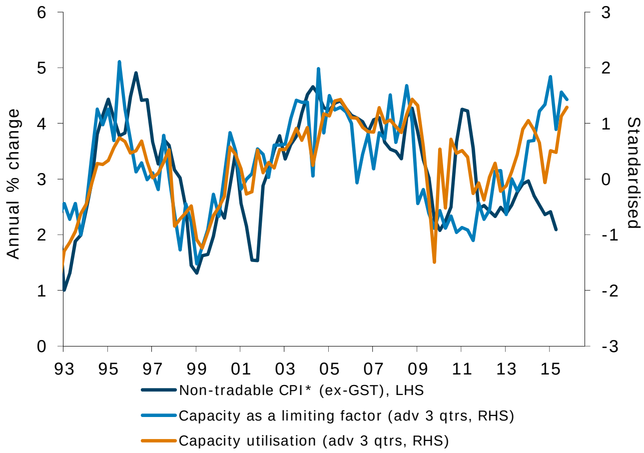
**This reinforces the downwards risk profile for the OCR** despite the good domestic economy backdrop. Financial conditions remains supportive (refer chart above), our Truckometer has bounced sharply, and our confidence composite is flagging good momentum. That leaves us with a base case of OCR stability for now. But as we highlighted late last year, **we are watching five factors that could see us shift our view to OCR cuts: NZD divergence from local fundamentals; China troubles and export price weakness; deteriorating global funding markets; subdued domestic inflation; and a cooling in domestic credit growth.** The way the year has started and the nuances picked up on the ground in Asia mean a few of those look closer to being ticked off – and sooner as opposed to later.

**Turning to this week's domestic data, the timely ANZ Roy Morgan Consumer Confidence report for January will be perused for signs of external headwinds.** It's the first sentiment read on 2016 and an obvious first gauge to assess whether global ructions are impacting. However, low mortgage interest rates, low consumer prices and possible increases in employment (with another read in this week's Job Ads) would be expected to provide at least some offset.

**The Q4 NZIER Quarterly Survey of Business Opinion will also provide an important update on sentiment this week. It should be firm on growth prospects**, but as it largely relates to 2015 (albeit with some forward-looking components), it will not capture recent events. It is expected to corroborate the message of the earlier ANZ *Business Outlook:* that the domestic economy has turned the corner after an early 2015 hiatus. The likes of firms' past and future domestic trading activity conditions are expected to signal an improvement in the annual pace of GDP growth (perhaps to around 2½% from around 2% at present). Employment and investment intentions are also likely to have improved modestly.

**Despite the firmer messages on the activity side, QSBO pricing intentions are likely to be flat given plunging commodity prices and low headline inflation.** The capacity gauges from the QSBO have traditionally provided useful information on the extent of inflationary pressure in the system. Of late, however, there has been a divergence between what the capacity metrics are saying about inflation and actual outcomes (see Figure 2). This has added weight to the argument that structural factors are playing at least some role in keeping inflation contained. It could be just a question of timing, but we're sceptical.

**FIGURE 2. NON-TRADABLE INFLATION VS CAPACITY MEASURES**




Source: ANZ, NZIER, Statistics NZ

**This sedate inflation backdrop will also no doubt be reinforced by this week's Q4 CPI release.** We expect a 0.3% quarterly decline in the headline CPI, with annual inflation falling to just 0.3% (see our CPI preview on page 5). Risks are skewed to the downside, although we expect annual rates of core inflation to remain stable, with most measures holding within the 1-3% inflation target band.

**Some of the influences that have held down inflation over 2015 are expected to continue to provide downward impetus to consumer prices over 2016. Specifically:**

- Lower commodity prices are swamping the impact of the lower NZD/USD, and suggest pending falls in underlying tradable prices. Oil prices have plunged more than 20% in USD terms since the start of the year, with USD prices for Dubai down 60% since last May. Global food commodity prices are also down.
- Strong net immigration is increasing the competition for jobs, which is keeping wage growth contained. Our Monthly Inflation Gauge has continued to reveal a lack of upward pressure in most pricing pockets.
- Increased competition is pressuring domestic and international airfares. Further cuts to ACC vehicle levies from July (-0.2ppts) will also add downward impetus.

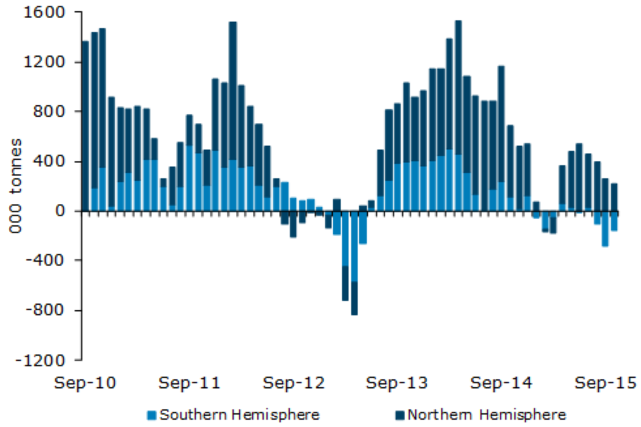
**As such, there is a strong likelihood that annual CPI inflation ends 2016 closer to 1% than the 1.6% rate projected by the RBNZ.** Lower headline

## ECONOMIC OVERVIEW

inflation in itself is not a precursor to OCR cuts (we are watching underlying inflation pressures more closely in that regard), but it does provide the RBNZ with the option of cutting if the activity outlook softens. It is the latter that is key, which means particular attention needs to be paid to our leading gauges (business and consumer confidence, Truckometer and financial conditions) going forward.

**In other events, a flat result for dairy prices is expected at this week's GDT auction.** NZX futures are pointing to a 2-3% lift, but with the last two GDT auctions undershooting NZX futures market expectations, we're conservative in our expectations of the extent of any improvement in prices over the first part of 2016. A flat forward price curve for milk powders at the last two auctions and anecdotal market feedback suggest buyers are relatively comfortable with their current inventory levels and forward-contracted supplies at present. Offshore, seasonal factors such as increasing European milk supply and reduced China import demand are also likely to cap improvements in prices through the first half of 2016.

**FIGURE 3: MILK PRODUCTION GROWTH FOR MAJOR EXPORTERS**




Source: ANZ, Dairy Australia, DCANZ, Datum, USDA

**However, there is some evidence emerging of supply restrictions beginning to come into play offshore.** There are murmurings out of China of significant raw milk pricing reductions and renegotiations (falls) of farmer supply contracts by domestic processors. In Europe, the Dutch cooperative FrieslandCampina has been so overwhelmed by the increase in milk from farmers it has run into capacity constraints, and has offered a bonus to suppliers to stay below a certain volume of milk, capping supply for now. All up, supply reductions over time will help trigger improvements in prices, but that feels more likely a late 2016 (or even 2017) story at the moment, with a sustained price improvement requiring a lift in demand growth (especially from China).

**All up, a reduction in the 2015/16 milk price forecast is expected at Fonterra's next update.** Open Country Dairy (the country's second-largest dairy processor) last week reduced its season average price to $4.00-$4.30/kg MS (-$0.30/kg MS), highlighting the direction of risk. We are maintaining our range of $4.25-$4.50/kg MS, but would be toward the bottom end at present. Year-to-date, we have the milk price around the low-$4/kg MS mark.

**December readings from the Business NZ manufacturing and services sector surveys are expected to show reasonable momentum.** An elevated NZD TWI, and dairy sector difficulties are expected to weigh on headline manufacturing sentiment, notwithstanding the support provided by the strengthening construction sector. Services sentiment could ease a touch from the 59.2 November reading, following slowing housing market activity, but is likely to remain at elevated levels, with the services sector leading the domestic expansion.

**And finally, courtesy of the sharp slowdown in Auckland, nationwide REINZ housing market figures are expected to keep slowing over the next few months.** Affordability constraints and policy measures put in place by the Government and RBNZ have proved effective and further falls in Auckland prices (on top of the 6% decline seen since September) look likely. It is a different story outside of Auckland, where the cocktail of low mortgage interest rates and the ripple impact of earlier Auckland house price strength is expected to see other regions outperform.

### LOCAL DATA

**ANZ Commodity Price Index - Dec.** Prices in the index fell 1.8% m/m (-12.9% y/y), with NZD prices down 3.9% m/m (-1.1% y/y).

