

Global growth still teetering

25 June 2009

Inside:

Macroeconomic Update.....	2
Interest Rate Markets.....	4
FX.....	6
Forecasts.....	8

Authors:

Warren Hogan
Head of Australian Economics and
Interest Rates Research
+61 2 9227 1562
Warren.Hogan@anz.com

Tony Morriss
Senior Rates Strategist
+61 2 92266757
Tony.Morriss@anz.com

Katie Dean
Senior Economist, FX and
International Economics
+61 3 9273 1381
Katie.Dean@anz.com

Julie Toth
Senior Economist,
Australian Economics
+61 3 9273 6252
Julie.Toth@anz.com

Riki Polygenis
Economist, Australian Economics
+61 3 9273 4060
Riki.Polygenis@anz.com

Dr. Alex Joiner
Economist, Australian Economics
+61 3 9273 6123
Alex.Joiner@anz.com

Amber Rabinov
Economist, FX and
International Economics
+61 3 9273 4853
Amber.Rabinov@anz.com

Daniel Bae
Analyst, Australian Economics
Daniel.Bae@anz.com
+61 2 9227 1272

Our Vision:

For ANZ Economics & Markets Research to be the most respected, sought-after and commercially valued source of economics and markets research and information on Australia, New Zealand, the Pacific and Asia.

Macroeconomic update: risks to the global outlook remain

- Global markets continue to repair amidst further evidence of a stabilisation of the global economy in the second quarter of 2009, however this recovery is seemingly starting to lose momentum.
- Despite so-called 'green shoots', there is very little hard evidence of any recovery in real economic activity in the main industrialised economies.
- The primary risk for global markets relates to the unintended consequences of innovative policy actions taken by governments over the past year.

Interest Rate Markets: market rates to head higher

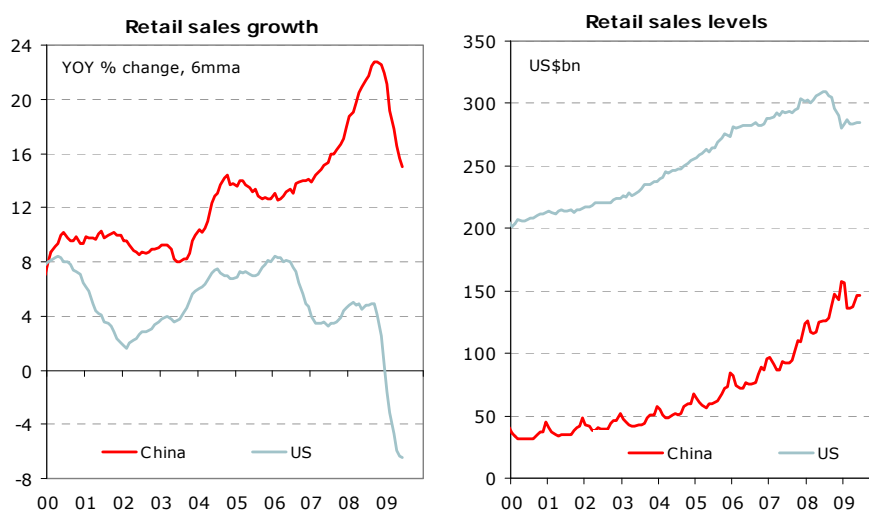
- While the Fed is still committed to keeping rates lower for longer in the US, the market was looking for a clearer stance on limiting the rise in long-term yields.
- The risk now is for market rates to head higher in the near-term as local bonds follow moves in the US.
- Market pricing has significantly pared-back any chance of further official interest rate cuts in the Australian economy and now favours rate hikes in early 2010. However, we maintain that at least for the remainder of 2009, the risk to rates is still to the downside.

FX: What could prompt an AUD break-out?

- The AUD/USD trading range took another nudge lower this week, with movements settling between 0.78 and 0.81. In the very short term we believe there is a stronger case for the AUD/USD to move above not below this range.

Chart of the week: Can Chinese shoppers save the world?

Figure 1: US vs Chinese retail sales: growth rates and total value



Source: Bloomberg and ANZ.

Macroeconomic Update: risks to the global outlook remain

- Global markets continue to repair amidst further evidence of a stabilisation of the global economy in the second quarter of 2009, however this recovery is seemingly starting to lose momentum.
- Despite so-called 'green shoots', there is very little hard evidence of any recovery in real economic activity in the main industrialised economies.
- The primary risk for global markets relates to the unintended consequences of innovative policy actions taken by governments over the past year.

