



7 February 2012

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NZ ECONOMICS TEAM

Cameron Bagrie
Chief Economist
Telephone: +64 4 802 2212
E-mail: Cameron.Bagrie@nbnz.co.nz

David Croy
Senior Interest Rate Strategist
Telephone: +64 4 576 1022
E-mail: David.Croy@nbnz.co.nz

Sharon Zöllner
Senior Economist
Telephone: +64 4 576 1062
E-mail: Sharon.Zollner@nbnz.co.nz

Mark Smith
Senior Economist
Telephone: +64 4 802 2199
E-mail: Mark.Smith@nbnz.co.nz

Steve Edwards
Economist
Telephone: +64 9 357 4065
E-mail: Steve.Edwards@nbnz.co.nz

Con Williams
Rural Economist
Telephone: +64 4 802 2361
E-mail: Con.Williams@nbnz.co.nz

FUNDAMENTALLY FLAWED

ECONOMIC OVERVIEW

Ample liquidity and better data outturns seem to be dominating poor fundamentals globally – a welcome reprieve for risk appetite, though we view it as temporary. A drawn out adjustment for the world economy remains in prospect, with market volatility expected to persist for a while yet. This week's local labour market data is expected to confirm continuing improvement, with details to illustrate the economy's schizophrenic tendencies, a pattern we expect to continue for some time. The pace of labour market recovery is closely tied to the activity outlook.

FINANCIAL CONDITIONS UPDATE

While financial conditions have generally eased, our financial conditions measures continue to flag marked differences across growth outlooks. Our FCIs continue to signal solid growth momentum in the US and New Zealand, versus a slowdown in growth momentum signalled for China and Australia. The increase in liquidity appears to have relaxed financial conditions in Europe. However, while the growth outlook in the Eurozone is looking more positive, significant challenges lie ahead.

INTEREST RATE STRATEGY

US bond yields rose sharply at the end of last week following strong payroll and ISM data. NZ bond yields have moved higher too, but not by as much, and we now look a touch expensive on a spread. The other real worry now is that the yield curve steepens up as corporate swap paying emerges. But we need to be careful not to get too bearish. After all, Europe remains stuck in the mire (and Greece continue to stall), and even if the current trend decline in US unemployment continues, it will still take a few years for the Fed to be comfortable that it has fulfilled its mandate.

CURRENCY STRATEGY

A big week ahead for FX markets as the Greek debt deal goes down to the wire, Central Banks are centre stage with rates announcements, and NZ awaits employment data. The "official" deadline for Greek deal is 13 February but expect this not to be met (again!). The RBA rate decision has the most focus – no cut should deliver a big AUD rally. US non-farm payrolls surprised significantly higher but the initial excitement has not followed through to higher risk currencies.

THE NBNZ HEATMAP

| Variable | 12 mth view | Comment | Risk profile |
|----------|-------------|---|--------------|
| GDP | 2.0% | Respectable but grumpy growth. Downside risks still predominate. | |
| OCR | No change | Core view: OCR low for longer as opposed to outright lower. We're watching deposit rate movements | |
| CPI | 2.3% | Soft near-term, but some medium-term inflation drivers remain sticky. | |

ECONOMIC OVERVIEW

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FORTHCOMING EVENTS

SNZ Household labour Force Survey – 2011Q4

(Thursday, 9 February, 10:45am). A 0.2 percent increase in employment is expected, with the unemployment rate easing to 6.5 percent. The labour force participation rate is expected to tick down to 68.37 from 68.44.

SNZ Electronic Card Transactions – January

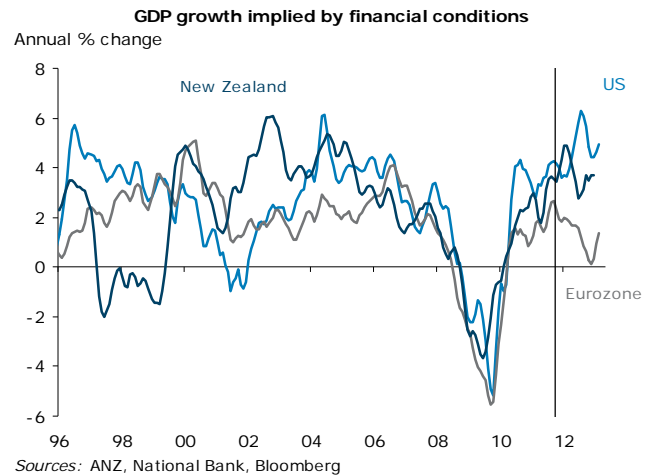
(Friday, 10 February, 10:45am). A 0.2 percent increase in retail ECT spending is expected, with core ECT spending up 0.4 percent.

WHAT'S THE VIEW

The global economy remains delicately poised, with market gyrations determined by a battle between abundant global liquidity versus fundamentals. The former appears to be holding the upper hand for now, with our analysis of financial conditions on page 5 showing that the provision of liquidity appears to be having the desired effect in terms of providing supportive financial conditions in key nations, and, most notably, relaxing them for the Eurozone. A better tone across data has also helped in the US in particular. This begs the question of whether QE3 is actually warranted. Of course, the fundamentals have not miraculously improved overnight; rather the provision of liquidity and a better tone across data has merely provided an aura of confidence, which can buy you more time.

Our focus, as always, remains on the consequences for New Zealand, for it is the global backdrop that continues to dominate the risk profile and present other challenges.

Confidence is a function of competency and credibility, and we must not lose sight of the fact that we are in the realms of politics in dealing with sovereign challenges. Politics and economics is not a combination that has historically been synonymous with competency and credibility. But for now, we'll respect the better spring in markets' step, though we remind readers of the numerous times over the past few years we have seen a better tone come to fade, such has been the power of structural headwinds.