**QV House Price Index – Dec.** Prices rose 2.9% 3m/3m. Annual house price inflation eased to 14.2%.

**ANZ Truckometer – Dec.** The Heavy Traffic Index lifted 2.6%, while the Light Traffic Index increased 1% m/m.

**ECT Spending – Dec** (10:45am, Thursday, 14 January). Retail spending fell 0.2% (+5.3% y/y), with core spending down 0.4% (+5.8% y/y).

**ANZ Monthly Inflation Gauge.** Prices rose 0.2%m/m 9+0.3% 3m/3ma). Prices in the ex-housing underlying Gauge were unchanged (+0.2% 3m/3m).

**Food Prices – Dec.** Prices fell 0.8% m/m (-1.3% y/y).

**Building Consent Issuance – Nov.** The number of residential consents rose 1.8% sa. The value of non-residential consent issuance eased 0.4% sa.

# DATA PREVIEW

## SUMMARY

Seasonal falls in food prices and lower petrol prices are expected to deliver a 0.3% q/q fall in the CPI, with annual inflation easing to 0.3%, the 5th consecutive quarter below 1%. Low inflation is not solely due to lower commodity prices, with another soft quarterly print for non-tradable inflation expected, and annual non-tradable inflation falling further below the target midpoint. Annual core inflation readings are expected to come in a 1-1.5% range. With clear downside risks to the RBNZ's short-term inflation outlook, risks are tilted to a lower OCR.

## CONSUMERS PRICE INDEX – Q4 2015

(Wednesday 20 January, 10.45am)

| | Headline CPI | | Tradable | | Non-tradable | |
|---|---|---|---|---|---|---|
| | Qtrly % chg | Ann % chg | Qtrly % chg | Ann % chg | Qtrly % chg | Ann % chg |
| **ANZ** | **-0.3** | **0.3** | **-0.9** | **-1.3** | **0.2** | **1.4** |
| Market | -0.2 | 0.3 | – | – | – | – |
| RBNZ | -0.2 | 0.4 | -0.7 | -1.0 | 0.2 | 1.4 |

## SUBDUED

**We expect a 0.3% fall in overall consumer prices in the December quarter, with annual CPI inflation easing to 0.3%.** This is slightly below the RBNZ's -0.2% q/q December *MPS* pick and the market consensus expectation. **Risks are skewed to the downside given that our components add-up is on the cusp of a 0.4% q/q fall.**

**Key features include:**

- **Courtesy of the monthly food price outturns already released, we know that quarterly food prices declined 2.2% in Q4** (a -0.4ppt contribution to quarterly CPI). Seasonal falls for fruit & vegetables, grocery foods and non-alcoholic beverages were evident in Q4. Lower global food commodity prices suggest annual food price inflation is likely to remain benign over 2016.
- **A 1.0% fall in the transport group** (-0.2ppts). A 5% fall in petrol prices (-0.3%ppts) is expected to be partly offset by a milder-than-usual seasonal increase in both domestic and international airfares. Competitive pressures are expected to help cap upward pressures on vehicle prices from the lower NZD/JPY.
- Seasonal falls are also expected in prices in the communications and alcoholic beverages and tobacco group (-0.1ppts).
- **Prices in the housing group are forecast to increase 0.6%** (+0.1ppts). The remaining 20% of the circa 7% 2015 rise in nationwide local authority rates should flow through into the Q4 figures. We also expect quarterly construction cost inflation to remain elevated at 1.1%, with increases in dwelling rents running at about half of that rate. A small increase is expected for property maintenance fees, whilst small seasonal falls are expected for energy costs.
- **Modest quarterly increases are expected for prices in the health and miscellaneous goods & services groups**, consistent with recent readings for these components from our Monthly Inflation Gauge. Our Gauge also identified cost pressures for accommodation tariffs and increases for newspaper, books & stationery prices, which are expected to push up prices in the recreation & culture group. In combination, these are expected to contribute +0.2ppts.

**We expect a 1.0% fall in tradable prices (-1.4% y/y).** Lower petrol and food prices account for the bulk of this. We have also assumed that the competitive retail environment will be sufficient to cap pressures from the lower NZD, with lower prices for imported commodities (notably fuel prices) also playing a role. Increased competition on international air routes are also expected to partly dampen the seasonal Q4 rise in international airfares and look set to drive prices lower over the next few quarters.

**A 0.2% quarterly increase is expected for non-tradable prices, with annual inflation easing to 1.4%, a 17-year low.** This forecast is in a similar ballpark to the 0.3% quarterly movement in Q4 prices from our Monthly Inflation Gauge, highlighting a subdued domestic pricing environment.

By the same token, contained readings from our Monthly Inflation Gauge and the Ex-housing Underlying Gauge do not point to a pick-up in core inflation despite some measures of core CPI inflation showing signs of starting to move up in the Q3 CPI report. **As such, we expect low rates of quarterly inflation from the core CPI measures (in a range of +0.2% to +0.4% q/q).** Annual inflation for the weighted median measure is expected to come in around 1.5% y/y, whilst inflation from the various trimmed means should hover around 1%. Inflation from the **RBNZ's preferred measure of core inflation – the Sectoral Factor Model** (due 3pm Wednesday) – is expected to come in close to the 1.5% Q3 result and past cyclical lows. However, lower inflation on this measure would add more fuel to the structurally low inflation thesis, suggesting the RBNZ may have more work to do.

Going forward, there are clear downside risks to the December *MPS* inflation forecasts for 2016, despite recent NZD/USD falls. This is expected to keep the odds tilted firmly towards further OCR cuts.

# INTEREST RATE STRATEGY

## SUMMARY

Concerns over the outlook for China and lower oil prices are expected to keep markets on edge. Low domestic inflation and a benign short-term inflation outlook are expected to support receiving-side interest, with market pricing for OCR cuts to intensify, despite the NZD's adjustment to date. Increasing credit spreads have resulted in weak price action across credit markets and we are watching local deposit rates for signs of flow-on. NZGS yields have outperformed in the global rally, and will remain well bid if markets remain turbulent, which is rapidly becoming the central scenario as opposed to simply a risk.

## THEMES

- Risk aversion has dominated market sentiment, with concerns focused on lower oil prices, generalised commodity price weakness and the Chinese outlook. Rates have rallied and the curve has flattened.
- Credit markets have deteriorated, with poor price action across most geographies and sectors. We are watching local deposit rates for signs of stress.
- We see downside risks to the OCR outlook over 2016, with current market pricing consistent with such risks. A low upcoming Q4 New Zealand CPI print and benign short-term inflation outlook point the same way.
- US yields have fallen back to October lows. Our expectation of a slow pace of US normalisation and low inflation is expected to cap the endpoint for yields at historically low levels.
- Local bond yields have outperformed global comparators and domestic swaps, but are expected to drift higher over the course of the year.

## PREFERRED STRATEGIES – INVESTORS

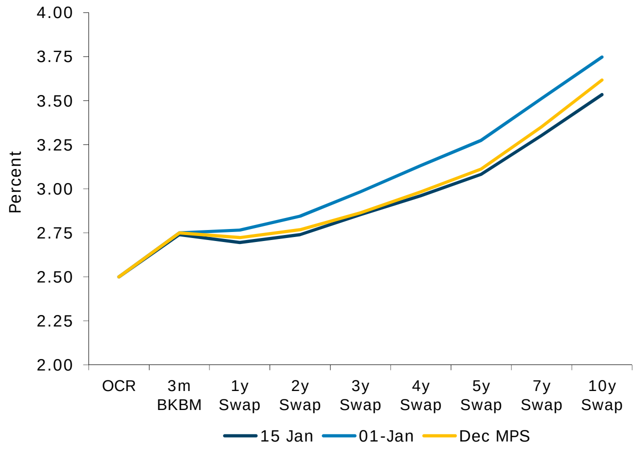
| KEY VIEWS – FOR INVESTORS | | |
|---|---|---|
| **GAUGE** | **DIRECTION** | **COMMENT** |
| Duration | Neutral | Yield low likely behind us. More about spreads and curves. |
| 2s10s Curve | Steeper | Flattening pressure likely to remain until US long-term rates find a floor. |
| Geographic 10yr spread | Narrower | Divergent policy argues for further narrowing. |
| Swap spreads | Neutral | Market poorly positioned. |

## A ROUND TRIP FOR LOCAL RATES

**The pop higher in local interest rates into the end of the year has been unwound as the slide in global equities, concerns over the Chinese economy and the pending disinflationary impact of lower oil prices have weighed on sentiment.** Measures of market volatility have lifted appreciably over January for equities and crude oil, and safe-haven flows have bolstered government bond markets. Curves have flattened, with larger falls in long-term rates. Commodity currencies have generally fared poorly against the USD, euro and yen. The NZD has fallen 4 US cents since early January, whilst the NZD TWI, at around 71.6, has fallen by around 4% since the start of the year.

