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ANZ

Dipping into the policy toolbox

Policy circuit breakers are needed for a sustainable rally in risk assets.

In the last few weeks, we have seen varied responses from global central banks to the slowing global growth momentum and the dismal state of affairs in Europe.

While the market was disappointed that the US Federal Reserve did not announce another quantitative easing program, this was in line with our expectations. Given the relative resilience of US growth to date, and already record low US Treasury bond yields, we think US policy easing may only come into the picture towards the end of 2012, before the US potentially undertakes a large fiscal retrenchment in 2013. However, in light of the conflicting views on the outlook for the US economy by a number of FOMC members in recent weeks, the upcoming FOMC meeting to be held later in June could be key.

On the other hand, China cut rates for the first time since 2008, following on the heels of Brazil and Australia. Lower interest rates are likely to help reduce interest costs for companies and consumers. In addition, the Chinese government gave the green light to about CNY1tr worth of previously announced but yet to be approved investment projects. The authorities have also quickened the pace of their fiscal spending, which includes commitments to infrastructure projects and subsidies for household appliances and energy-saving automobiles.

Accelerated fiscal spending may help raise business and consumer confidence, potentially triggering a virtuous cycle of higher consumer and capital spending, as well as greater credit demand. On balance, this may help to stabilise Chinese growth in 2H12. To ease monetary conditions further, we expect the PBoC to cut the reserve requirement ratio by 50 basis points in June, followed by another 100 basis points cut over the course of the year. Meanwhile, further interest rate cuts cannot be ruled out as China's inflation pressures appear to have peaked. We do not however expect a 2008/2009 type stimulus given still tight labour conditions, high levels of local government debt, and excess capacity in selected industries. Outside of China, while the other Asian central banks have been keeping their power dry, we believe that many have room to ease policy settings further, particularly on the fiscal front, should downside risks to growth materialise.

However, more needs to be done, particularly in Europe. While the ECB was content to sit on the policy sidelines in June, we believe that the worsening eurozone economic environment needs more policy support. While interest rates are already low in Europe, a rate cut would have been a welcomed symbolic move to herald a shift towards a focus on growth in Europe. Although ECB governor Draghi has assured that the ECB stands ready to act, his desire to first see a credible policy announcement from the EU summit on 28-29 June is a dangerous game of brinksmanship, in our opinion.

Finally, while the €100b bailout package for Spain is a positive step in the right direction, the lack of details surrounding the deal at the point of writing, causes us to remain defensively positioned towards risk assets. In our view, policy circuit breakers would be needed for equity markets to have a sustainable rally. These would probably need to include meaningful actions that address the eurozone's fiscal challenges as well as greater policy easing from the ECB. For the moment, the crisis resolution in Europe continues to look like a protracted muddle through.

Investment Summary

The rebound in global economic growth momentum in late 2011 appears to be petering out. While the economic indicators from periphery Europe continues to grind lower, it is the sharp loss in Chinese growth momentum which probably caught the market, and possibly the Chinese leadership, by surprise. Our analysts expect global economic momentum to ease further, before consolidating in the latter part of this year, but not collapse.

However, in view of the more than 10% declines in most equity markets in May and the possibility that policy actions could prompt a near term relief rally in equities, we have modestly pared back our defensive stance towards equities, particularly in the markets which we have been most bearish on – namely Europe and the Emerging Markets. This does not mean that we think that markets have bottomed and we continue to be cautiously positioned towards risk assets. While Spain has taken steps to seek official aid for its banking system, at the point of writing, the still fluid outcomes of the Greek and the French parliamentary elections underpin our defensive positioning.

Meanwhile, the crisis resolution process in Europe is likely to be long and winding, providing scope for significant market volatility. As such, we suggest that investors retain a quality bias within their portfolios, favouring US equities and high quality corporate bonds. We believe that there is room for corporate bond spreads to narrow on the back of healthy balance sheets.