Local data continues to convey mixed messages, illustrating the patchiness of underlying momentum. Visitor arrivals continue to track reasonably well, lifting around 5 percent in December and the same versus a year ago, a solid performance given the global backdrop. The impact of the higher NZD was evident in weighing down NZD-denominated commodity prices. The ANZ Commodity Price Index is now 9 percent off its May 2011 peak in world price terms, and 14 percent below their peaks when converted to NZD. Dairy prices in the GlobalDairyTrade auction eased, although Fonterra reports of an even stronger January month for dairy exports than the record-breaking December illustrates the considerable influence of Mother Nature. Credit aggregates remained moderate, consistent with ongoing deleveraging. There are signs of stronger property market activity starting to be reflected in housing and agricultural credit numbers, although this is from still-modest levels. We're also starting to pick up on some interesting dynamics across the deposit market in terms of rates on offer, an area we're watching closely. **Net on net, New Zealand seems to be performing somewhere short of par but better than weak, albeit with schizophrenic tendencies. This is a pattern we expect to continue for some time.**

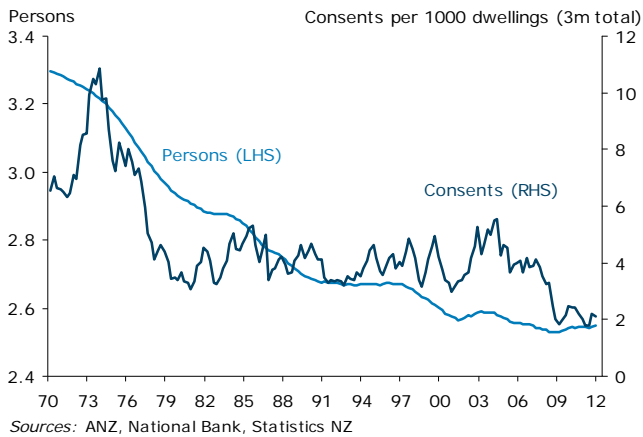
The construction sector is a key cyclical bellwether that many are pinning their hopes on. We are too – for 2013. It seems a question of when not if. For now, building consents are tracking sideways, though with residential consent issuance for calendar year 2011 the lowest since at least the mid 1960s, there is a large springboard to leap from *when* momentum picks up. This suggests that there is a lot of growth in the pipeline. Some large predictions (upwards of a 50 percent lift) for residential consent issuance are already starting to appear. Yes, we know it is coming, but the following observations are worth noting:

- You need an awful lot of *growth* in consents to get building activity back to a reasonable *level*.

Growth is growth, but you need to move beyond a certain level before critical mass (or sustained profitability) is achieved.

- Until the balance sheet of the nation has been addressed, cyclical pockets of the economy will be vertically challenged. Of course the Christchurch rebuild will test this in parts (being a drag near-term but a bounce bigger than Ben Hur at some stage), but the spirit will dominate in aggregate.¹ We're hostage to structural indicators as well as cyclical ones.

Persons and consents per dwelling

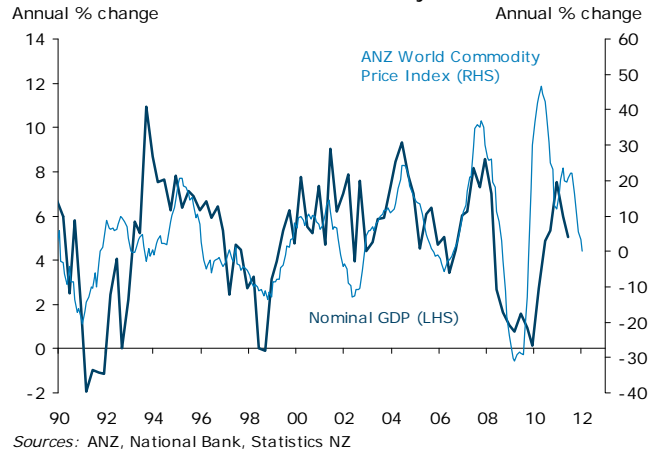


- We envisage a rising trajectory in the number of people per dwelling, reversing a 30 year trend decline. There are a host of reasons for the historical decline: urbanisation (more apartments); demographics; changing land use; and fertility rates; to name but a few. But we suspect the falling trajectory was also partly linked to the debt supercycle that drove strong house price gains, which in turn created artificial wealth. Not only did the number of people per dwelling fall, but the average size of new dwellings rose (with 200sqm plus sized dwellings the norm). Both trends (fewer people per dwelling and a rising size of the average dwelling) will reverse in a deleveraging environment.

We expect these structural considerations will partly dampen cyclical factors, with residential activity expected to "only" increase by about 20 percent over 2012. While this seems large, we do not expect the level of residential activity to reach their historical average share of GDP until late 2014.

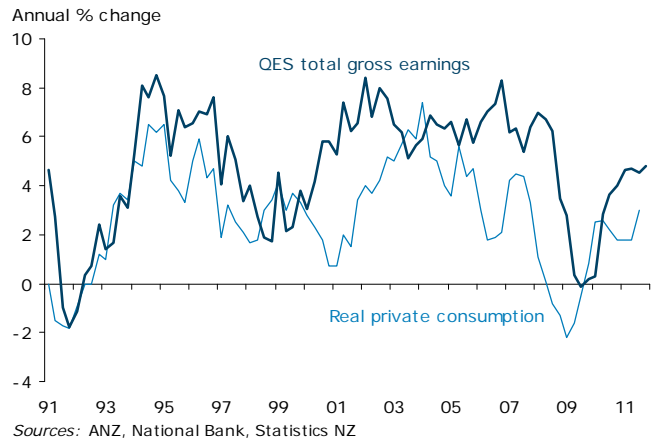
¹ Note that the latest figures show continued regional differences with consent issuance outside of Canterbury holding onto September quarter gains whereas those in Canterbury fell 4 percent. Regional dynamics were also evident with the net permanent and long-term outflow of 1,855 persons in 2011 driven by an external exodus of some 3,400 persons from Canterbury.

Nominal GDP vs Commodity Prices



The labour market is the key focus this week. **Today's stronger than expected wage data from the LCI will no doubt have gotten the RBNZ's attention.** At the margin, the 0.5 percent s.a. quarterly increase in filled jobs poses some upside risk to our Q4 HLFS employment pick (+ 0.2 percent s.a. q/q). The 4.8 percent increase in average gross earnings also revealed solid momentum in labour income growth.

QES total gross earnings and private consumption



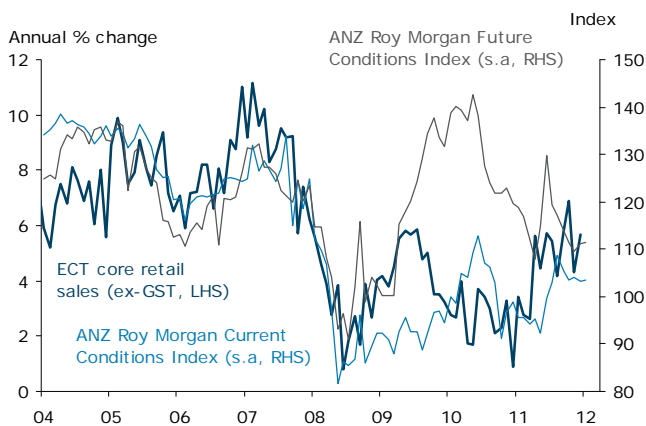
Given that employment tends to lag the cycle, the Q4 numbers are likely to reflect a carryover of earlier strength in activity. Our forward looking indicators suggest this strength in employment is likely to be fleeting. Our job ads have detected a slowing in labour market momentum in the second half of last year, with the dole queues now rising. The upshot is likely to be an unemployment rate that will not fall as quickly as optimists would have hoped. More competition for jobs is expected to help contain wage inflation and keep the precautionary saving motive front of brain for consumers.