Markets rally to price in recession

Global markets continue to repair amidst further evidence of a stabilisation of the global economy in the second quarter of 2009. **Government efforts in Europe and North America to backstop the financial system and support systemically important institutions have proven successful.** The flow of credit through the wholesale financial system, in particular between banks, has improved markedly. Inter-bank lending rates are in an advanced state of normalisation while bank funding costs in long term markets have declined as the perceived risk of default has declined. Equity markets and commodity prices have rebounded while corporate credit spreads have tightened. The USD has also fallen with risk appetite, registering a 10% depreciation since early March.

In late June this improving trend in global markets showed signs of losing momentum. Like much of the rally in markets that preceded it, this softening across markets does not appear to have any fundamental trigger. As it stands, most markets have essentially gone back to the level last seen in the immediate aftermath of the failure of Lehman brothers and the nationalisation of AIG in October 2008. This pricing reflects, in our view, that as the risk of a deep and prolonged global downturn (a depression) has declined, markets have moved back to pricing for a more orthodox yet synchronised global recession.

Where are the green shoots?

If boom turns to bust then it must follow that a stabilisation in the economy will eventually lead to recovery. This appears to be the meaning of 'green shoots', because **there is very little hard evidence of any economic recovery in the main industrialised economies.** Demand has been flat in recent months and is still well below levels of a year ago, and unemployment is rising. Unprecedented economic stimulus is working to offset a widespread private sector de-leveraging in many economies but there is virtually no evidence of a self perpetuating recovery in the underlying economies of the industrialised world. US consumption trends are instructive. The US consumer has been the single most important driver of global growth for more than a decade. US core retail sales (excluding autos and food) dropped 7.5% over the six months to March 2009. Sales have since been unchanged and are now 9.4% below levels of year ago. This demand cannot be permanently replaced by governments.

To be fair, many view the rapidly emerging economies of the BRIC (Brazil, Russia, India and China) block as a likely replacement for demand from the western consumer. Renewed economic growth in these economies, most notably in China, has been driven by fiscal stimulus and investment spending. It appears that these economies themselves remain vulnerable to renewed economic weakness, so long as the western consumer is in hibernation. The consumers of the industrialised world have slumped suddenly within a year. It will take many years and substantial structural changes in emerging economies for the emerging consumers of the world to fill their shoes.

Until a recovery in the private economies of the industrialised world is confirmed by economic data, markets are likely to be plagued by financial fragilities and uncertainties. Markets will always have the logic that recovery follows stabilisation and this should allow a continued gradual rally in equities while the information flow remains benign. But risks remain.

Risks to the global outlook

The primary risk for global markets relates to the unintended consequences of innovative government policy actions over the past year. Will inflationary consequences emerge from the unprecedented monetary stimulus to the wholesale financial system? Will government budgets in most industrialised economies of between 5% and 10% of GDP simply substitute a systemic banking crisis for a crisis of public finance and surging interest rates?

And banking system risks remain. Although many financial institutions in the US, Switzerland and the UK have been aggressively re-valuing assets and re-capitalising, many continental European banks seem to have sailed through this remarkably well. Also, many of the write-downs announced thus far have been related to securities markets. What about normal bank loan losses associated with an economic recession? The IMF estimated that global write-downs would likely exceed US\$4trn. According to Bloomberg, the current tally is 'only' around US\$1.47trn, implying a much larger tranche of losses is still to come.

The most tangible risk to the global economic outlook is now the funding of large public sector deficits. In many economies the public sector has become a major drag on the global savings pool. In some countries, the government has moved from net saver (budget surplus) to a large net borrower in a short period. Something must give; private households and corporations must become net savers (from net borrowers) or external funding will be required. In either case, this process could place significant upward pressure on term interest rates.

Thus far this process has been orderly, with yields on long-term government debt in the major markets increasing by around 150bps since the beginning of the year. At present the US 10yr government bond yield, at around 3.75%, is about where one would expect, given a zero policy rate, zero growth, 2% inflation, and also an expectation that the economy will return to an on-going positive growth and inflation trajectory over the medium-term. It is also at a low level by historical standards. We would become very concerned about the economic outlook if the US 10yr yield starting pushing much above 4.50%. This could choke off economic activity via higher borrowing costs.

As risk appetite has improved, markets have largely been focused on the positive consequences of policy actions on economic activity and incomes. There is little doubt that increased fiscal stimulus, liquidity injections into financial systems and the provision of capital to banking institutions has played a strongly positive role in the past nine months.