**Local rates have done something of a round trip since the December *MPS* OCR cut (see Figure 1).** The bellwether 2-year local swap rate has declined from 2.85% at the start of the year to around 2.74% at present, which is on par with early December levels.

**FIGURE 1. NZ SWAP CURVE**




Source: ANZ, Bloomberg

**The focus for markets is whether recent commodity weakness has further to go and whether this will push rates lower.** The pronounced weakness in commodity prices and the brittle performance of global equity markets has had an impact on interest rate expectations both here and abroad. Pressures in credit markets have tightened further and price action has been weak, with spreads widening between bank bills and OIS rates. Retail funding costs could well follow and we are closely watching retail deposit rates.

**The market will be particularly sensitive to any hints that current market volatility may cause the Fed to slow its intended rate hiking cycle.** Market pricing for the Fed has been scaled back significantly. Current market expectations have only one 25bp hike fully priced in for 2016, as opposed to the 100bps of hikes that were signalled in the Fed dot plots in December. Market odds of near-term Fed hikes in particular have been significantly reduced, with odds of a March 2016 hike trimmed to 28% from 54% at the end of 2015. Comments by the Fed's Bullard, Dudley and Williams suggest that the US activity outlook

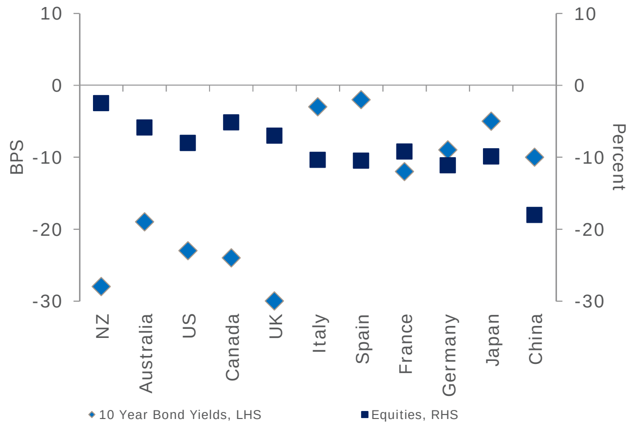
# INTEREST RATE STRATEGY

remains solid, although they are concerned over the impact of lower oil prices on headline inflation and inflation expectations. We anticipate that the next step in the US normalisation process will come in Q2. The exact timing, however, will depend not just on how the US economy performs, but also on the extent and duration of the decline in energy and commodity prices and international volatility.

Australasian rates have also rallied. A 2016 RBA rate cut is now fully priced in, with a 2016 RBNZ cut about 95% priced in, suggesting both RBA and RBNZ policy rates will reach multi-decade lows despite lower currencies. A low domestic inflation outlook – we expect a below-consensus Q4 inflation print and see clear downside risk to RBNZ expectations of 1.6% CPI inflation by the end of this year – leave the risks skewed towards RBNZ rate cuts. The catalyst behind further cuts will be global and we are following commodity prices, the Chinese outlook, credit markets and the trajectory for the NZD. **As such, we have a bias to remain received for shorter-dated yields, particularly with lower commodity prices likely to continue to provide a disinflation headache for the RBNZ** and with little on the immediate horizon pointing to a strengthening in inflation.

Q4 Chinese GDP is released tomorrow, but the focus is on the China exchange rate fix and yuan. Currency palpitations and capital flight from China are also contributing to heightened risk aversion and volatility.

**FIGURE 2. MOVEMENTS IN 10YR BOND YIELDS AND EQUITIES SINCE START OF 2016**




Source: ANZ, Bloomberg

**It has been a rollercoaster ride for sovereign bond yields, which have fallen since the start of the year.** US 10-year Treasury yields have declined sharply since the start of the year, and yields briefly dipped below 2% at the end of last week. As figure 2 confirms, Kiwi government bond yields have generally outperformed those of other economies. New Zealand's high outright yields – 10-year yields are currently just under 3.3% – are still best-in-class, and with domestic inflation likely to remain low and with a likely lower OCR on the cards, there is no immediate catalyst to push them significantly higher. Nevertheless, there is scope for local swap rates and global bond yields to outperform.

## PREFERRED STRATEGIES – BORROWERS

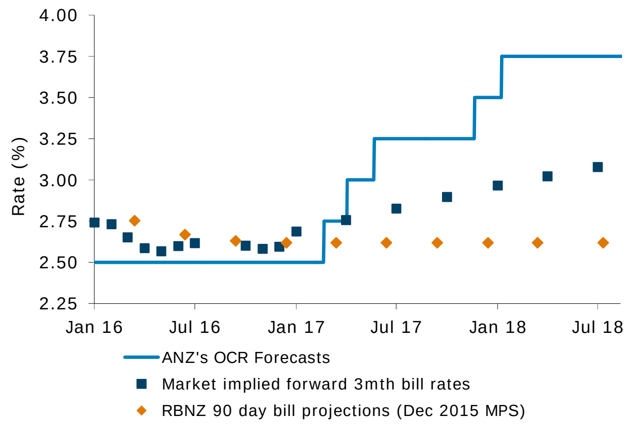
**New Zealand long-term rates have taken part in the global rally, but in the absence of a full-blown global event (a big risk at present, to be fair) they look set to move higher. In our view, it remains an opportune time to lock in long-term rates that are historically very low, particularly after the recent dip.** However, floating is historically cheap, and risks to short-term rates are still biased to the downside. As such, the key is to strike the right balance between fixed and floating.

| KEY VIEWS – FOR BORROWERS | | |
|---|---|---|
| **GAUGE** | **VIEW** | **COMMENT** |
| Hedge ratio | Majority hedged | Could also add to cover via options, or as part of a highly disciplined strategy. |
| Value | Cheap | Look to be at (or past) the trough for longer-term rates. |
| Uncertainty | Elevated | The key reason for caution. |

## MARKET EXPECTATIONS

Market expectations remain biased towards a lower OCR, with close to 24bps of cuts priced through to November[1]. While our core view is for a period of OCR stability, the downward global risk profile and benign outlook for inflation keep risks very much skewed to the OCR moving lower over 2016.

**FIGURE 3. ANZ OCR FORECAST VERSUS MARKET-IMPLIED FORWARD 3MTH BILL RATES AND RBNZ 90-DAY BILL PROJECTIONS**




Source: ANZ, Bloomberg

[1] From July, the new schedule for OCR decisions is introduced, with four *MPS* and OCR announcements each year (February, May, August and November) and three intervening OCR reviews ( March, June and September).

# CURRENCY STRATEGY

## SUMMARY

Risks for NZD/USD remain firmly skewed to the downside with China and commodity prices clearly warning of further weakness. However, in the very short term sentiment is already weak and technical indicators are oversold. We prefer to sell rallies rather than position for further immediate declines. NZD/AUD strength demonstrates that markets expect the New Zealand economy to hold up better than the Australian economy, a theme we concur with and expect to be borne out in the data.

**TABLE 1: KEY VIEWS**

| CROSS | WEEK | MONTH | YEAR |
|---|---|---|---|
| NZD/USD | ↔/↓ | Risk sentiment in control | Volatility will remain high. |
| NZD/AUD | ↔/↓ | Volatile but in range | Above long-run averages |
| NZD/EUR | ↔ | ECB may dent ‘safe haven’ | EUR capped by ECB |
| NZD/GBP | ↔/↓ | Data driven | GBP resurgence |
| NZD/JPY | ↔/↓ | Near support | Yen weakness |

## THEMES AND RISKS

- This week we step back from China’s equity price action and the USD/CNY with GDP numbers key. They are expected to be reasonable but the market will be sceptical where “true” growth is.
- Commodity price action is poor and we expect little let-up. More Iranian supply means even lower oil and pressure on commodity currencies.
- US data remains key to watch, with a weak manufacturing sector offset by strength in the labour market and confidence. This week’s housing data and CPI could provide the pivot.
- The Bank of Canada looks primed for a cut, with market pricing at 60%. The ECB is also expected to reiterate the potential for further easing.