As for currencies, the US dollar is likely to remain well bid in a risk off environment. However, given currently stretched positioning, the greenback could weaken in the face of more credible policy initiatives from Europe and China.

Finally, the outlook for commodities is muted in the near term but expected to improve going into late 2012. We expect modest gains for gold and oil prices from current levels.

Equities

The US remains our favoured equity market. However, in view of the market declines in May and the possibility of more constructive policy action in the near term, we have modestly pared down our extremely underweight positions in European and Emerging market equities.

The US remains our favoured market as the US economy's growth momentum continues to look relatively robust. While US non-farm payrolls undershot expectations by a wide margin for the second straight month in May, we view some of the weakness as a payback for the very strong growth earlier in the year, which was distorted by the warmer weather conditions. Going forward, recent employment surveys and the Fed's beige book also point to rising hiring intentions. Notably, the recent pick up in consumer credit could be a reflection of increased confidence over job prospects. Finally, lower oil prices would be a boost for corporates and consumer spending.

Despite cheap valuations, the trajectory of the Japanese market hinges on the outlook for the yen. Given that we expect the yen to remain close to current levels (see currency section), the strength of the yen could be a potential headwind for Japanese exporters, and the equity market.

The outlook for Europe remains challenging. While the Long Term Refinancing Operations (LTRO) have helped to ease lending conditions in early 2012, the collapse in credit demand since the start of the year does not bode well for future economic activity. In our view, potential policy circuit breakers in Europe would need to include i) signs that Spain is moving towards a conditional bailout program (may include IMF and ESM involvement), ii) pan-euro zone banking recapitalisation, and iii) ECB easing rates. Meanwhile, political leaders continue to engage in a high stakes game of brinksmanship. Nevertheless, in view of the 12% correction in European equities since mid March to the end of May, and the possibility of more constructive policy action in the near term, we have modestly pared down our extremely underweight position in European equities.

We have also marginally reduced our underweight position in Emerging Market equities, although we continue to remain cautious. Bureaucratic logjam in China resulted in a slower than expected implementation of the government's fiscal commitments to date. However, the more urgent government policy response we have seen from China in recent weeks should aid growth, and benefit the commodity-dependent emerging market economies in the longer term.

Tracking of selected Chinese government budget items suggests that only 26% of the targeted amount has been spent to date

	Jan-Apr Spending (CNY b)	2012 Target (CNY b)	% Spent
Education	468.6	1790	26.2%
Culture and Media	41.0	197.1	20.8%
Medical care	178.6	726.4	24.6%
Social Insurance	457.9	1236.7	37.0%
Public Housing	70.7	402.4	17.6%
Rural sector	278.9	1081.6	25.8%
Community	242.9	858.6	28.3%
Transportation	197.1	779.0	25.3%

Source: Ministry of Finance. ANZ. June 2012.
This table only tracks about 60% of the items in the Chinese government's total budget.

That said, it would take time for greater monetary and fiscal easing in China to impact real activity and macro data could remain soft in the near term. Meanwhile, lingering tail risks could continue to create significant volatility in the medium term. As such, the higher-beta emerging market economies are likely to experience greater gyrations.

China/Hong Kong – Should growth risks escalate, we believe that China has both the fiscal and monetary flexibility to support growth further. That said, any fiscal stimulus is likely to pale in comparison with 2008's package. Nevertheless, the Chinese government is taking more proactive steps to bolster growth, which should be a positive for the economy and corporate earnings. We remain slightly positive on the market.

India – A rebound in the Indian market cannot be ruled out after the market's 12% decline since mid February. However, a sustainable re-rating of the market is likely to require signs of structural reforms to encourage investments as well as to reduce the government's fiscal deficit. We continue to remain cautious on the market.