But there may well be negative consequences. In the longer run the moral hazard of bail-outs will make the containment of excessive monetary growth a priority in the next economic expansion. In the short-run central banks will have a huge task working out at what time and in what sequence to remove their extraordinary support and economic stimulus from the financial system. **There is a long way to go before we can be confident that green shoots are taking hold. In the meantime markets will remain volatile and vulnerable to any and all adverse economic and political developments.**

Data wrap

- **New motor vehicle sales** grew by 5.4% in May, according to the ABS (seas. adj.). The yearly rate of decline improved to -12.6%, from -19.8% in April.
- The **Conference Board Leading Index** increased by 0.7% to 113.5 points in April, the third consecutive month of (accelerating) improvement. The March Index was revised up to a 0.6% increase. The Conference Board said the gains were mainly driven by improved share prices and building approvals.
- In its **Australian Commodities Quarterly** for June, **ABARE** revised up its forecasts for export earnings from all commodities, to \$196bn (+31% YoY) in 2008-09 and \$160bn in 2009-10 (-18% YoY). Farm export earnings were revised up to \$31.8bn in 2008-09 (+16%) and \$2.5bn in 2009-10 (+2%).
- The **IMF** revised up its forecast for Australian economic growth to -0.5% for 2009, compared with its forecast of -1.4% in April, and +1.5% for 2010, compared with its forecast of +0.6% in April. The IMF said fiscal and monetary stimulus is having a positive effect on consumer and business confidence.

Tony Morriss
Senior Rates Strategist

Alex Joiner
Economist

Interest Rate Markets: market rates to head higher

- While the Fed is still committed to keeping rates lower for longer in the US, the market was looking for a clearer stance on limiting the rise in long-term yields.
- The risk now is for market rates to head higher in the near-term as local bonds follow moves in the US.
- The market has priced in a significantly pared-back chance of further rate cuts in the Australian economy and favours rate hikes in early 2010. However, we maintain that at least for the remainder of 2009, the risk to rates is still for cuts.

Fed to keep rates lower for longer

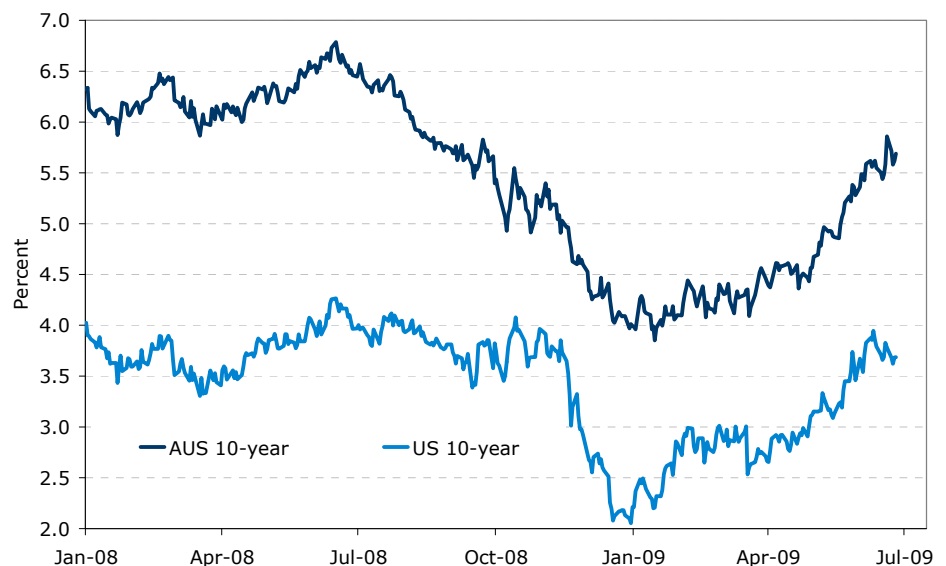
Local market yields had started this week by edging lower in response to weaker stock markets and a general rise in risk aversion. The Dow has been down for four consecutive days this week and other measures of risk aversion have risen such as credit spreads. Oil prices have also weakened, in response to a more subdued outlook for world growth.

Furthermore, a record \$104bn of US Treasury bond issuance this week so far appears to have been easily absorbed by the market so far, with stronger than expected underlying demand and record buying from foreign sovereign interests. The bond issues conclude later tonight with \$27bn of 7-year bonds due to be auctioned.