**TABLE 2: KEY UPCOMING EVENT RISK**

| EVENT | | WHEN (NZDT) | IMPACT RISK |
|---|---|---|---|
| CNY | Q4 GDP, Dec data | Tue 15:00 | NZD ↓ |
| GBP | CPI | Tue 22:30 | NZD/GBP ↓ |
| NZD | GDT auction | Wed AM | NZD ↔/↓ |
| GBP | BoE Carney | Wed 01:00 | NZD/GBP ↓ |
| NZD | Q4 CPI | Wed 10:45 | NZD ↓ |
| GBP | Employment | Wed 22:30 | NZD/GBP ↓ |
| USD | Dec CPI | Thu 02:30 | NZD/USD ↓ |
| USD | Housing data | Thu 02:30 | NZD/USD ↑ |
| CAD | Bank of Canada | Thu 04:00 | NZD/CAD ↑ |
| NZD | ANZ Job Ads | Thu 10:00 | NZD |
| NZD | Business PMI | Thu 10:30 | NZD ↑ |
| NZD | ANZ Consumer conf. | Thu 13:00 | NZD |
| EUR | ECB | Fri 01:45 | NZD/EUR ↑ |
| EUR | Markit PMIs | Fri 22:00 | NZD/EUR ↓ |
| GBP | Retail sales | Fri 22:30 | NZD/GBP ↓ |
| USD | Markit PMI | Sat 03:45 | NZD/USD ↑ |

## EXPORTERS’ STRATEGY

This latest bout of turmoil continues to show potential for direction. However, it seems prudent to perform at least some hedging at current levels.

## IMPORTERS’ STRATEGY

Importers will have to wait until market fear settles to again get a chance at better levels. Rallies are opportunities for importers to hedge.

## DATA PULSE

**The USD has found support from confidence reads and the employment situation, with payrolls close to 300k.** However, the US manufacturing sector remains weak with the ISM dropping into the low 48’s and the regional surveys weak. The January New York Empire was the lowest since 2009 and markets have been lowering the odds on further US policy normalisation.

**China has been driving the latest ‘risk off’ in currencies but the hard data has not been as apocalyptical**. While manufacturing continues to weaken, the non-manufacturing economy improved in December, exports values increased in CNY terms, and total aggregate financing picked up.

**The EUR has been attracting ‘safe-haven’ flows**, and both the manufacturing and service sector PMIs improved in December. Generally speaking data is improving in Europe, except for CPI data which remains weak, keeping the ECB on guard.

**The AUD has been driven lower by China, with Australian data mixed**. The unemployment rate remained steady at 5.8%, but building approvals continue to drop.

**TABLE 3: NZD VS AUD: MONTHLY GAUGES**

| GAUGE | GUIDE | COMMENT |
|---|---|---|
| Fair value | ↔ | FV is above long-run averages. |
| Yield | ↔/↑ | ANZ expects lower AUD yields. |
| Commodities | ↔ | Milk more resilient than iron ore |
| Data | ↔/↑ | NZ data consistently solid. |
| Techs | ↔/↓ | Toward the top of recent ranges. |
| Sentiment | ↑ | AUD has a higher beta to China. |
| Other | ↔/↓ | NZD defying commodity weight. |
| **On balance** | ↔ | **Top of range near 0.95.** |

**TABLE 4: NZD VS USD: MONTHLY GAUGES**

| GAUGE | GUIDE | COMMENT |
|---|---|---|
| Fair value | ↔ | Closer to fair value. |
| Yield | ↔/↑ | Yield advantage still present. |
| Commodities | ↓ | Commodity markets warning. |
| Risk aversion | ↓ | Risk environment is warning of further declines. |
| Data | ↔/↑ | US manufacturing data is weak. |
| Techs | ↓ | Broken 0.65 support, next support at 0.63. |
| Other | ↓ | China remains a key downside. |
| **On balance** | ↔/↓ | **Risks remain firmly skewed to the downside for NZD.** |

# CURRENCY STRATEGY

## TECHNICAL OUTLOOK

**FIGURE 1. NZD/USD DAILY CANDLES WITH RSI & MA**

**It has been a torrid start to 2016 for NZD/USD.** Momentum remains strong, although NZD/USD has entered oversold territory. With the 0.65 pivot broken, a trip to test support between 0.62 and 0.63 remains a high probability, but we would expect momentum to die out toward the 0.63's and NZD/USD to stage a recovery off that support, or sooner.

**FIGURE 2. NZD/AUD DAILY CANDLES WITH RSI & MA**

**Last Friday saw a very large single day move back toward the top of the recent channel.** We would look to fade moves like this toward the 0.95 resistance level and expect NZD/AUD to continue to consolidate more broadly in the region of 0.90 – 0.95.

| TABLE 5: KEY TECHNICAL ZONES | | |
|---|---|---|
| **CROSS** | **SUPPORT** | **RESISTANCE** |
| NZD/USD | 0.6480 – 0.6500<br>0.6330 – 0.6350 | 0.6780 – 0.6820<br>0.6880 – 0.6930 |
| NZD/AUD | 0.9225 – 0.9275<br>0.9000 – 0.9040 | 0.9480 – 0.9520 |
| NZD/EUR | 0.5800 – 0.5850<br>0.5550 – 0.5600 | 0.6280 – 0.6330 |
| NZD/GBP | 0.4400 – 0.4440 | 0.4650 – 0.4680 |
| NZD/JPY | 74.00 – 74.50 | 79.50 – 80.00 |

## POSITIONING

EUR and JPY shorts have been drastically reduced in the flight for safety, with the net JPY position relatively neutral. GBP shorts have grown with the pricing out of UK policy normalisation. NZD and AUD positioning remain relatively small. We note there appears plenty of room for shorts to build, if conditions persist.

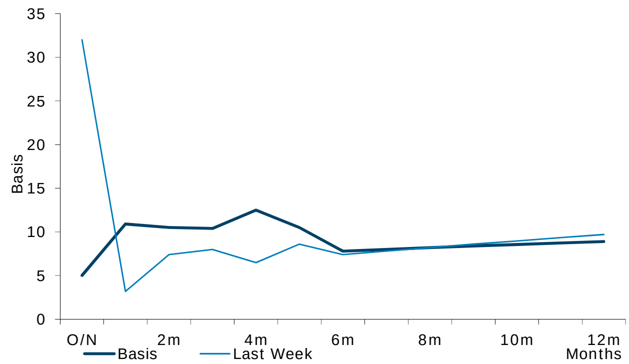
## GLOBAL VIEWS

The global backdrop for the NZD is poor. Commodity price action is weak, China uncertainty is high and the market is paring back expectations the Fed will be hiking again over 2016. Expectations the RBNZ will ease are on the rise. However, against this backdrop the New Zealand economy continues to print solid numbers – outperforming peers – and the NZD TWI remains relatively high. More specifically, NZD/AUD is demonstrating this relative economic story with the NZD currently back above 0.94 AUD.

We remain cautious on the outlook for the commodity bloc given global gyrations, but expect the NZD to remain more resilient; domestic growth simply looks on a firmer footing relative to peers and needs to be respected. This will see NZD outperform when sentiment is 'fearful', but having less to recover as fear recedes.

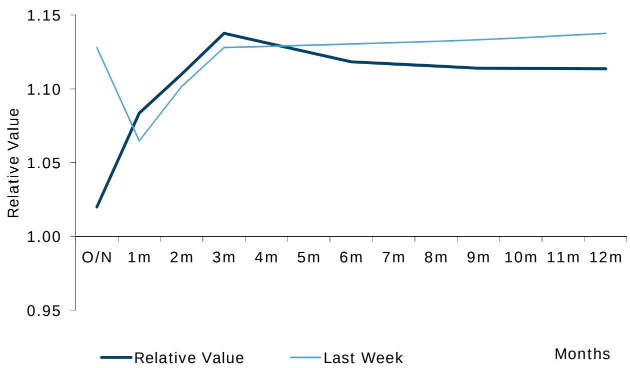
## FORWARDS: CARRY AND BASIS

**FIGURE 3. NZD/USD SHORT BASIS CURVE**




Over the last 3 weeks basis has widened at the short end, but remained well behaved further out. Given the global environment it seems likely that flow will push basis tighter over the coming weeks as markets look to the consequence of weaker global conditions (lower overall rates), rather than the current driver of widening, which is increasing credit spreads.