Korea – The KOSPI is likely to remain highly volatile given the market's high beta and heavy weighting of cyclical sectors. The lackluster external picture may also hurt business confidence/jobs growth and thus consumer sentiment. Already retail sales in Korea are losing momentum. On the other hand, improving growth prospects for China would bode well for Korea given the deep trade linkages between the two economies. Longer term, the KOSPI would be our favoured market to play the global recovery.

Singapore – Historically, the peaks in Singapore's electronic exports have closely coincided with the equity market's tops. Therefore, given looming global macro headwinds, Singapore's electronic exports may have peaked in the near term and we remain neutral on the market. The Singapore open economy may be even more vulnerable in the current slowdown, as it is in the midst of economic and wage restructuring, which could make the economy less competitive going forward. Against this backdrop, the more defensive telecoms counters could outperform.

Taiwan –The Kuomintang party's new proposal on the capital gains tax appears more palatable to investors than the earlier version. We remain neutral on the market but like selected technology counters within Taiwan, particularly market leaders and companies that are suppliers to the growing smart phone and tablet segments.

ASEAN – The Asean markets may continue to outperform the more cyclical Asian markets in the medium term. However, they are by no way immune should global risk appetite fall off. In addition, the outperformance of the various Asean markets to date, could lead fund managers to exit these profitable positions in order to raise liquidity should risk aversion rises. Within Asean, the implementation of Malaysia's infrastructure contracts could have positive spill over effects on consumption and employment. Meanwhile, the Thai economy continues to benefit from a sharp post-flood domestic demand/reconstruction recovery, which is likely to be supportive of the banks. However, renewed political uncertainty over the amendment to the Thai constitution could undermine investor confidence in the near term. Separately, Moody's recent upgrade of the sovereign outlook for the Philippines to "positive", coupled with the government's healthy balance of payments position may help to underpin the peso. The Philippines government is also expected to maintain an expansionary fiscal policy going forward which should be supportive of growth. On the other hand, we are neutral on the Indonesian market. While falling oil prices have alleviated inflationary pressures in the short term, fuel subsidy reforms would be needed to make consumers more sensitive to global oil price fluctuations, as Indonesia's oil consumption rises over the long term.

Market	6-12 month view
China	Slightly positive
Hong Kong	Neutral
India	Slightly negative
Indonesia	Neutral
Korea	Neutral
Singapore	Neutral
Taiwan	Neutral
Thailand	Slightly positive

Source: ANZ. June 2012.

Fixed Income

The recent sell off in the US investment grade corporate bonds could represent a potential opportunity for investors. Meanwhile, the shrinking pool of highly rated sovereigns suggest that Australian and New Zealand government bonds may continue to be in demand, although prospective returns are likely to lower than what bond investors may have enjoyed in the last 3 years.

We view the recent sell off in the US "A" and "AA" rated corporate bonds as a potential opportunity for bond investors. Compared against similarly rated European corporate bonds, the steeper US corporate bond yield curve implies that investors are i) more optimistic over the US growth outlook and ii) compensated for taking on duration risk. In addition, according to Standard & Poor's, only 13% of US corporates have been given a "negative" outlook compared with 26% for European corporates (as of end April 2012), attesting to the stronger fundamentals of US corporates. Finally, we believe that there is room for US corporate spreads to tighten as the US economic recovery broadens.

The continual credit rating downgrades of the European banks potentially reduce the number of bond fund managers who can or are willing to invest in the affected bonds. This implies that unless the ECB or the European governments help meet the banks' funding needs, these financial institutions would be forced to de-leverage and curb lending. Coupled with chronic unemployment, potential civil unrest and deposit flight etc, the picture for Europe is not pretty. Hence, we remain cautious on European fixed income, particularly European financials.