However, risk for market rates now appears to be more heavily skewed to further rises in response to broad disappointment with the US Federal Reserve's stance on policy following the FOMC meeting this week. Official cash rates were left unchanged and the Fed still expects economic conditions to remain sufficiently weak to warrant rates being kept low "for an extended period." Inflation is expected to remain "subdued" and there was no discussion of an exit from quantitative easing. The Fed will continue to buy Treasuries and mortgage-backed securities as part of that policy.

And yet market yields rose sharply following the FOMC, as expectations had centred on a more defined commitment to keep rates low and extend Treasury purchases. Consequently, the Fed was viewed as not objecting to the recent rise in market rates.

Figure 2: 10-year bond yields



Source: ANZ & Bloomberg

There is now a risk that US 10-year Treasury yields will rise towards recent highs around 4.0%. Given the extent to which local yields are following the lead set in the US, expect local market rates to follow.

The next focus for the local market will be on the next round of monthly data and an update on RBA thinking at the RBA board meeting on 7th July. It now looks as if we need to see more defined weakness in the labour market in order for local bond yields to head significantly lower from current levels.

Market pricing for RBA hikes looks premature

Market pricing has significantly pared-back any chance of further official interest rate cuts in the Australian economy and now favours rate hikes in early 2010. However, we maintain that at least for the remainder of 2009, the risk to rates is still to the downside. With the spate of domestic 'green shoots' in the partial data recently it is becoming clearer the Australian economic downturn will be much milder than that being experienced in most other advanced economies. Pre-emptive fiscal and monetary policy has done much to ensure this, but we are certainly not out of the woods yet with further economic weakness expected in the second half of the year.

With this growth profile in mind, we have revisited our official cash rate forecast track. We have removed a deep cut followed by a steep rise to a neutral rate in 2010, in favour of more shallow cuts that will find a terminal rate at 2.5% by the end of 2009. This will be followed by rates being on hold for an extended period of time, before a return to a less expansionary setting in late-2010.

So why do we still believe there is still room for further cuts, when recent data has been so solid? In simple terms, significant downside risks to the Australian economy will remain in place through H2 2009:

- Firstly, a massive terms of trade adjustment is still in train as bulk commodity prices move markedly lower. This will see the nation's income (GDI) contract sharply and see nominal GDP growth screech to a virtual standstill.
- Secondly, we still anticipate a large contraction in business investment, not only diminishing the productive capacity of the sector and subtracting from growth, but also weighing heavily on the labour market. On the latter point, we wouldn't expect that the RBA to hike rates in an environment in which the unemployment rate is still rising — they have not done so in past recession cycles and we doubt they will do it now.
- Lastly, further stimulus, globally and domestically, will be relatively weak. It will be a long way back for the global economy with a broad-based recovery still some way off — and the Australian economy cannot grow on the back of Chinese demand alone.

Domestically, the government fiscal stimulus package has been front-loaded to H1 2009, predominantly supporting consumer spending. But in H2 the well of cash cheques runs dry and the capital expenditure to be undertaken by the government will provide less immediate support for the economy and the labour market going forward. With the government unlikely to want to undertake more debt-funded spending it will be left to monetary policy to fill the breach and support the economy.

The RBA have suggested that rapidly decelerating inflation will give them a free hand to cut rates to support the economic recovery. As it stands, we still think they will need to do so again later this year.

FX: What could prompt an AUD break-out?