**FIGURE 4. RELATIVE ATTRACTION OF THE FWD CURVE**




Source: ANZ, Bloomberg, Reuters

# DATA EVENT CALENDAR

| DATE | COUNTRY | DATA / EVENT | MKT. | LAST | NZ TIME |
|---|---|---|---|---|---|
| 18-Jan | AU | New Motor Vehicle Sales MoM - Dec | -- | 1.0% | 13:30 |
| | NZ | Non Resident Bond Holdings - Dec | -- | 67.9% | 15:00 |
| 19-Jan | NZ | REINZ House Sales YoY - Dec | -- | 8.5% | UNSPECIFIED |
| | NZ | NZIER Business Opinion Survey – Q4 | -- | -14 | 10:00 |
| | AU | ANZ-RM Consumer Confidence Index - 17-Jan | -- | 114.1 | 11:30 |
| | CH | Industrial Production YTD YoY - Dec | 6.1% | 6.1% | 15:00 |
| | CH | Industrial Production YoY - Dec | 6.0% | 6.2% | 15:00 |
| | CH | Retail Sales YoY - Dec | 11.3% | 11.2% | 15:00 |
| | CH | Retail Sales YTD YoY - Dec | 10.7% | 10.6% | 15:00 |
| | CH | Fixed Assets Ex Rural YTD YoY - Dec | 10.2% | 10.2% | 15:00 |
| | CH | GDP YTD YoY - Q4 | 6.9% | 6.9% | 15:00 |
| | CH | GDP SA QoQ - Q4 | 1.8% | 1.8% | 15:00 |
| | CH | GDP YoY - Q4 | 6.9% | 6.9% | 15:00 |
| | GE | CPI MoM - Dec F | -0.1% | -0.1% | 20:00 |
| | GE | CPI YoY - Dec F | 0.3% | 0.3% | 20:00 |
| | GE | CPI EU Harmonized MoM - Dec F | 0.0% | 0.0% | 20:00 |
| | GE | CPI EU Harmonized YoY - Dec F | 0.2% | 0.2% | 20:00 |
| | EC | ECB Current Account SA - Nov | -- | €20.4B | 22:00 |
| | EC | Current Account NSA - Nov | -- | €25.9B | 22:00 |
| | UK | CPI MoM - Dec | 0.0% | 0.0% | 22:30 |
| | UK | CPI YoY - Dec | 0.2% | 0.1% | 22:30 |
| | UK | CPI Core YoY - Dec | 1.2% | 1.2% | 22:30 |
| | UK | Retail Price Index MoM - Dec | 0.2% | 0.1% | 22:30 |
| | UK | Retail Price Index YoY - Dec | 1.1% | 1.1% | 22:30 |
| | UK | PPI Input NSA MoM - Dec | -1.7% | -1.6% | 22:30 |
| | UK | PPI Input NSA YoY - Dec | -11.7% | -13.1% | 22:30 |
| | UK | PPI Output NSA MoM - Dec | -0.2% | -0.2% | 22:30 |
| | UK | PPI Output NSA YoY - Dec | -1.2% | -1.5% | 22:30 |
| | UK | PPI Output Core NSA MoM - Dec | 0.0% | -0.2% | 22:30 |
| | UK | PPI Output Core NSA YoY - Dec | -0.1% | -0.1% | 22:30 |
| | UK | ONS House Price YoY - Nov | -- | 7.0% | 22:30 |
| | EC | Construction Output MoM - Nov | -- | 0.5% | 23:00 |
| | EC | CPI MoM - Dec | 0.0% | -0.1% | 23:00 |
| | EC | CPI YoY - Dec F | 0.2% | 0.2% | 23:00 |
| | EC | CPI Core YoY - Dec F | 0.9% | 0.9% | 23:00 |
| | GE | ZEW Survey Current Situation - Jan | 53.1 | 55 | 23:00 |
| | GE | ZEW Survey Expectations - Jan | 7.9 | 16.1 | 23:00 |
| | EC | ZEW Survey Expectations - Jan | -- | 33.9 | 23:00 |
| 20-Jan | US | NAHB Housing Market Index - Jan | 61 | 61 | 04:00 |
| | US | Total Net TIC Flows - Nov | -- | $68.9B | 10:00 |
| | US | Net Long-term TIC Flows - Nov | -- | -$16.6B | 10:00 |
| | NZ | CPI QoQ - Q4 | -0.2% | 0.3% | 10:45 |
| | NZ | CPI YoY - Q4 | 0.3% | 0.4% | 10:45 |
| | AU | Westpac Consumer Conf Index - Jan | -- | 100.8 | 12:30 |
| | AU | Westpac Consumer Conf SA MoM - Jan | -- | -0.8% | 12:30 |
| | GE | PPI MoM - Dec | -0.4% | -0.2% | 20:00 |
| | GE | PPI YoY - Dec | -2.2% | -2.5% | 20:00 |
| | UK | Jobless Claims Change - Dec | 2.8K | 3.9K | 22:30 |

Continued on following page

# DATA EVENT CALENDAR

| DATE | COUNTRY | DATA / EVENT | MKT. | LAST | NZ TIME |
|---|---|---|---|---|---|
| 20-Jan | UK | Average Weekly Earnings 3M/YoY - Nov | 2.1% | 2.4% | 22:30 |
| | UK | ILO Unemployment Rate 3Mths - Nov | 5.2% | 5.2% | 22:30 |
| | UK | Employment Change 3M/3M - Nov | 235K | 207K | 22:30 |
| 21-Jan | US | MBA Mortgage Applications - 15-Jan | -- | 21.30% | 01:00 |
| | US | Housing Starts - Dec | 1200K | 1173K | 02:30 |
| | US | Housing Starts MoM - Dec | 2.3% | 10.5% | 02:30 |
| | US | Building Permits - Dec | 1200K | 1282K | 02:30 |
| | US | Building Permits MoM - Dec | -6.4% | 10.4% | 02:30 |
| | US | CPI MoM - Dec | 0.0% | 0.0% | 02:30 |
| | US | CPI YoY - Dec | 0.8% | 0.5% | 02:30 |
| | US | CPI Ex Food and Energy MoM - Dec | 0.2% | 0.2% | 02:30 |
| | US | CPI Ex Food and Energy YoY - Dec | 2.1% | 2.0% | 02:30 |
| | US | Real Avg Weekly Earnings YoY - Dec | -- | 1.6% | 02:30 |
| | NZ | ANZ Job Advertisements MoM - Dec | -- | 2.0% | 10:00 |
| | NZ | BusinessNZ Manufacturing PMI - Dec | -- | 54.7 | 10:30 |
| | AU | Consumer Inflation Expectation - Jan | -- | 4.0% | 13:00 |
| | AU | HIA New Home Sales MoM - Nov | -- | -3.0% | 13:00 |
| | NZ | ANZ Consumer Confidence Index - Jan | -- | 118.7 | 13:00 |
| | NZ | ANZ Consumer Confidence MoM - Jan | -- | -3.3% | 13:00 |
| | UK | RICS House Price Balance - Dec | 50% | 49% | 13:01 |
| | AU | RBA FX Transactions Market - Dec | -- | 485M | 13:30 |
| 22-Jan | EC | ECB Main Refinancing Rate - 44197 | 0.1% | 0.1% | 01:45 |
| | EC | ECB Deposit Facility Rate - 44197 | -0.3% | -0.3% | 01:45 |
| | EC | ECB Marginal Lending Facility - 44197 | 0.3% | 0.3% | 01:45 |
| | US | Philadelphia Fed Business Outlook - Jan | -5.0 | -10.2 | 02:30 |
| | US | Initial Jobless Claims - 16-Jan | 280K | 284K | 02:30 |
| | US | Continuing Claims - 9-Jan | 2253K | 2263K | 02:30 |
| | EC | Consumer Confidence - Jan A | -5.7 | -5.7 | 04:00 |
| | GE | Markit/BME Manufacturing PMI - Jan P | 53 | 53.2 | 21:30 |
| | GE | Markit Services PMI - Jan P | 55.5 | 56 | 21:30 |
| | GE | Markit/BME Composite PMI - Jan P | 55.1 | 55.5 | 21:30 |
| | EC | Markit Manufacturing PMI - Jan P | 53 | 53.2 | 22:00 |
| | EC | Markit Services PMI - Jan P | 54.1 | 54.2 | 22:00 |
| | EC | Markit Composite PMI - Jan P | 54.1 | 54.3 | 22:00 |
| | UK | Retail Sales Ex Auto Fuel MoM - Dec | -0.3% | 1.7% | 22:30 |
| | UK | Retail Sales Ex Auto Fuel YoY - Dec | 3.5% | 3.9% | 22:30 |
| | UK | Retail Sales Inc Auto Fuel MoM - Dec | -0.3% | 1.7% | 22:30 |
| | UK | Retail Sales Inc Auto Fuel YoY - Dec | 4.4% | 5.0% | 22:30 |
| | UK | Public Finances (PSNCR) - Dec | -- | £5.4B | 22:30 |
| | UK | Public Sector Net Borrowing - Dec | £10.0B | £13.6B | 22:30 |
| | UK | PSNB ex Banking Groups - Dec | £10.5B | £14.2B | 22:30 |
| 23-Jan | US | Chicago Fed Nat Activity Index - Dec | -0.08 | -0.30 | 02:30 |
| | US | Markit Manufacturing PMI - Jan P | 51.0 | 51.2 | 03:45 |
| | US | Existing Home Sales - Dec | 5.20M | 4.76M | 04:00 |
| | US | Existing Home Sales MoM - Dec | 9.2% | -10.5% | 04:00 |
| | US | Leading Index - Dec | -0.2% | 0.4% | 04:00 |