As the pool of highly rated sovereigns continues to shrink (see chart), this implies that credible, highly rated sovereigns would remain well bid in the current uncertain environment. While this underpins our positive view on Australian sovereigns, prospective returns are likely to be lower than the 8-10% p.a. returns which Australian bond investors had enjoyed over the last 3 years. There is also risk that bond yields may rise if the market starts to pare back its current expectations for aggressive rate easing by the Reserve Bank of Australia. Nevertheless, some exposure in Australian bonds may help to lower overall portfolio volatility should risk aversion rise again. Investors can also look to Australian semi-sovereigns (5 to 10-yr duration) for additional yield. Currently, foreign investors already own 79% of Australian government bonds and are faced with the prospect of a shrinking net supply. Therefore, it would not be surprising to see semi-sovereigns gain greater interest from both foreign and domestic investors going forward. Likewise for New Zealand fixed income, while bond yields can go lower, prospective returns may undershoot what investors have been used to, although annualised returns are likely to remain positive.

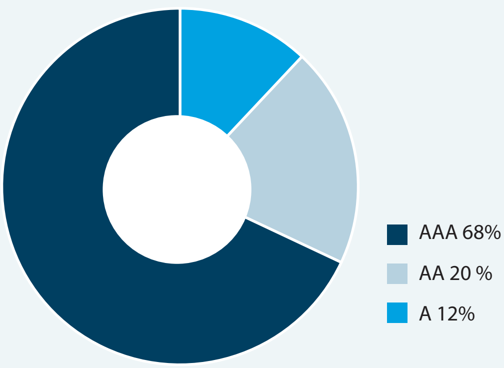
Over to Asian fixed income, we remain relatively cautious on Indonesian bonds in the near term even though bond yields have risen 100-150 basis points from their lows in February. Indonesia recorded a current account deficit in 4Q11 and 1Q12, a situation which we fear may persist and therefore bears monitoring. On a positive note, falling oil prices could potentially lighten Indonesia's fuel subsidy burden, although the market is only likely to focus on this when the external risk environment improves

Meanwhile, global risk aversion has dwarfed the positive domestic fundamentals of the Philippines. The government plans to reduce the budget deficit to 2% of GDP in 2013, down from 2.6% of GDP this year. The Philippines is also one step closer to being an investment grade credit following Moody's recent upgrade of the country's sovereign outlook to "positive" in May.

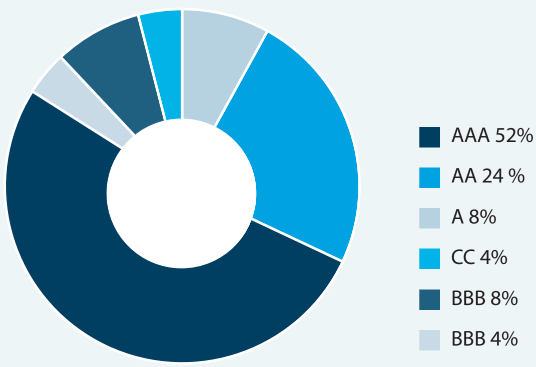
As for Singapore, we believe that Singapore government bonds may continue to benefit from flight to quality flows within Asia. While these refuge flows could reverse when Europe delivers a strong policy response, the timing is almost impossible to pinpoint. Given that we expect Singapore interest rates to track the US' (i.e. lower for longer), investors can look to extend their bond duration to pick up additional yield.

Finally, Moody's updated stress test shows that out of the 29 Chinese property developers which are rated by the agency, 11 issuers face poor liquidity conditions, up from 4 in December 2011. We remain cautious on Chinese real estate bonds, as the amount of cash to cover short term debt falls and developers continue to face funding constraints.

Distribution of Sovereign Debt Ratings for OECD countries (Before the Global Financial Crisis)



Distribution of Sovereign Debt Ratings for OECD countries (June 2012)



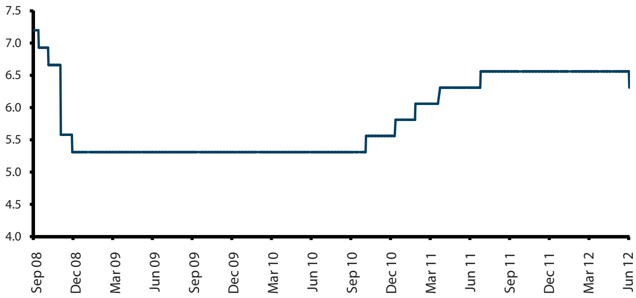
Source: IMF, DB Global Markets Research. June 2012.