One of the labour market themes we expect to be apparent over 2012 will be increasing polarisation across sectors. The LCI wage figures suggested that the pending economic rebalancing away from spending is dampening wage growth in retail, with the QES filled jobs showing a fall in retail

employment. We expect retail employment to remain weak over 2012. Construction sector wage growth remained higher than average, with employment in the construction sector rebounding from a low base. These sort of tensions are expected to contribute to considerable ongoing volatility.

Electronic Card spending is expected to track sideways **as consumers concentrate on repairing finances after a Rugby World Cup induced blowout**. Credit aggregates have revealed a modest pick-up in consumer credit, which we interpret as borrowers using this channel as a means to pay off the credit card rather than signalling a pick-up in consumer spending. The mood of consumer caution is expected to prevail for some time yet.

Electronic card transactions and confidence



Sources: ANZ, National Bank, Statistics NZ

Today's RBA interest rate decision will be closely watched locally. **The majority of surveyed economists are opting for a 25 basis point cut**, with the RBA placing more emphasis on global concerns than sticky Q4 core inflation. **Our Australian economists believe the RBA will hold this week, but expect a 25 basis point cut to come in March**. As last week's analysis of Taylor Rules showed, the policy rate is slightly higher than the Rule's recommendation. Further moves lower in the RBA cash rate will be confirmation of where the RBA views the risk profile. They are not alone.

RECENT LOCAL DATA

SNZ Labour Cost Index – 2011Q4. Private sector ordinary time earnings rose 0.7 percent q/q (2.0 percent y/y).

SNZ Quarterly Employment Survey – 2011Q4. The number of filled jobs rose 0.5 percent s.a., with paid hours rising 0.6 percent s.a. Private sector ordinary time average hourly earnings were unchanged (+2.8 percent y/y).

SNZ Building Consents – December. The number of residential consents rose 2.1 percent s.a (-0.3 percent s.a. ex-apartments). The value of non-residential consents fell 6.4 percent s.a. to \$321m.

SNZ National Employment Indicator – October. Employment dropped 0.2 percent s.a. (+0.9 percent y/y).

RBNZ Credit Aggregates – December. Private sector credit (R) ex repo increased 1.3 percent versus 12 months earlier. Household and business credit levels increased 1.1 percent and 1.7 percent on 12 months earlier respectively. Agricultural credit levels were 0.5 percent lower than a year earlier.

GlobalDairyTrade auction. The average winning prices eased 0.9 percent from the previous event to US \$3,666/tonne.

ANZ Commodity Price Index – January 2012. The index rose 1.2 percent (0.1 percent y/y). The NZD index fell 2.9 percent (-4.4 percent y/y).

SNZ International Travel and Migration – December. A net permanent and long-term immigration outflow of 520 persons was registered, with a net annual PLT outflow of 1,855 persons in December. Visitor arrivals rose 4.5 percent s.a. (+5.4 percent y/y).

FINANCIAL CONDITIONS UPDATE

While financial conditions have generally eased, our financial conditions measures continue to flag marked differences across regions. Our FCIs continue to signal solid growth momentum in the US and New Zealand, versus a slowdown in growth momentum for China and Australia. The increase in liquidity appears to have relaxed financial conditions in Europe. However, while the growth outlook in the Eurozone is looking more positive, significant challenges lie ahead.

WHAT ARE FINANCIAL CONDITIONS

We track financial conditions across an array of countries.² While they do not track perfectly, we generally find that the **historical relationship between financial conditions and GDP has been quite good for the countries we monitor.** Our financial conditions measures also tend to give a reasonable lead on turning points in the cycle. An added advantage of our approach is that it is not a “black box”. It can help quantify the impact of each potential channel on base momentum.

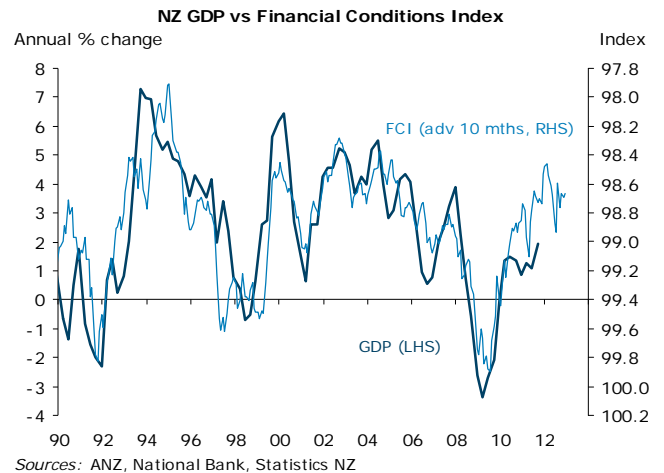
Indicators such as financial conditions have limitations. Our FCI measures are a simplified “reduced form” and do not capture all of the many influences on growth. However, with the financial system playing an increasingly important role in the economy, our approach has advantages over traditional macroeconomic modelling approaches. We have been careful not to over-fit our FCIs, and continue to use them to identify trends in momentum and potential turning points rather than as a forecasting tool. As such, our FCI measures should be interpreted as an indicator of the level of base momentum within an economy. **We don’t pay too much attention to what our measures flag in regards to growth itself by region** – there have simply been too many structural changes across inputs into financial conditions gauges to do so. **Rather, it is the signals in terms of changes in momentum and relativities with other nations that we think ultimately count.**

MOMENTUM STILL BUILDING IN NZ

Our proprietary Financial Conditions Index (FCI) for New Zealand continues to signal a strengthening in the recovery over the remainder of 2012. Very low interest rates and high export commodity prices form the basis of support.

² A financial conditions index summarises a range of financial variables into a single series that can be used to predict the future path of the economy. Where available, our FCI includes the currency adjusted for commodity prices or terms of trade movements, interest rates, asset prices, credit growth and proxies for the cost and availability of credit.