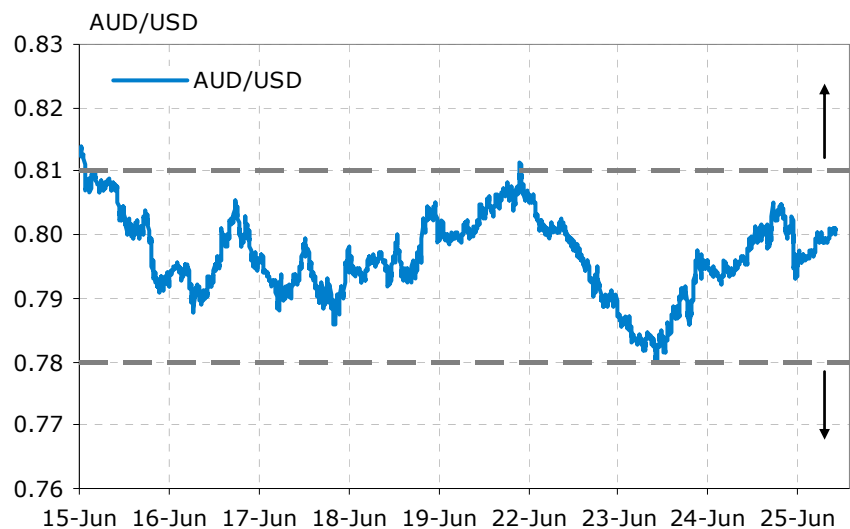
Recommendation

The AUD/USD trading range took another nudge lower this week, with movements settling between 0.78 and 0.81. In the very short term we believe there is a stronger case for the AUD/USD to move above not below this range. Opportunities for AUD trading remain similar to last week's recommendation: AUD sellers should look to moves above 0.81, while buyers may wish to take advantage of dips below 0.78. Beware of positioning ahead of May retail sales data on Wednesday, and the US ISM survey for June on Thursday morning.

Overview

Over the past two weeks, the AUD/USD has consolidated into a 0.78 – 0.81 trading band. This is a narrowing in the broader 0.7750 – 0.8250 trading band experienced over the past month, with cycle highs reaching consecutively lower peaks. But what could prompt the AUD to break-out of this range?

Figure 3: AUD/USD trading in a tight range – what will trigger a break out?



Source: ANZ, Bloomberg

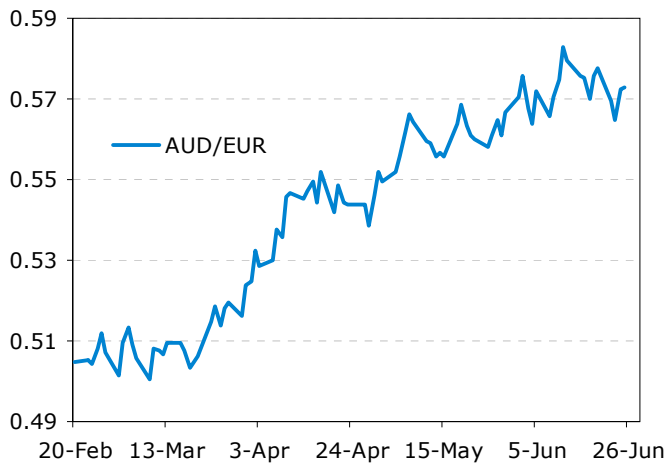
The most likely scenario is a short-term surge in AUD/USD into the low-to-mid 0.80s, triggered by a move in the market to price in the possibility of a domestic interest rate rise by year-end. Next week's data roll call, in particular a potentially 'stimulus-boosted' retail sales read for May on Wednesday, could provide the necessary motivation for such a move. Building approvals for May, also due on Wednesday and expected to post a solid positive, could further add to market anticipation for a rate rise by year end, however the choppy nature of these data could mean that any impact is muted.

Another short-term scenario is that the AUD/USD makes a sharp downward move out of its current trading range towards the low-to-mid 0.70s. This outcome could be provoked either by a strong rally in the USD, and/or a sharp pull-back in commodity prices. While we expect higher risk aversion will support the USD for now, we see no clear trigger for a strong short-term USD rally. Likewise, we see no obvious short-term motivation for sharply lower commodity prices. Moreover, we suspect the recent strong rise in the AUD has taken many local exporters by surprise, creating significant 'natural' demand for AUD/USD below 0.7750.

A final (upside) medium-term risk to our forecast AUD/USD track is the upward revision to our RBA cash rate forecasts. We now expect rates to trough at 2.50% by the end of this year (2.00% previously) and as such, the risk is that the AUD/USD may not reach our end-2009 forecast trough of 0.73.

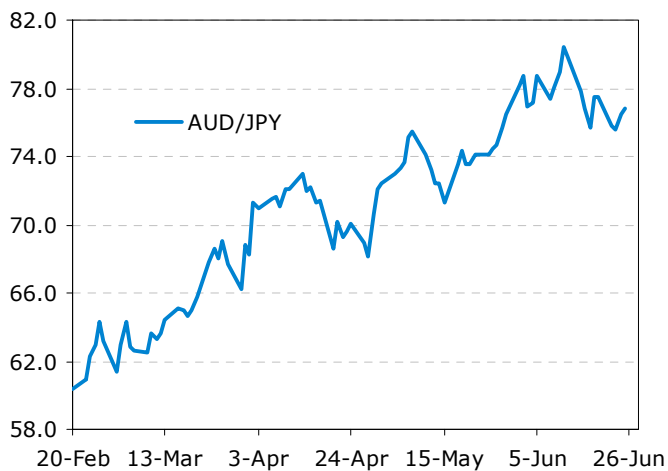
AUD/USD Key levels: 0.7760 – 0.8070. The risk is for AUD/USD to make a break out of its current trading band. On the downside, keep an eye on moves towards 0.7760, and on the upside, watch for rises through 0.8070.