Commodities

The outlook for commodities appear muted in the near term, as time would be needed for positive policy actions to start impacting macro data and hence prices. While the medium to longer term view looks more upbeat, it is unlikely that prices would beat previous highs.

Our commodity analysts have recently returned from a week long trip in China visiting metal producers and traders. Their findings suggest that overly gloomy domestic sentiment was key in depressing commodity prices. Concerns over slower European demand and ineffective Chinese government policy caused market participants to wind back expansion activity and trade is being transacted on a very short term basis. However, we believe that the medium to longer term view looks more upbeat, with expectations that the new government, ushered in later this year, will reignite growth into 2013. At the same time, China's sharper than expected slowdown has since prompted the government to ease monetary policy (see chart) and front load fiscal spending, which may eventually help to restore confidence in the months ahead.

China 12-month lending rate (%)



Source: Bloomberg. June 2012.

That said, we note that exchange and producer stockpiles of iron ore, coal, copper and oil are substantial, and would need to be drawn down before the improvement in physical demand starts to have a positive impact on commodity prices.

Meanwhile, investment activity could be quite sporadic in the near term. Net speculative positions have mostly been wound back from a highly positive to a currently neutral stance. Given still heightened uncertainty over near term fundamentals, we do not expect a substantial rebuild in long positions in the short term.

While China's slowing housing market has hurt steel and therefore iron ore demand, the government's infrastructure-heavy response to slowing domestic growth could help arrest the decline in iron ore prices. On the other hand, rising coal supply may cap both coking and thermal coal prices in the next 12 months

China's domestic market consumes 65% of the total iron ore seaborne market, underscoring its importance in determining iron ore prices. China's major stimulus program in 2008 had spurred domestic steel production, iron ore imports and prices. The same scenario could play out as the government steps up infrastructure-related spending, albeit on a smaller scale. Meanwhile, we are not overly concerned about the reportedly high stock piles of iron ore at the Chinese ports as they only represent six weeks of supply. In addition, the traders remain comfortable with their iron ore holdings given low financing costs.

Barring a liquidity catalyst, gold prices may find it difficult to rally in the near term, unless investor confidence towards fiat money erodes.

Gold prices broke below US$1600/oz after Bernanke's recent comments dashed hopes of an imminent stimulus package from the US. At the point of writing, should prices fall below US$1,580/oz, we could potentially see a reversal of the rally of the past two weeks, with US$1,550/oz and potentially the May low of US$1,530/oz as likely targets. However, over the medium to longer term, we remain positive on the outlook for gold on the back of rising demand from emerging market central banks and consumers. We expect gold prices to average US$1688/oz and US$1791/oz in 2012 and 2013 respectively.

The forecasts for global oil demand have been ratcheted down on the back of slower growth prospects in China and the uncertainty in Europe. At the same time, the geopolitical premium in crude oil prices has shrunk following efforts by Iran to engage the international community over its nuclear program.

Nevertheless, we still see upside for crude oil prices from current levels. It should be noted that Saudi Arabia has previously targeted a floor of US$100/bbl for Brent prices and OPEC still has power to control oil production. In addition, any deterioration in the relationship between Iran and the west could also cause prices to trend higher. Finally, seasonal factors may help to support oil prices with the onset of the US driving and hurricane seasons. We see WTI and Brent averaging US$98/bbl and US$113/bbl in 2012.

The outlook for the agricultural commodities is mixed. While the fundamentals appear brighter for soybeans and cotton, sugar is likely to continue to see weak import demand from China.