Financial conditions in New Zealand have broadly tracked sideways over the last couple of months. A narrowing in CDS spreads for the big 4 Australasian banks (still well above historical averages), lower fixed mortgage interest rates, climbing equity values, and slightly more generous lending standards were offset by the climbing NZD.

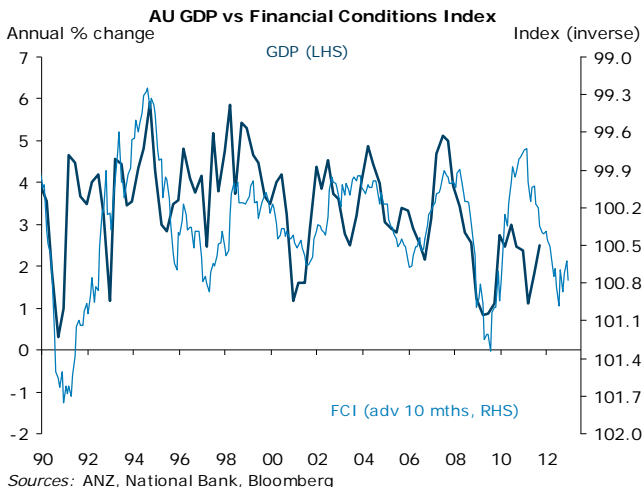


Technically our measure is pointing to 4 percent growth, and the historical fit makes it tempting to put this in the bag. But as noted earlier, **while our FCI incorporates many growth channels, it cannot fully account for them all, and the relationship between financial conditions and the economy has changed.** Downside risks, notably structural deleveraging and global risks, are not fully captured. Regulatory changes, which influence financial conditions, are nigh on impossible to include in FCIs. However, the boost provided by earthquake reconstruction is also not picked up by our measure so there are some opposing risks. Net on net, it’s the spirit that counts: **there looks sufficient support from financial conditions for reasonable growth, with some upside from the current anaemic rate.**

MODEST OUTLOOK FOR AUSTRALIA

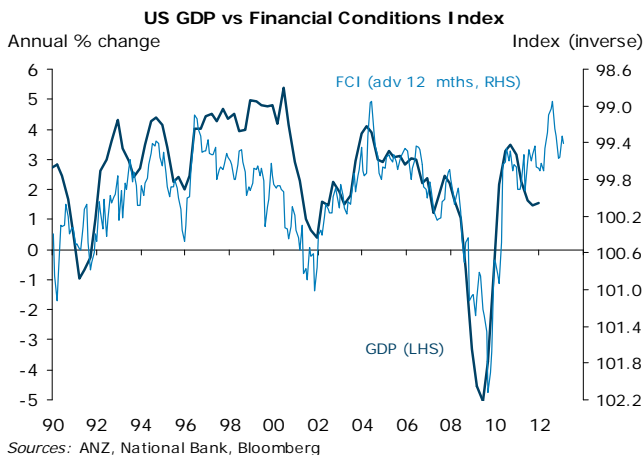
Australian financial conditions tightened in February, driven by rising real house prices, deflated real short-term interest rates, and a firmer AUD. This offset the narrowing in swap spreads, an easing in (historically high) CDS spreads for the big four Australasian banks, and a lift in Australian equity values. Surveyed lending standards also relaxed in February.

Our Australian FCI is flagging around 2 percent annual growth in GDP by late 2012. **The projected surge in mining investment is not directly captured by our measure.** However, as the 25bp cut by the RBA in December and the high likelihood of a follow-up cut some time in the next month or so suggests, the RBA are concerned the combined headwinds of a weaker global outlook, subdued household sector spending, and the high AUD will slow growth momentum.



US GROWTH TO STRENGTHEN DESPITE TIGHTENING FINANCIAL CONDITIONS

US financial conditions tightened fractionally in February, but remain more relaxed than at the end of last year. Contributing to this has been the drift lower in the USD, a lift in equity values, and a narrowing in corporate bond and swap spreads. Offsetting this has been low growth in the M2 Money Supply.

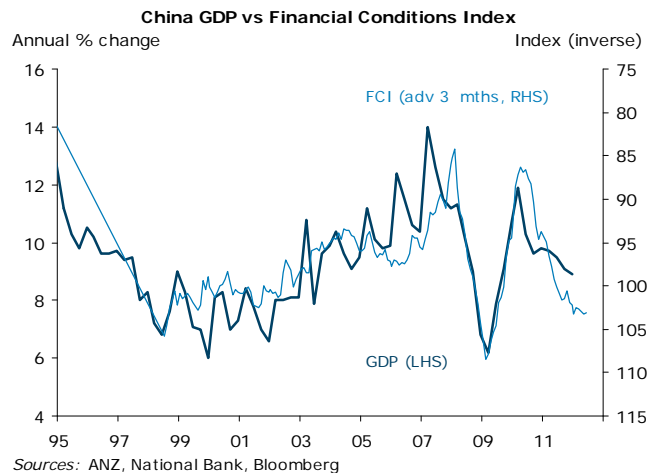


Overall financial conditions remain consistent with a pace of growth of around 4 percent in 12 months time, a similar rate to what was being signalled a few months ago. While our FCI continues to be boosted by the lagged effects of the considerably amount of policy stimulus in the pipeline, recent comments by Fed chair Bernanke on the vulnerability of the US economy and current fragility of the labour market (notwithstanding the recent pick-up in non-farm payrolls) illustrate the direction of risks.

CHINA SLOWDOWN STILL LOOMING

Chinese financial conditions relaxed slightly in February, although they are still tighter than at the end of last year. Slower gains in the real exchange rate, strengthening credit growth, and a levelling off in property price falls have helped offset the impact of higher real interest rates and larger

annual falls in real equity values. Financial conditions, however, remain tighter than historical averages, with the real exchange rate, and growth in credit, property and equity prices below averages.

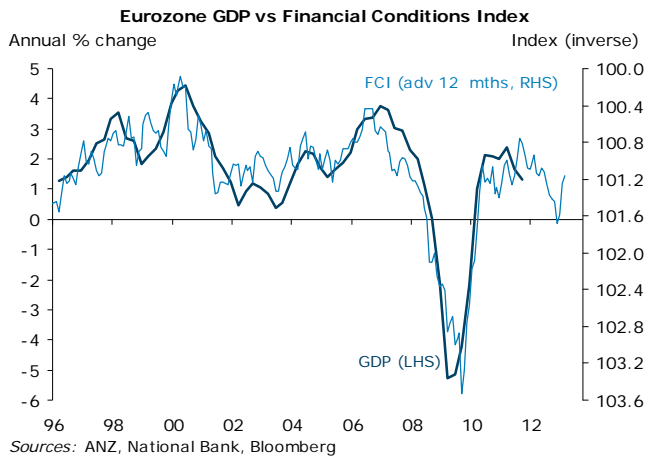


Our Chinese FCI points to just over 7 percent growth by early next year, which is a marked slowdown from the consensus view. Our FCI does not directly incorporate the impact of pending fiscal support, with infrastructure spending projects able to be quickly bought on-stream.