Key: AU: Australia, EC: Eurozone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States, CH: China.
Source: Dow Jones, Reuters, Bloomberg, ANZ Bank New Zealand Limited. All $ values in local currency.
Note: All surveys are preliminary and subject to change

# LOCAL DATA WATCH

Domestic activity is reaccelerating after slowing below trend. Low domestic inflation will keep future OCR moves biased to the downside, although our base case is an extended period of OCR stability.

| DATE | DATA/EVENT | ECONOMIC SIGNAL | COMMENT |
|---|---|---|---|
| 18-19 Jan | REINZ Housing Market Statistics – Dec | Two-speed | The Auckland market has cooled sharply. The question is to what degree regional markets will pick up the slack. |
| Tue 19 Jan (10:00am) | NZIER QSBO – Q4 | Holding up | Expected to portray a solid domestic outlook, underpinned by construction and interest-rate sensitive pockets. Surveyed pricing intentions expected to remain benign. |
| Wed 20 Jan (early am) | GlobalDairyTrade Auction | Consolidating | NZX futures down since last event. The fundamental backdrop is not conducive to a meaningful recovery in prices. |
| Wed 20 Jan (10:45am) | Consumers Price Index – Q4 | Low | A 0.3% q/q fall is expected (0.3% y/y). Lower petrol and food prices to provide downward impetus. Core measures are expected to remain clustered around a 1.5% annual rate. |
| Thu 21 Jan (10:00am) | ANZ Job Ads – Dec | -- | -- |
| Thu 21 Jan (10:30am) | BNZ Business NZ PMI – Dec | Middling | A mid 50's result is expected. Construction tailwinds versus currency and commodity headwinds. |
| Thu 21 Jan (1:00pm) | ANZ-Roy Morgan Consumer Confidence – Jan | -- | -- |
| Tue 26 Jan (10:30am) | BNZ Business NZ PSI – Dec | Robust | Interest rate sensitive pockets doing well; slowing housing market could start to weigh on sentiment. |
| Tue 26 Jan (3:00pm) | Credit Card Spending – Dec | Solid | Strong tourism inflows, solid retail to deliver good month. |
| Thu 28 Jan (9:00am) | RBNZ OCR Review | Inflation watch | RBNZ expected to hold off cutting further given the solid activity outlook. However, risks are tilted towards a lower OCR, given global scene and the low short-term inflation outlook, with the Q4 CPI print key. |
| Thu 28 Jan (10:45am) | Overseas Merchandise Trade – Dec | Fleeting | Monthly surplus possible given anecdotes of strong December month for dairy export volumes and lower oil import prices. Annual trade deficit likely to widen, however. |
| Fri 29 Jan (10:45am) | Building Consents – Dec | Trending up | Monthly volatility likely, but activity in the sector is expected to remain on a strengthening trend. Cost increases will need to be contained to prolong the expansion. |
| Fri 29 Jan (3:00pm) | Credit Aggregates – Dec | Above incomes | Running above income growth, with low interest rates a key support. Slowing housing market activity likely to see a moderation in household credit growth over the next few months. |
| Mon 1 Feb (10:45am) | International Travel & migration | Booming | Possibility of another record PLT inflow, with the tourism sector going from strength to strength. |
| Tue 2 Feb (1:00pm) | ANZ Commodity Price Index – Jan | -- | -- |
| Wed 3 Feb (early am) | GlobalDairyTrade Auction | Consolidating | The fundamental backdrop is not conducive to a meaningful recovery in prices. |
| Wed 3 Feb (10:45am) | Labour Market Statistics – Q4 | Lagging | Some recoil in employment from the soft Q3 print is likely, but unemployment rate expected to tick up to 6.2%, with low wage inflation apparent. |
| **On balance** | | **Data watch** | **Improvement is evident, but with risks. Inflation remains low.** |

# KEY FORECASTS AND RATES

| | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 |
|---|---|---|---|---|---|---|---|---|---|---|
| GDP (% qoq) | 0.9 | **0.5** | **0.5** | **0.7** | **0.7** | **0.7** | **0.7** | **0.7** | **0.6** | **0.6** |
| GDP (% yoy) | 2.3 | **1.9** | **2.2** | **2.6** | **2.4** | **2.6** | **2.8** | **2.8** | **2.7** | **2.7** |
| CPI (% qoq) | 0.3 | **-0.3** | **0.4** | **0.3** | **0.3** | **0.1** | **0.6** | **0.4** | **0.7** | **0.3** |
| CPI (% yoy) | 0.4 | **0.3** | **0.8** | **0.8** | **0.7** | **1.1** | **1.2** | **1.3** | **1.7** | **1.9** |
| Employment (% qoq) | -0.4 | **0.5** | **0.6** | **0.5** | **0.5** | **0.5** | **0.4** | **0.4** | **0.4** | **0.4** |
| Employment (% yoy) | 1.5 | **0.9** | **0.8** | **1.2** | **2.1** | **2.1** | **1.9** | **1.8** | **1.8** | **1.7** |
| Unemployment Rate (% sa) | 6.0 | **6.2** | **6.3** | **6.2** | **6.1** | **5.9** | **5.9** | **5.8** | **5.7** | **5.6** |
| Current Account (% GDP) | -3.2 | **-3.3** | **-3.6** | **-4.0** | **-4.5** | **-4.7** | **-4.8** | **-4.8** | **-4.8** | **-4.7** |
| Terms of Trade (% qoq) | -3.7 | **-5.1** | **0.1** | **-2.4** | **-0.2** | **0.2** | **0.1** | **0.2** | **0.1** | **0.2** |
| Terms of Trade (% yoy) | -3.4 | **-6.1** | **-7.2** | **-10.8** | **-7.6** | **-2.4** | **-2.4** | **0.2** | **0.6** | **0.6** |

| | Mar-15 | Apr-15 | May-15 | Jun-15 | Jul-15 | Aug-15 | Sep-15 | Oct-15 | Nov-15 | Dec-15 |
|---|---|---|---|---|---|---|---|---|---|---|
| Retail ECT (% mom) | 0.7 | -0.6 | 1.2 | 0.5 | 0.4 | 0.5 | 0.9 | -0.1 | 0.2 | -0.2 |
| Retail ECT (% yoy) | 3.7 | 3.9 | 3.2 | 5.0 | 5.6 | 4.2 | 6.1 | 5.6 | 3.7 | 5.3 |
| Credit Card Billings (% mom) | 0.7 | 0.0 | 1.9 | 0.3 | 1.8 | 1.3 | -1.9 | 1.8 | 0.7 | -- |
| Credit Card Billings (% yoy) | 5.4 | 7.2 | 7.3 | 6.7 | 9.8 | 10.4 | 7.3 | 7.8 | 8.5 | -- |
| Car Registrations (% mom) | 2.5 | -1.3 | -0.3 | 5.3 | 0.6 | -2.3 | 0.0 | -1.4 | -2.1 | 2.8 |
| Car Registrations (% yoy) | 11.8 | 11.2 | 6.8 | 11.2 | 10.7 | 7.8 | 5.0 | 3.8 | 1.3 | 2.4 |
| Building Consents (% mom) | 10.2 | -1.1 | 0.7 | -3.4 | 19.9 | -5.5 | -5.7 | 5.4 | 1.8 | -- |
| Building Consents (% yoy) | 7.4 | 2.7 | 6.1 | -3.6 | 21.5 | 12.0 | 16.9 | 14.7 | 7.6 | -- |
| REINZ House Price Index (% yoy) | 8.5 | 9.3 | 11.8 | 14.8 | 14.9 | 17.3 | 20.1 | 14.1 | 12.5 | -- |
| Household Lending Growth (% mom) | 0.5 | 0.5 | 0.6 | 0.6 | 0.7 | 0.6 | 0.7 | 0.7 | 0.6 | -- |
| Household Lending Growth (% yoy) | 5.0 | 5.2 | 5.5 | 5.6 | 6.0 | 6.3 | 6.7 | 6.9 | 7.2 | -- |
| ANZ Roy Morgan Consumer Conf. | 124.6 | 128.8 | 123.9 | 119.9 | 113.9 | 109.8 | 110.8 | 114.9 | 122.7 | 118.7 |
| ANZ Business Confidence | 35.8 | 30.2 | 15.7 | -2.3 | -15.3 | -29.1 | -18.9 | 10.5 | 14.6 | 23.0 |
| ANZ Own Activity Outlook | 42.2 | 41.3 | 32.6 | 23.6 | 19.0 | 12.2 | 16.7 | 23.7 | 32.0 | 34.4 |
| Trade Balance ($m) | 661 | 184 | 367 | -182 | -730 | -1090 | -1140 | -905 | -779 | -- |
| Trade Bal ($m ann) | 51287 | 51298 | 50976 | 51371 | 51643 | 52446 | 52287 | 52103 | 52639 | -- |
| ANZ World Commodity Price Index (% mom) | 4.6 | -7.4 | -4.8 | -3.1 | -5.5 | -5.3 | 5.6 | 7.1 | -5.6 | -1.8 |
| ANZ World Comm. Price Index (% yoy) | -11.9 | -15.3 | -18.0 | -19.7 | -22.1 | -23.6 | -18.2 | -11.6 | -15.3 | -12.9 |
| Net Migration (sa) | 5030 | 4820 | 5150 | 4930 | 5740 | 5510 | 5610 | 6210 | 6260 | -- |
| Net Migration (ann) | 56275 | 56813 | 57822 | 58259 | 59639 | 60290 | 61234 | 62477 | 63659 | -- |
| ANZ Heavy Traffic Index (% mom) | -0.6 | -0.1 | -1.1 | 1.7 | -0.1 | -0.3 | 1.8 | 1.1 | 0.4 | 2.6 |
| ANZ Light Traffic Index (% mom) | -0.5 | 0.3 | -0.7 | 0.9 | -0.3 | -1.2 | 2.7 | -0.3 | 0.3 | 1.0 |