AUD cross view



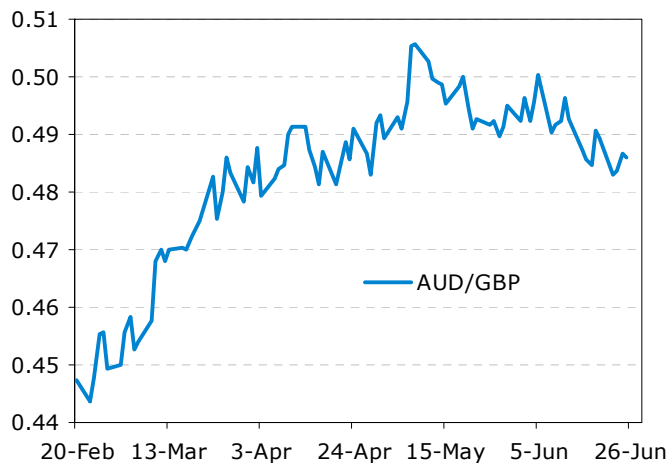
AUD/EUR Key levels: 0.5610 – 0.5800

- Rising AUD momentum against the major crosses has clearly slowed, including versus EUR. AUD/EUR support was tested and held at 0.5610 this week, and we continue to see this as a key downside level. However, AUD/EUR's solid rebound from this dip suggests a return towards 0.58 is possible if the cross pushes decisively through resistance at 0.5730.
- The ECB interest rate decision is the key risk event next week. Hawkish commentary from President Trichet could boost EUR and see AUD/EUR retest recent lows. Beware of Euro zone sentiment surveys and retail sales data.



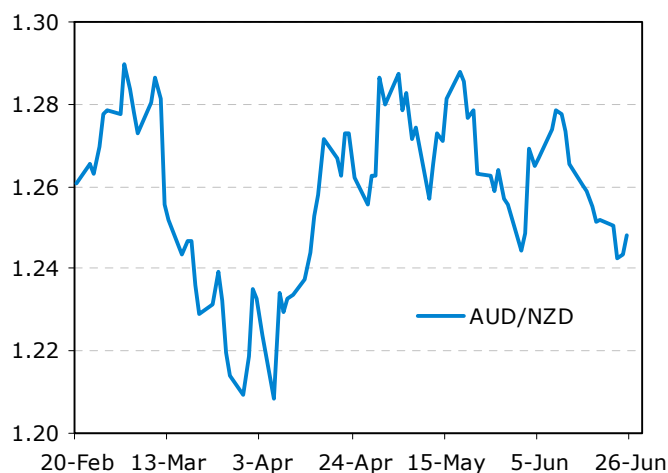
AUD/JPY Key levels: 74.0 – 78.3

- AUD/JPY found good support on a dip to last week's suggested downside level of 74.0, and has since recovered steadily to around 77.0. The very short-term risk of an AUD/USD surge into the low-to-mid 0.80s lends support to AUD/JPY, and we could see it burst up through the recent high around 80.50 in coming weeks.
- Watch out for next week's Japanese industrial production data for May – a weak outcome (potentially reversing April's 5.9% jump) would add to yesterday's disappointing export data suggesting the economy is not improving as well as first thought, and see AUD/JPY strengthen.



AUD/GBP Key levels: 0.4800 – 0.4960

- The cross has failed to trade convincingly above its 50-day moving average for eight sessions, and its 100-day moving average of 0.48 is a key downside risk level. Upside resistance exists around 0.4920, then higher at 0.4960.
- Next week's data roll call could generate some volatility in AUD/GBP trade. Watch for continued improvement in the UK purchasing managers' surveys to indicate economic stabilisation is underway and support GBP (weigh on AUD/GBP). However, a better than expected Australian retail sales result would act to limit any downside moves in AUD/GBP.



AUD/NZD Key levels: 1.2350 - 1.2660

- AUD/NZD is currently trading around a key 2009 retracement level at 1.2490. The cross has been in a downtrend since the start of May, with cycle peaks and troughs moving lower. Expect the cross to find solid downside support at 1.2390, then lower at 1.2350. On the upside, target moves toward 1.2660.
- Tomorrow's NZ Q1 GDP is highly anticipated. While the market is expecting a 0.7% decline in activity, ANZ is looking for a 1% fall. Such a result could spark a sell-off in NZD/USD, and provide some recovery in AUD/NZD. Look also to next week's NZ May trade data.