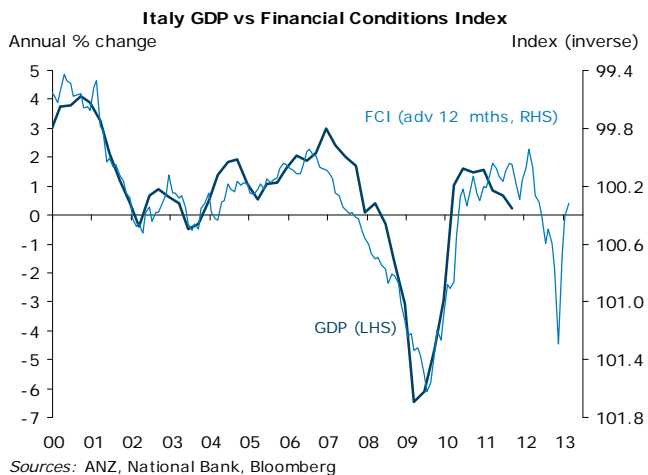
INCREASING LIQUIDITY HELPS BUT IS THERE ANY SUBSTANCE?

Financial conditions in the Eurozone eased further in February, continuing the relaxation evident since November. Lower short-term interest rates, a narrowing in swap spreads, and a climb in equity values offset a tightening in lending standards and a firmer euro.

Our FCI now suggests modest growth in the Eurozone over the next 12 months, a considerable improvement compared to a few months ago. It appears that recent ECB actions in increasing liquidity have had the desired effect in easing financial conditions. Despite this, however, financial conditions are only back to historical averages. Considering our FCIs do not fully capture the growth headwinds from the planned fiscal austerity measures, the risks to the 1½ annual growth signalled by early 2013 are clearly on the downside.



Amidst an improving outlook, our FCIs continue to highlight country differences. Germany and France continue to benefit from a relatively low euro and low short and long-term interest rates, with a strengthening in growth implied. Lower short-term and long-term interest rates have helped underpin a turnaround in Italian (and Spanish) financial conditions, but the outlook is at best for tepid growth. A massive loosening in financial conditions in Italy is notable, although zero growth – as implied by the chart, is still well below where real interest rates reside. Hence, the debt trap still beckons.



OTHER REGIONS

Financial conditions for other regions continue to point to disparate growth rates over 2012:

- United Kingdom – financial conditions have tightened slightly since December but still point to growth just short of 3 percent by early next year.
- Hong Kong – continued tightening in financial conditions suggests sub 2 percent annual growth by mid 2012.
- South Korea – financial conditions have continued to ease since December, but remain tighter than

historical averages, with growth by mid 2012 set to slow to around 2 percent.

- Singapore – financial conditions tightened slightly but continue to point to a pick-up in annual growth to around 5 percent by mid 2012.
- Malaysia – financial conditions eased slightly but are still pointing to a sharp fall in growth in mid 2012.

THE UPSHOT

Every economic indicator has limitations and financial conditions are no different. **One of the advantages of our approach is that it can quantify the impact of various financial market channels that conventional macroeconomic models struggle to capture.** Signs of financial market stress can provide important early warning sign of a pending slowdown in economic momentum.

Rather than discuss the point “forecasts” produced by our FCIs, we choose to focus on the **underlying themes:**

Financial conditions continue to flag a wide **divergence between US and European growth prospects despite signs of improvement in the latter. While the provision of additional liquidity has helped, the Eurozone economy is not out of the woods yet.** Debt levels remain too high and respectable nominal GDP growth rates are needed to avoid debt traps, even if policy actions are dampening interest rates. Our FCIs point to tepid growth at best for Italy and Spain, with continuing declines in activity for Greece.

Financial conditions are signalling slower growth in China. Recent policy action by the Chinese authorities illustrates their determination to deliver a soft (versus hard) landing. While our approach misses important support factors for the Chinese economy, the mix of growth is likely to be more spending-centric if the Chinese authorities employ more policy stimulus, which will have important considerations for New Zealand and our major trading partners.

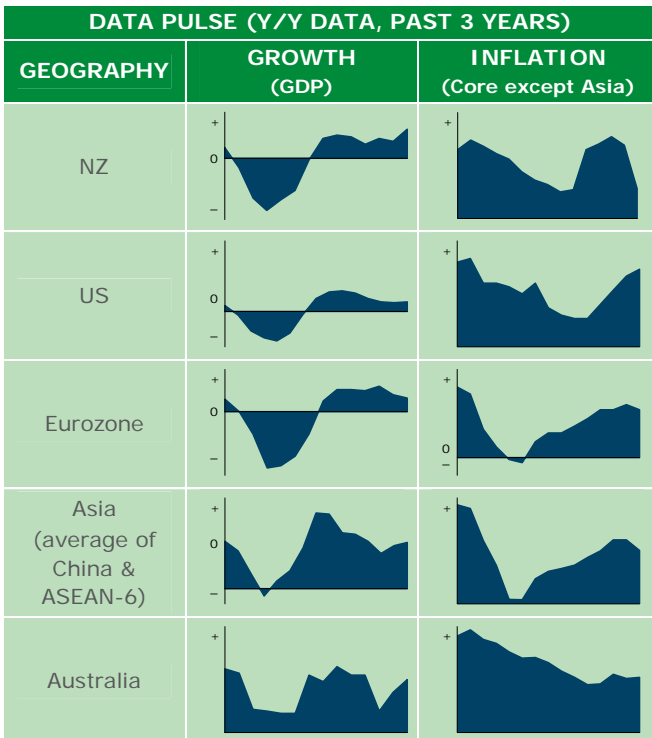
INTEREST RATE STRATEGY

US bond yields rose sharply at the end of last week following strong payroll and ISM data. NZ bond yields have moved higher too, but not by as much, and we now look a touch expensive on a spread. The other real worry now is that the yield curve steepens up as corporate swap paying emerges. With the yield curve as flat as it is, rates low, and US data going from strength to strength, conditions are ripe for paying in the short term. But we need to be careful not to get too bearish. After all, Europe remains stuck in the mire (and Greece continue to stall), and even if the current trend decline in US unemployment continues, it will still take a few years for the Fed to be comfortable that it has fulfilled its mandate.