Cotton prices have fallen significantly over the last month after USDA (United States Department of Agriculture) revised up its estimates of global ending stocks for the crop. According to their forecasts, cotton stocks could potentially hit a record high by August 2013. In the short term, cotton inventories in bonded warehouses in China as well as large cotton export programmes from Australia as well as Brazil could keep cotton prices depressed. Nevertheless, we do not think that cotton prices would collapse as the sharp decline in cotton prices would help make cotton more competitive against the synthetics and boost demand. As for soybeans, global supplies appear tight through the remainder of 2012 and into early 2013. While this should keep prices supported, we caution that speculators have been building net long positions in the crop, despite overall negative sentiment towards other commodities.

Currencies

Policy responses from Europe and China are likely to dictate the path of the currency markets going forward. The tentative steps towards much-needed looser fiscal, banking and monetary policy settings could help the AUD and NZD consolidate around current levels. Over in Asia, we continue to favour the SGD amongst its regional peers while expecting the INR and IDR to remain under considerable pressure in the near term.

Given the sharp corrections in the AUD and NZD in May, we believe that both currencies have largely priced in the recent negative global developments. The domestic and global environments would need to deteriorate meaningfully further to see a significant selloff from current levels, in our view. In the near term, we believe that three key China-related commodity prices – namely iron ore, coal and steel would be important indicators for the AUD's likely trajectory. All three commodity prices have been falling since mid April, and we believe that for the AUD to stabilise, these prices would need to base and trend higher. As such, we have revised our near term forecasts and see the AUDUSD trading around current levels for the rest of the year. As for the NZD, the lack of a rate cut (ANZ's view) could lend some mild support to the NZD in the near term. Longer term, we remain constructive on both currencies, in part due to the safe haven appeal of Australian and New Zealand sovereign bonds, their relatively high real yields and the governments' fiscal credibility. Our 12-month forecasts for the AUDUSD and NZDUSD are 1.07 and 0.84 respectively.

While the USD's safe haven status may continue to appeal in a risk off climate, the large net long positions in the USD currently and rising market expectations of further quantitative easing by the Fed may cap USD strength in the near term. However, we believe that a third round of quantitative easing appears unlikely at this point. With 10-yr Treasury bond yields at record lows, we think that little can be achieved from another round of asset purchases at this point. In addition, Fed Chairman Bernanke had earlier expressed reluctance to ease policy further, as the costs (e.g. higher inflation) are likely to outweigh the benefits. That said, we would return to our structurally longer term bearish stance on the USD should Europe deliver a convincing policy response.

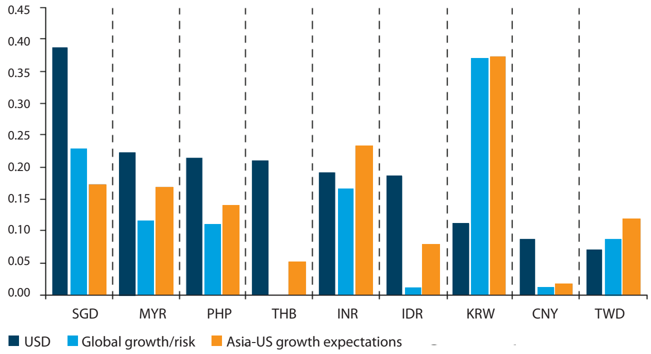
The EUR appears vulnerable in the near term until Greece elects a pro-euro government and Spain presents a credible banking sector bail out plan. The EUR's modest depreciation to date may appear somewhat out of sync given the significant deterioration in Europe's economic outlook. However, this may not be too surprising when viewed against Europe's unique situation. For example, when risk aversion rises, domestic residents in Southern Europe or global investors may choose to shift their exposure to Northern Europe, which helps lower risk but does not entail divesting their EUR exposure. Hence, the EUR moderates but does not collapse. That said, EUR weakness could intensify, should a disorderly Greek exit or Spanish banking sector stress shifts the crisis in Europe from the periphery to the core. However, we attach only a 5% probability to a disorderly Greek exit from the euro zone, although we acknowledge that the situation remains fluid.