Figures in bold are forecasts. mom: Month-on-Month qoq: Quarter-on-Quarter yoy: Year-on-Year

# KEY FORECASTS AND RATES

| | ACTUAL | | | FORECAST (END MONTH) | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| FX RATES | Nov-15 | Dec-15 | Today | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 |
| NZD/USD | 0.656 | 0.685 | 0.644 | 0.63 | 0.61 | 0.59 | 0.59 | 0.60 | 0.61 | 0.63 |
| NZD/AUD | 0.910 | 0.937 | 0.939 | 0.94 | 0.94 | 0.92 | 0.92 | 0.92 | 0.92 | 0.93 |
| NZD/EUR | 0.620 | 0.628 | 0.590 | 0.60 | 0.60 | 0.55 | 0.54 | 0.54 | 0.53 | 0.53 |
| NZD/JPY | 80.65 | 82.52 | 75.29 | 73.7 | 70.2 | 67.9 | 67.9 | 67.2 | 67.1 | 69.3 |
| NZD/GBP | 0.437 | 0.463 | 0.452 | 0.42 | 0.41 | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 |
| NZ$ TWI | 71.5 | 73.7 | 71.5 | 69.4 | 68.0 | 65.1 | 64.6 | 64.8 | 64.9 | 65.8 |
| INTEREST RATES | Nov-15 | Dec-15 | Today | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 |
| NZ OCR | 2.75 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.75 | 3.25 | 3.25 |
| NZ 90 day bill | 2.83 | 2.77 | 2.75 | 2.70 | 2.70 | 2.70 | 2.70 | 3.10 | 3.50 | 3.50 |
| NZ 10-yr bond | 3.54 | 3.53 | 3.27 | 3.60 | 3.60 | 3.60 | 3.70 | 3.70 | 3.70 | 3.80 |
| US Fed funds | 0.25 | 0.50 | 0.50 | 0.75 | 1.00 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| US 3-mth | 0.42 | 0.66 | 0.62 | 0.91 | 1.16 | 1.33 | 1.33 | 1.33 | 1.33 | 1.33 |
| AU Cash Rate | 2.00 | 2.00 | 2.00 | 2.00 | 1.75 | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| AU 3-mth | 2.27 | 2.23 | 2.29 | 2.00 | 1.70 | 1.70 | 1.70 | 1.70 | 1.80 | 1.80 |

| | 15 Dec | 11 Jan | 12 Jan | 13 Jan | 14 Jan | 15 Jan |
|---|---|---|---|---|---|---|
| Official Cash Rate | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| 90 day bank bill | 2.74 | 2.73 | 2.74 | 2.74 | 2.75 | 2.76 |
| NZGB 12/17 | 2.66 | 2.63 | 2.60 | 2.61 | 2.59 | 2.54 |
| NZGB 03/19 | 2.80 | 2.74 | 2.71 | 2.72 | 2.70 | 2.65 |
| NZGB 04/23 | 3.52 | 3.41 | 3.36 | 3.38 | 3.36 | 3.29 |
| NZGB 04/27 | 3.89 | 3.80 | 3.75 | 3.77 | 3.75 | 3.67 |
| 2 year swap | 2.72 | 2.73 | 2.69 | 2.70 | 2.70 | 2.69 |
| 5 year swap | 2.98 | 3.01 | 2.97 | 2.98 | 2.98 | 2.95 |
| RBNZ TWI | 73.0 | 73.03 | 71.98 | 72.28 | 72.30 | 71.63 |
| NZD/USD | 0.6702 | 0.67 | 0.65 | 0.66 | 0.66 | 0.65 |
| NZD/AUD | 0.9319 | 0.94 | 0.94 | 0.94 | 0.93 | 0.93 |
| NZD/JPY | 81.15 | 78.69 | 76.56 | 77.22 | 77.59 | 76.24 |
| NZD/GBP | 0.4412 | 0.45 | 0.45 | 0.45 | 0.45 | 0.45 |
| NZD/EUR | 0.6114 | 0.61 | 0.60 | 0.60 | 0.61 | 0.60 |
| AUD/USD | 0.7192 | 0.71 | 0.70 | 0.70 | 0.70 | 0.69 |
| EUR/USD | 1.0961 | 1.09 | 1.09 | 1.09 | 1.08 | 1.09 |
| USD/JPY | 121.08 | 118.32 | 117.25 | 117.64 | 118.19 | 117.55 |
| GBP/USD | 1.5191 | 1.46 | 1.45 | 1.45 | 1.45 | 1.44 |
| Oil (US$/bbl) | 35.65 | 33.29 | 33.20 | 31.42 | 30.42 | 30.42 |
| Gold (US$/oz) | 1075.90 | 1103.25 | 1103.51 | 1097.70 | 1083.96 | 1092.60 |
| Electricity (Haywards) | 6.59 | 8.21 | 8.08 | 7.22 | 7.61 | 7.79 |
| Baltic Dry Freight Index | 484 | 415 | 402 | 394 | 383 | 373 |
| Milk futures (USD) | 39 | 33 | 32 | 31 | 32 | 30 |

# IMPORTANT NOTICE

The distribution of this document or streaming of this video broadcast (as applicable, "publication") may be restricted by law in certain jurisdictions. Persons who receive this publication must inform themselves about and observe all relevant restrictions.

**1. Disclaimer for all jurisdictions, where content is authored by ANZ Research:**

Except if otherwise specified in section 2 below, this publication is issued and distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ"), on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (collectively, "recipient"). This publication may not be reproduced, distributed or published by any recipient for any purpose. It is general information and has been prepared without taking into account the objectives, financial situation or needs of any person. Nothing in this publication is intended to be an offer to sell, or a solicitation of an offer to buy, any product, instrument or investment, to effect any transaction or to conclude any legal act of any kind. If, despite the foregoing, any services or products referred to in this publication are deemed to be offered in the jurisdiction in which this publication is received or accessed, no such service or product is intended for nor available to persons resident in that jurisdiction if it would be contradictory to local law or regulation. Such local laws, regulations and other limitations always apply with non-exclusive jurisdiction of local courts. Certain financial products may be subject to mandatory clearing, regulatory reporting and/or other related obligations. These obligations may vary by jurisdiction and be subject to frequent amendment. Before making an investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

The views and recommendations expressed in this publication are the author's. They are based on information known by the author and on sources which the author believes to be reliable, but may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this publication and are subject to change without notice; and, all price information is indicative only. Any of the views and recommendations which comprise estimates, forecasts or other projections, are subject to significant uncertainties and contingencies that cannot reasonably be anticipated. On this basis, such views and recommendations may not always be achieved or prove to be correct. Indications of past performance in this publication will not necessarily be repeated in the future. No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided. Additionally, this publication may contain 'forward looking statements'. Actual events or results or actual performance may differ materially from those reflected or contemplated in such forward looking statements. All investments entail a risk and may result in both profits and losses. Foreign currency rates of exchange may adversely affect the value, price or income of any products or services described in this publication. The products and services described in this publication are not suitable for all investors, and transacting in these products or services may be considered risky. ANZ and its related bodies corporate and affiliates, and the officers, employees, contractors and agents of each of them (including the author) ("Affiliates"), do not make any representation as to the accuracy, completeness or currency of the views or recommendations expressed in this publication. Neither ANZ nor its Affiliates accept any responsibility to inform you of any matter that subsequently comes to their notice, which may affect the accuracy, completeness or currency of the information in this publication.