THEMES

- Stronger than expected US data is likely to see a cautious tone develop on the short term. We suspect we need to see the tone of data soften again for the market to fully embrace QE3 again.
- The jump in US bond yields, and widening in domestic swap spreads has seen NZ bonds move from being cheap to somewhat expensive.
- Conditions are ripe for corporate hedging: the curve has flattened, rates are near record lows, and the tempo of US data continues to surprise.
- Curve steepeners and swap spread wideners look to be par for the course in the near term.

DATA PULSE



PREFERRED STRATEGIES – INVESTORS

Although we maintain our reasonably constructive view of the bond market (in that we don't see yield sell-offs being sustained with the Fed on hold – even if that's not quite till late 2014), Friday's double data shock is likely to spook the market in the near term. But the very fact that NZ yields have outperformed is "proof" of one angle behind us being bullish in the first place – and that's low volatility. Nonetheless, while the US debates the need for QE, expect the curve to steepen, particularly if the RBA does not cut this afternoon, as our Australian colleagues expect.

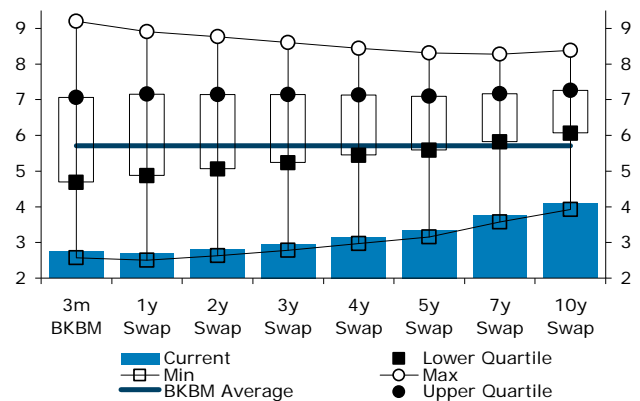
| KEY VIEWS – FOR INVESTORS | | |
|---------------------------|-----------|---|
| GAUGE | DIRECTION | COMMENT |
| Duration | Neutral | Negative US view offset by very positive roll and carry. |
| Curve | Steeper | Some are starting to doubt the need for QE3. |
| NZ-US 10y spread | Narrower | Neutral on a spread, but will outperform if US yields rise. |
| Swap spreads | Wider | Potential for post holiday corporate paying. |

PREFERRED STRATEGIES – BORROWERS

As we discussed in last week's *Borrower's Strategy* (available on request), it's hard to argue against fixing here, particularly for those not measured against a floating benchmark. But don't get too spooked by US data, and remember, the RBNZ will be on hold for a while, so consider swaptions too.

| KEY VIEWS – FOR BORROWERS | | |
|---------------------------|-------------|---|
| GAUGE | VIEW | COMMENT |
| Hedge ratio | Neutral | Fixed starting to look attractive. Use options too. |
| Value | Exceptional | Cheap outright and curve. |
| Uncertainty | High | US data better but Europe still a mess; RBNZ on hold. |

NZ Swap Rate History (since the OCR introduction)



Sources: ANZ, National Bank, Bloomberg

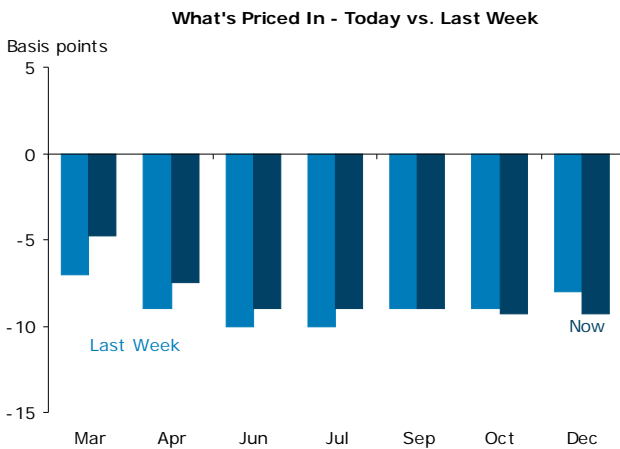
GLOBAL SCENE

The global picture is dominated by a familiar duo of considerations – the US data outlook and Greece. Both are somewhat offsetting, but whereas the market largely expects Greek talks to be delayed, inconclusive, few expected US data to be so upbeat. Whether the data were a “blip” or the start of a sustained pickup in the pace of improvement will only be known in time. Indeed, if US unemployment continues to fall at its current trend rate, it will still be a couple of years before it falls below 7 percent. So the question is; is that soon enough to keep the Fed from adopting QE3? We’re not sure it is. Nonetheless, in the near term we expect that the onus of proof has shifted. The market is now looking for reasons for QE3, not for reasons not to.

DOMESTIC

HLFS employment data this week is expected to show a mild improvement in the unemployment rate. But with the RBNZ unlikely to seriously consider cutting the OCR (even in the event or market turmoil, which it will tackle with other “tools”), and the market pricing in cuts, the upside is more vulnerable. Improving global sentiment only heightens the risks.

MONETARY POLICY AND MARKET PRICING



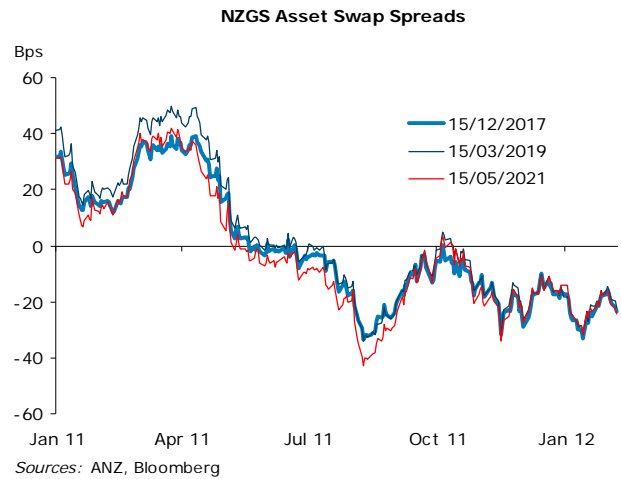
Sources: ANZ, National Bank, Bloomberg

Market expectations are little changed, and we continue to regard the market’s propensity to price cuts as expressing a view on the risk profile, as opposed to a staunch belief that the RBNZ will actually cut. This “mindset” will probably dominate in the foreseeable future, particularly while Europe remains a risk, and the NZD remains lofty. But such thinking could find itself on borrowed time given Governor Bollard’s apparent comfort with the OCR here, and his access to other tools. Things could certainly get interesting if we see stronger NZ HLFS data on Thursday. Indeed, this has been the catalyst for a large change in sentiment in the past.