ANZ economic and financial market forecasts

Australian economic indicators	2007	2008	2009f	2010f
Economic activity (annual % change)				
Private final demand	6.0	4.1	-2.0	-1.5
Household consumption	4.3	2.2	0.9	0.9
Dwelling investment	2.7	2.5	-6.8	8.4
Business investment	13.8	13.8	-9.5	-13.9
Public demand	2.8	5.3	2.1	6.6
Domestic final demand	5.4	4.4	-1.1	0.3
Inventories (contribution to GDP)	0.6	-0.6	-0.2	0.3
Gross National Expenditure (GNE)	5.9	3.8	-1.3	0.6
Exports	3.3	3.9	-1.5	-3.3
Imports	11.4	10.3	-11.9	0.7
Net Exports (contribution to GDP)	-1.7	-1.5	2.6	-0.8
Gross Domestic Product (GDP)	4.0	2.3	0.0	0.4
Prices and wages (annual % change)				
Inflation: Headline CPI	2.3	4.4	1.8	2.4
Underlying*	3.1	4.5	3.7	2.7
Wages	4.0	4.3	3.6	3.2
Labour market				
Employment (annual % change)	2.8	2.2	-0.4	-0.9
Unemployment rate (%)	4.4	4.2	6.2	8.0
External sector				
Current account balance: A\$ bn	-67.7	-51.0	-41.2	-62.6
% of GDP	-6.2	-4.3	-3.5	-5.1

*Average of RBA weighted median and trimmed mean statistical measures.

Australian interest rates	Current	Sep 09f	Dec 09f	Mar 10f	Jun 10f	Sep 10f
RBA cash rate	3.00	3.00	2.50	2.50	2.50	2.50
90 day bill	3.22	2.90	2.75	2.75	2.80	3.00
3 year bond	4.68	4.05	4.05	4.15	4.20	4.60
10 year bond	5.66	5.35	5.25	5.25	5.20	5.45
3s10s yield curve	0.98	1.30	1.20	1.10	1.00	0.85
3 year swap	4.94	4.35	4.35	4.45	4.50	5.07
10 year swap	6.07	5.75	5.60	5.55	5.50	6.00
International interest rates						
RBNZ cash rate	2.50	2.50	2.50	2.50	2.50	2.50
NZ 90 day bill	2.81	2.80	2.80	2.80	2.80	2.80
US Fed funds note	0.25	0.25	0.25	0.25	0.25	0.50
US 2 year note	1.19	1.10	1.00	1.25	1.50	2.00
US 10 year note	3.68	4.25	4.00	4.15	4.30	4.50
Japan call rate	0.10	0.10	0.10	0.10	0.10	0.25
ECB refinance rate	1.00	0.75	0.75	0.75	0.75	1.00
UK repo rate	0.50	0.50	0.50	0.50	0.50	0.50

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

Foreign exchange rates	Current	Sep 09f	Dec 09f	Mar 10f	Jun 10f	Sep 10f
Australia and NZ exchange rates						
A\$/US\$	0.80	0.76	0.73	0.74	0.76	0.78
NZ\$/US\$	0.64	0.58	0.55	0.54	0.54	0.55
A\$/¥	76.25	79.80	73.00	77.70	82.08	85.80
A\$/€	0.57	0.60	0.58	0.59	0.60	0.61
A\$/£	0.49	0.49	0.48	0.47	0.49	0.49
A\$/NZ\$	1.25	1.31	1.33	1.37	1.41	1.42
A\$/CA\$	0.92	0.87	0.88	0.87	0.87	0.90
A\$/CHF	0.87	0.87	0.82	0.86	0.85	0.87
A\$/CNY	5.44	5.19	4.99	5.05	5.18	5.30
A\$ Trade weighted index	63.90	62.86	59.69	60.54	62.94	63.92
International cross rates						
US\$/¥	95.7	105.0	100.0	105.0	108.0	110.0
€/US\$	1.39	1.26	1.25	1.26	1.26	1.28
€/¥	133	132	125	132	136	140.80
£/US\$	1.64	1.55	1.53	1.56	1.56	1.58
€/£	0.85	0.81	0.82	0.81	0.81	0.81
US\$/CA\$	1.16	1.15	1.20	1.18	1.15	1.15
US\$/CHF	1.10	1.14	1.12	1.16	1.12	1.11
US\$ index	80.6	87.2	87.4	87.3	87.3	86.50
Asia exchange rates						
US\$/CNY	6.83	6.83	6.83	6.82	6.82	6.80
US\$/HKD	7.75	7.76	7.76	7.76	7.76	7.77
US\$/IDR	10380	10250	9750	9500	10500	10000
US\$/INR	48.55	48.50	48.00	47.00	47.50	47.00
US\$/KRW	1284	1225	1150	1100	1225	1100
US\$/MYR	3.54	3.60	3.55	3.50	3.50	3.50
US\$/PHP	48.21	49.00	48.00	48.00	47.00	47.00
US\$/SGD	1.46	1.53	1.52	1.51	1.51	1.49
US\$/THB	34.20	36.00	35.50	35.00	35.00	35.00
US\$/TWD	32.86	32.00	31.50	31.00	31.00	30.00
US\$/VND	17801	18500	18500	18500	18500	18500
Pacific exchange rates						
PGK/US\$	0.38	0.32	0.35	0.35	0.36	0.36
FJD/US\$	0.48	0.42	0.41	0.40	0.40	0.41