Finally, the JPY has remained reasonably robust in May. With Japan still has yet to return to a current account surplus position, we have lowered our expectations for yen strength further out and now have a year end USDJPY forecast of 76. Only the worst outcomes from Europe can cause the USDJPY to move significantly lower in the short term.

Given elevated event risk, coupled with a deteriorating macro backdrop, the outlook for Asian currencies appears challenging in the near term. However, a credible policy response from Europe and stronger policy initiatives from China could lay the ground for a possible rebound in Asian currencies in the latter part of this year.

According to our analysts, Asian currencies are most influenced by the USD, global growth prospects and regional growth expectations relative to the US. The chart below shows that the SGD is most influenced by the USD while the KRW is a play on global and regional growth. On the other hand, the PBoC's fixing is probably the most important determinant for the CNY. Hence, in the event of a strong coordinated policy action globally, we expect the SGD and KRW to lead any rally in the Asian currencies

Sensitivity of Asian currencies to selected drivers



Source: Bloomberg. ANZ. June 2012.

CNY – While our core view is that CNY will appreciate by year-end to 6.20, we expect the bulk of this appreciation to occur in Q4, corresponding with a rebound in Chinese growth. In the near-term, in light of the PBoC rate cut and expectations of further weakness in the Chinese dataflow, we may see the market price in further CNY depreciation. (The 1-year NDF is currently pricing in around 0.8% depreciation over the next 12 months).

INR – The INR could see further weakness in the near term. Slowing growth, a widening current account deficit and a poor fiscal position are headwinds for the rupee. An inability to control subsidy spending and the timid adjustment plans contained in the recent budget make it difficult to address India's twin deficits in the near term. We see the USDINR averaging 56.0 in 3Q12, before moving to 54.0 by year end.

IDR – Indonesia recorded a current account deficit in 4Q11 and 1Q12 as imports outpaced exports and non-resident investors continued to repatriate investment income. Against this backdrop, equity and bond flows are likely to determine the direction of the rupiah going forward. Given the ongoing risk aversion and a possible further exit of foreign capital flows, we think that the IDR could slip further in the near term. We see the USDIDR averaging 9700 in 3Q12, before regaining some momentum and ending the year around 9500.

SGD – The SGD lost 4.1% against the USD in May. Our proprietary SGD Nominal Effective Exchange Rate (NEER) model suggests that NEER is now trading at 0.6% below the centre of the policy band. This is the weakest since February and intervention by the Monetary Authority of Singapore cannot be ruled out. We continue to expect the SGD to outperform the other Asian currencies as structural inflationary pressures keep the MAS on an appreciation bias. Our year end forecast for the USDSGD is 1.25.

TWD – We think that the next Central Bank of China decision will be influenced by the unfolding European crisis and a slew of weak Chinese data. Meanwhile the smaller than planned hike in electricity prices in Taiwan has helped to mitigate inflationary pressures somewhat. As such, we expect the central bank to keep the policy rate at 1.875% for the rest of the year. Our year end forecast for the USDTWD is 29.6.

Returns

Country Equity Markets	YTD	1-Yr	3-Yr
ASX 200	0.5%	-13.4%	6.8%
FTSE 100	-4.5%	-11.2%	20.4%
Hang Seng	1.1%	-21.3%	2.5%
India Sensex	4.9%	-12.3%	10.9%
Jakarta Comp	0.3%	-0.1%	100.0%
Korea KOSPI	1.0%	-14.0%	32.1%
Malaysia KLCI	3.3%	1.4%	51.4%
Nikkei 225	1.0%	-11.9%	-10.3%
S&P 500	4.2%	-2.6%	42.6%
Shanghai-A	7.9%	-13.5%	-9.9%
Singapore ST	4.8%	-12.3%	19.0%
Taiwan Weighted	3.2%	-18.8%	6.0%