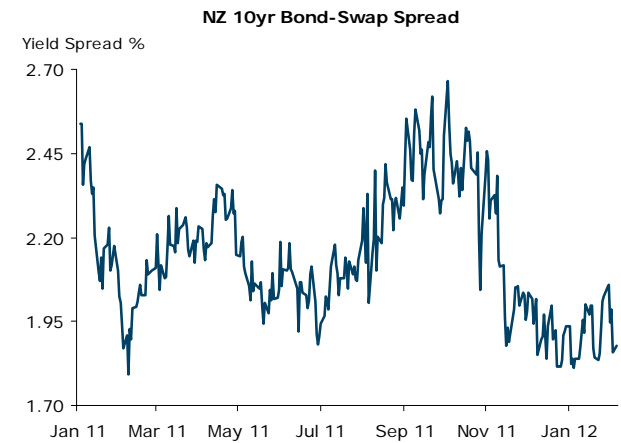
BONDS

Our enthusiasm for bonds has been tempered somewhat over the past week as the asset swap has

become more expensive, and the NZ/US spread has moved back towards more neutral levels, as the charts below show. The potential for strong US data to cap NZD performance may keep real-money investors away in the near term as well. But don’t get too bearish, as the curve steepens, roll and carry statistics only improve.



Sources: ANZ, Bloomberg



Sources: ANZ, Bloomberg

SWAPS AND SWAP SPREADS

Mortgage flow remains light, but may pick up as the summer holidays draw to a close, people return to work and consider their finances. We also see considerable potential for corporate paying. As noted earlier, the swap curve is as flat as it has been in over a year, and key bellwethers like the 5yr and 10yr swap interest rates are close to the all-time lows reached a few days before Christmas.

CURRENCY STRATEGY

A big week ahead for FX markets as the Greek debt deal goes down to the wire, Central Banks (RBA, ECB and BOE) are centre stage with rates announcements, and NZ awaits employment data. The “official” deadline for Greek deal is 13 February but expect this not to be met (again!). The RBA rate decision has the most focus – no cut should deliver a big AUD rally. US non-farm payrolls surprised significantly higher but the initial excitement has not followed through to higher risk currencies.

MARKET THEMES

- Non-USD currencies continue to be favoured following Fed’s QE3 hints.
- FX markets continue to price a Greek debt solution.
- RBA rate decision a key AUD driver as markets prepare for a rate cut.
- Chinese inflation and trade data could give some hints as to AUD robustness.

REVIEW AND OUTLOOK

The Greek debt deal remains the central focus with an “official” deadline of 13 February, but we expect this deadline to be missed. However, it seems that markets are beginning to shrug off any potential negative connotations of a Greek default, suggesting contagion can now be minimised. Indeed yields in the other PIIGS bond markets continue to fall, suggesting a sense of calm has descended on the sovereign debt crisis. Despite this relative calm our view remains that a solution is neither simple nor close at hand, and that these market machinations around the European sovereign debt crisis will be with us for a long time yet.

The RBA is front and centre today with a cut in official rates expected. However market pricing has reduced from a 90% probability of a cut to around 50/50. We expect that no cut will deliver a significant rally on the day for the AUD. With a cut priced AUD downside is expected to be muted. Once the RBA is out of the way, Chinese inflation and trade data later in the week will give us the next clues on the AUD.

The NZD has been the star performer of FX markets since the beginning of the year and did not deliver its usual post new year hangover late in January. But the rally looks tired and maybe a RBA cut will be enough to see a trading top develop. NZ employment data later in the week will provide short-term direction if it is away from expectations.

In the US the strong payrolls data puts a question mark over the Fed’s QE3 hints of a week ago. The data continues to suggest a slow but steady recovery is underway in the US but the

policymakers continue to be impatient to see a return to growth levels of the 1990s. On the contrary we expect to see this anaemic growth persist for years to come as the deleveraging continues. From a transatlantic growth perspective the USD still looks a better offering than the EUR but the FX markets are yet to be sold on that idea, citing the continuing lack of fiscal rectitude from US politicians.

| NZD VS AUD: MONTHLY DIRECTIONAL GAUGES | | |
|--|------------|---|
| GAUGE | DIRECTION | COMMENT |
| Fair value | ↔/↑ | Undervalued on a near-term cyclical basis. |
| Yield | ↔/↑ | Market expects an RBA cut next week. By contrast, we don’t expect one till March. |
| Commodities | ↔/↑ | Commodities are strong but NZ products are stronger. |
| Partial indicators | ↔ | Leading indicators are slowing. |
| Technicals | ↔ | Indicators seeing range-bound behaviour. |
| Sentiment | ↑ | NZD seen as undervalued vs. AUD in market’s view. |
| Other | ↔ | Global sentiment big driver. |
| On balance | ↔/↑ | Range-bound until RBA but we still favour NZD. |

| NZD VS USD: MONTHLY DIRECTIONAL GAUGES | | |
|--|------------|--|
| GAUGE | DIRECTION | COMMENT |
| Fair value – long-term | ↓ | Above revised structural fair value estimate of 0.70. |
| Fair value – short-term | ↔↓ | Getting stretched now. |
| Yield | ↑ | RBNZ may be neutral, but they aren’t easing more, like the Fed is considering. |
| Commodities | ↔/↑ | Softs looking reasonable. |
| Risk aversion | ↔/↑ | Important resistance levels have broken in a number of risk indicators. |
| Partial indicators | ↔ | NZ data now mixed. US data slowing. |
| Technicals | ↔↓ | Technical bounce stretched. |
| AUD | ↔/↑ | Has broken higher, but has ability to test even higher. |
| Sentiment | ↔ | Seasonal pattern is dead. |
| Other | ↔ | Nothing apparent. |
| On balance | ↔/↑ | The trend is your friend! |