Important Notice

Australia and New Zealand Banking Group Limited is represented in:

AUSTRALIA by:

Australia and New Zealand Banking Group Limited ABN 11 005 357 522

100 Queen Street, Melbourne, Victoria, 3000, Australia

Telephone +61 3 9273 6224 Fax +61 3 9273 5711

UNITED KINGDOM by:

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

40 Bank Street, Canary Wharf, London, E14 5EJ, United Kingdom

Telephone +44 20 3229 2121 Fax +44 20 7378 2378

UNITED STATES OF AMERICA by:

ANZ Securities, Inc. (Member of NASD and SIPC)

6th Floor 1177 Avenue of the Americas

New York, NY 10036, United States of America

Tel: +1 212 801 9160 Fax: +1 212 801 9163

NEW ZEALAND by:

ANZ National Bank Limited

Level 7, 1-9 Victoria Street, Wellington, New Zealand

Telephone +64 4 802 2000

This document ("document") is distributed to you in Australia and the United Kingdom by Australia and New Zealand Banking Group Limited ABN 11 005 357 522 ("ANZ") and in New Zealand by ANZ National Bank Limited ("ANZ NZ"). ANZ holds an Australian Financial Services licence no. 234527 and is authorised in the UK by the Financial Services Authority ("FSA").

This document is being distributed in the United States by ANZ Securities, Inc. ("ANZ S") (an affiliated company of ANZ), which accepts responsibility for its content. Further information on any securities referred to herein may be obtained from ANZ S upon request. Any US person(s) receiving this document and wishing to effect transactions in any securities referred to herein should contact ANZ S, not its affiliates.

This document is being distributed in the United Kingdom by ANZ for the information of its market counterparties and intermediate customers only. It is not intended for and must not be distributed to private customers. In the UK, ANZ is regulated by the FSA. 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 FSA.

This document is issued on the basis that it is only for the information of the particular person to whom it is provided. This document may not be reproduced, distributed or published by any recipient for any purpose. This document does not take into account your personal needs and financial circumstances. Under no circumstances is this document to be used or considered as an offer to sell, or a solicitation of an offer to buy.

In addition, from time to time ANZ, ANZ NZ, ANZ S, their affiliated companies, or their respective associates and employees may have an interest in any financial products (as defined by the Australian Corporations Act 2001), securities or other investments, directly or indirectly the subject of this document (and may receive commissions or other remuneration in relation to the sale of such financial products, securities or other investments), or may perform services for, or solicit business from, any company the subject of this document. If you have been referred to ANZ, ANZ NZ, ANZ S or their affiliated companies by any person, that person may receive a benefit in respect of any transactions effected on your behalf, details of which will be available upon request.

The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable. The views expressed in this document accurately reflect the author's personal views, including those about any and all of the securities and issuers referred to herein. The author however makes no representation as to its accuracy or completeness and the information should not be relied upon as such. All opinions and estimates herein reflect the author's judgement on the date of this document and are subject to change without notice. No part of the author's compensation was, is or will directly or indirectly relate to specific recommendations or views expressed about any securities or issuers in this document. ANZ, ANZ NZ, ANZ S, their affiliated companies, their respective directors, officers, and employees 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 the contents of and/or any omissions from this communication except where a Liability is made non-excludable by legislation.

Where the recipient of this publication conducts a business, the provisions of the Consumer Guarantees Act 1993 (NZ) shall not apply.