Regional Equity Markets	YTD	1-Yr	3-Yr
MSCI World	-0.5%	-14.3%	20.8%
MSCI Europe	-7.2%	-26.7%	-0.6%
MSCI BRIC	-4.4%	-27.9%	-2.5%
MSCI Emerging Market	-1.1%	-22.4%	17.2%
MSCAP ex Japan	0.1%	-20.3%	22.2%

Fixed Income	Yield	1-mth chg	YTD chg
Aust Govt (10Y)	2.92	-75	-75
Bunds (10Y)	1.20	-46	-63
Gilts (10Y)	1.57	-54	-41
JGB (10Y)	0.82	-7	-16
NZ Govt (10Y)	3.42	-57	-40
SG Govt (10Y)	1.46	-9	-17
US Trsy (2Y)	0.26	1	2
US Trsy (10Y)	1.56	-36	-32

Currencies	Level	1-mth chg	YTD chg
USD-JPY	78.32	1.9%	-1.8%
EUR-USD	1.24	-6.6%	-4.6%
AUD-USD	0.97	-6.7%	-4.7%
USD-SGD	1.29	-4.2%	0.6%
NZD-USD	0.75	-7.9%	-3.0%
GBP-USD	1.54	-5.1%	-0.9%
USD-CAD	1.03	-4.6%	-1.1%
USD-TWD	29.84	-2.3%	1.5%
USD-IDR	9400.00	-2.4%	-3.6%
USD-INR	56.11	-6.4%	-5.7%
USD-KRW	1180.33	-4.4%	-2.4%

Source: Bloomberg. All returns as of 31 May 2012.

Commodities	Level	1-mth chg	YTD chg
Aluminium	1994	-5.9%	-1.3%
Copper	7425	-11.6%	-2.3%
Gold	1563	-6.1%	-0.3%
Lead	1921	-10.6%	-5.6%
Nickel	16230	-9.3%	-13.3%
WTI Oil	87	-17.5%	-12.4%
Zinc	1871	-9.3%	1.4%

Forecasts

Base Metals (US$/lb)	Sep-12	Dec-12	Mar-13
Aluminium	0.96	1.01	1.05
Copper	3.81	3.80	3.98
Nickel	8.00	8.55	9.25
Zinc	0.92	0.95	0.98
Lead	0.96	0.99	1.02
Tin	9.58	10.08	10.45

Precious Metals (US$/oz)	Sep-12	Dec-12	Mar-13
Gold	1675	1725	1755
Platinum	1540	1610	1690
Palladium	670	715	765
Silver	30.8	32.3	33.7

Energy (US$/bbl)	Sep-12	Dec-12	Mar -13
WTI Nymex	93.5	98.5	104.5

Curr encies	Sep-12	Dec-12	Mar -13
USD-JPY	76	76	76
EUR-USD	1.29	1.33	1.35
GBP-USD	1.61	1.63	1.63
AUD-USD	0.99	1.00	1.035
NZD-USD	0.78	0.79	0.82
USD-SGD	1.26	1.25	1.24
USD-TWD	29.7	29.6	29.5
USD-IDR	9700	9500	9300
USD-INR	56	54	53

Cross Rates	Sep-12	Dec-12	Mar -13
AUDNZD	1.27	1.27	1.26
AUDSGD	1.25	1.25	1.28
NZDSGD	0.98	0.99	1.02
EURSGD	1.63	1.66	1.67
SGDJPY	60.32	60.80	61.29
GBPSGD	2.03	2.04	2.02
AUDIDR	9603	9500	9626
NZDIDR	7566	7505	7626
EURIDR	12513	12635	12555
JPYIDR	128	125	122
GBPIDR	15617	15485	15159

Forecasts are from ANZ Economics & Markets Research and are quarterly averages.
As of 12 June 2012.

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