Except as required by law, and only to the extent so required: neither ANZ nor its Affiliates warrant or guarantee the performance of any of the products or services described in this publication or any return on any associated investment; and, ANZ and its Affiliates expressly disclaim any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense ("Liability") arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this publication.

If this publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. ANZ and its Affiliates do not accept any Liability as a result of electronic transmission of this publication.

ANZ and its Affiliates may have an interest in the subject matter of this publication as follows:

- They may receive fees from customers for dealing in the products or services described in this publication, and their staff and introducers of business may share in such fees or receive a bonus that may be influenced by total sales.
- They or their customers may have or have had interests or long or short positions in the products or services described in this publication, and may at any time make purchases and/or sales in them as principal or agent.
- They may act or have acted as market-maker in products described in this publication.

ANZ and its Affiliates may rely on information barriers and other arrangements to control the flow of information contained in one or more business areas within ANZ or within its Affiliates into other business areas of ANZ or of its Affiliates.

Please contact your ANZ point of contact with any questions about this publication including for further information on these disclosures of interest.

**2. Country/region specific information:**

**Australia.** This publication is distributed in Australia by ANZ. ANZ holds an Australian Financial Services licence no. 234527. A copy of ANZ's Financial Services Guide is available at http://www.anz.com/documents/AU/aboutANZ/FinancialServicesGuide.pdf and is available upon request from your ANZ point of contact. If trading strategies or recommendations are included in this publication, they are solely for the information of 'wholesale clients' (as defined in section 761G of the Corporations Act 2001 *Cth*). Persons who receive this publication must inform themselves about and observe all relevant restrictions.

**Brazil.** This publication is distributed in Brazil by ANZ on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this publication, and no securities have been and will not be registered with the Securities Commission – CVM.

**Brunei. Japan. Kuwait. Malaysia. Switzerland. Taiwan.** This publication is distributed in each of Brunei, Japan, Kuwait, Malaysia, Switzerland and Taiwan by ANZ on a cross-border basis.

**Cambodia.** APS222 Disclosure. The recipient acknowledges that although ANZ Royal Bank (Cambodia) Ltd. is a subsidiary of ANZ, it is a separate entity to ANZ and the obligations of ANZ Royal Bank (Cambodia) Ltd. do not constitute deposits or other liabilities of ANZ and ANZ is not required to meet the obligations of ANZ Royal Bank (Cambodia) Ltd.

**European Economic Area ("EEA"): United Kingdom.** ANZ in the United Kingdom is authorised by the Prudential Regulation Authority ("PRA"). Subject to regulation by the Financial Conduct Authority ("FCA") and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This publication is distributed in the United Kingdom by ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the PRA and the FCA. **Germany.** This publication is distributed in Germany by the Frankfurt Branch of ANZ solely for the information of its clients**. Other EEA countries.** This publication is distributed in the EEA by ANZ Bank (Europe) Limited ("ANZBEL") which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, to persons who would come within the FCA definition of "eligible counterparty" or "professional client" in other countries in the EEA. This publication is distributed in those countries solely for the information of such persons upon their request. It is not intended for, and must not be distributed to, any person in those countries who would come within the FCA definition of "retail client".

**Fiji.** For Fiji regulatory purposes, this publication and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this publication.

**Hong Kong.** This publication is distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong. If in doubt about the contents of this publication, you should obtain independent professional advice.

# IMPORTANT NOTICE

**India.** This publication is distributed in India by ANZ on a cross-border basis. If this publication is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing. Further copying or duplication of this publication is strictly prohibited.
**Myanmar**. This publication is intended to be of a general nature as part of customer service and marketing activities provided by ANZ in the course of implementing its functions as a licensed bank. This publication does not take into account your financial situation or goals and is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013). The contents of this publication have not been reviewed by any regulatory authority in Myanmar. If in doubt about the contents of this publication, you should obtain independent professional advice.
**New Zealand.** This publication is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008.
**Oman.** This publication has been prepared by ANZ. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this publication is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and by receiving this publication, the person or entity to whom it has been dispatched by ANZ understands, acknowledges and agrees that this publication has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this publication is intended to constitute Omani investment, legal, tax, accounting or other professional advice.
**People's Republic of China ("PRC")**. Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If and when the material accompanying this document is distributed by Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) ("ANZ") or an affiliate (other than Australia and New Zealand Bank (China) Company Limited ("ANZ C")), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ C, the following statement and the text below is applicable: This document is distributed by ANZ C in the Mainland of the PRC.
**Qatar.** This publication has not been, and will not be lodged or registered with, or reviewed or approved by, the Qatar Central Bank ("QCB"), the Qatar Financial Centre ("QFC") Authority, QFC Regulatory Authority or any other authority in the State of Qatar ("Qatar"); or authorised or licensed for distribution in Qatar; and the information contained in this publication does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this publication have not been, and will not be registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar. Accordingly, the financial products or services described in this publication are not being, and will not be, offered, issued or sold in Qatar, and this publication is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this publication and distribution of this publication is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this publication must abide by this restriction and not distribute this publication in breach of this restriction. This publication is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.
**Singapore.** This publication is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore. In respect of any matters arising from, or in connection with the distribution of this publication in Singapore, contact your ANZ point of contact.
**United Arab Emirates.** This publication is distributed in the United Arab Emirates ("UAE") or the Dubai International Financial Centre (as applicable) by ANZ. This publication: does not, and is not intended to constitute an offer of securities anywhere in the UAE; does not constitute, and is not intended to constitute the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the United Arab Emirates Ministry of Economy; does not, and is not intended to constitute an offer of securities within the meaning of the Dubai International Financial Centre Markets Law No. 12 of 2004; and, does not constitute, and is not intended to constitute, a financial promotion, as defined under the Dubai International Financial Centre Regulatory Law No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority ("DFSA"). The financial products or services described in this publication are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules. In addition, ANZ has a representative office ("ANZ Representative Office") in Abu Dhabi regulated by the Central Bank of the United Arab Emirates. ANZ Representative Office is not permitted by the Central Bank of the United Arab Emirates to provide any banking services to clients in the UAE.
**United States.** If and when this publication is received by any person in the United States or a "U.S. person" (as defined in Regulation S under the US Securities Act of 1933, as amended) ("US Person") or any person acting for the account or benefit of a US Person, it is noted that ANZ Securities, Inc. ("ANZ S") is a member of FINRA (www.finra.org) and registered with the SEC. ANZ S' address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). Except where this is a FX-related publication, this publication is distributed in the United States by ANZ S (a wholly owned subsidiary of ANZ), which accepts responsibility for its content. Information on any securities referred to in this publication may be obtained from ANZ S upon request. Any US Person receiving this publication and wishing to effect transactions in any securities referred to in this publication must contact ANZ S, not its affiliates. Where this is an FX-related publication, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). Commodity-related products are not insured by any U.S. governmental agency, and are not guaranteed by ANZ or any of its affiliates. Transacting in these products may involve substantial risks and could result in a significant loss. You should carefully consider whether transacting in commodity-related products is suitable for you in light of your financial condition and investment objectives. ANZ S is authorised as a broker-dealer only for US Persons who are institutions, not for US Persons who are individuals. If you have registered to use this website or have otherwise received this publication and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this publication in any way.
**Vietnam.** This publication is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ. Please note that the contents of this publication have not been reviewed by any regulatory authority in Vietnam. If you are in any doubt about any of the contents of this publication, you should obtain independent professional advice.

This document has been prepared by ANZ Bank New Zealand Limited, Level 10, 171 Featherston Street, Wellington 6011, New Zealand, Ph 64-4-802 2212, e-mail nzeconomics@anz.com, http://www.anz.co.nz