DATA EVENT CALENDAR

| DATE | COUNTRY | DATA/EVENT | MKT. | LAST | NZ TIME |
|--------|---------|--------------------------------------|----------|----------|----------|
| 7-Feb | NZ | Average Hourly Earnings QoQ - 4Q | - - | 0.0%(a) | 10:45 |
| | NZ | Private Wages Exc Overtime QoQ - 4Q | - - | 0.7%(a) | 10:45 |
| | NZ | Private Wages Inc Overtime QoQ - 4Q | - - | 0.6%(a) | 10:45 |
| | AU | AiG Perf of Construction Index - JAN | - - | 39.8(a) | 11:30 |
| | AU | RBA Cash Target - FEB | 4.00% | 4.25% | 16:30 |
| | JN | Leading Index CI - DEC P | 93.8 | 93.2 | 18:00 |
| | AU | Foreign Reserves - JAN | - - | A\$46.1B | 18:30 |
| | JN | Machine Tool Orders (YoY) - JAN P | - - | 17.4% | 7-10 Feb |
| 8-Feb | GE | Industrial Production MoM (sa) - DEC | 0.0% | -0.6% | 00:00 |
| | GE | Industrial Prod. YoY (nsa wda) - DEC | 4.3% | 3.6% | 00:00 |
| | US | IBD/TIPP Economic Optimism - FEB | 48.6 | 47.5 | 04:00 |
| | US | JOLTs Job Openings - DEC | 3250 | 3161 | 04:00 |
| | US | Consumer Credit - DEC | \$7.00B | \$20.37B | 09:00 |
| | JN | Bank Lending Ex-Trusts YoY - JAN | - - | 0.5% | 12:50 |
| | JN | Bank Lending incl Trusts (YoY) - JAN | 0.6% | 0.4% | 12:50 |
| | JN | Current Account Total - DEC | ¥340.1B | ¥138.5B | 12:50 |
| | JN | Adjusted Current Account Total - DEC | ¥625.3B | ¥480.4B | 12:50 |
| | JN | Current Account Balance YOY% - DEC | -71.2% | -85.5% | 12:50 |
| | JN | Trade Balance - BOP Basis - DEC | -¥135.0B | -¥585.1B | 12:50 |
| | UK | BRC Shop Price Index YoY - JAN | - - | 1.7% | 13:01 |
| | JN | Eco Watchers Survey: Current - JAN | 47.4 | 47.0 | 18:00 |
| | JN | Eco Watchers Survey: Outlook - JAN | 45.5 | 44.4 | 18:00 |
| | GE | Exports SA (MoM) - DEC | -1.0% | 2.5% | 20:00 |
| | GE | Imports SA (MoM) - DEC | 0.8% | -0.4% | 20:00 |
| | GE | Current Account - DEC | €15.2B | €14.3B | 20:00 |
| | GE | Trade Balance - DEC | €13.8B | €16.2B | 20:00 |
| 9-Feb | US | MBA Mortgage Applications – 3-Feb | - - | -2.9% | 01:00 |
| | NZ | Unemployment Rate - 4Q | 6.5% | 6.6% | 10:45 |
| | NZ | Employment Change (QoQ) - 4Q | 0.4% | 0.2% | 10:45 |
| | NZ | Employment Change (YoY) - 4Q | 1.9% | 1.1% | 10:45 |
| | NZ | Participation Rate (QoQ) - 4Q | 68.5% | 68.4% | 10:45 |
| | JN | Housing Loans YoY - 4Q | - - | 2.1% | 12:50 |
| | JN | Japan Money Stock M2 YoY - JAN | 3.1% | 3.1% | 12:50 |
| | JN | Japan Money Stock M3 YoY - JAN | 2.6% | 2.6% | 12:50 |
| | JN | Machine Orders (MoM) - DEC | -5.0% | 14.8% | 12:50 |
| | JN | Machine Orders YOY% - DEC | 8.5% | 12.5% | 12:50 |
| | CH | Producer Price Index (YoY) - JAN | 0.8% | 1.7% | 14:30 |
| | CH | Consumer Price Index (YoY) - JAN | 4.0% | 4.1% | 14:30 |
| | JN | Consumer Confidence - JAN | 38.5 | 38.9 | 18:00 |
| | UK | Industrial Production (MoM) - DEC | 0.2% | -0.7% | 22:30 |
| | UK | Industrial Production (YoY) - DEC | -3.1% | -3.1% | 22:30 |
| | UK | Manufacturing Production (MoM) - DEC | 0.2% | -0.2% | 22:30 |
| | UK | Manufacturing Production (YoY) - DEC | 0.3% | -0.6% | 22:30 |
| | UK | Visible Trade Balance - DEC | -£8.60B | -£8.64B | 22:30 |
| | UK | Trade Balance Non EU - DEC | -£5.00B | -£5.02B | 22:30 |
| | UK | Total Trade Balance - DEC | -£2.70B | -£2.57B | 22:30 |
| 10-Feb | UK | BOE Asset Purchase Target - FEB | £325B | £275B | 01:00 |
| | UK | BOE Rate Announcement - FEB | 0.50% | 0.50% | 01:00 |

Continued on following page

| DATE | COUNTRY | DATA/EVENT | MKT. | LAST | NZ TIME |
|--------|---------|-------------------------------------|----------|----------|-------------|
| 10-Feb | EC | ECB Rate Announcement - FEB | 1.00% | 1.00% | 01:45 |
| | US | Initial Jobless Claims - 4-Feb | 370K | 379K | 02:30 |
| | US | Continuing Claims - 28-Jan | 3500K | 3567K | 02:30 |
| | US | Wholesale Inventories - DEC | 0.4% | 0.1% | 04:00 |
| | UK | NIESR GDP Estimate - JAN | - - | 0.1% | 04:00 |
| | NZ | NZ Card Spending - Retail MoM - JAN | 0.5% | -0.3% | 10:45 |
| | NZ | NZ Card Spending - Total MoM - JAN | 0.5% | -0.2% | 10:45 |
| | JN | Domestic CGPI (MoM) - JAN | 0.1% | 0.1% | 12:50 |
| | JN | Domestic CGPI (YoY) - JAN | 0.8% | 1.3% | 12:50 |
| | AU | RBA Statement on Monetary Policy | - - | - - | 13:30 |
| | GE | Consumer Price Index (MoM) - JAN F | -0.4% | -0.4% | 20:00 |
| | GE | Consumer Price Index (YoY) - JAN F | 2.0% | 2.0% | 20:00 |
| | GE | CPI - EU Harmonised (MoM) - JAN F | -0.5% | -0.5% | 20:00 |
| | GE | CPI - EU Harmonised (YoY) - JAN F | 2.3% | 2.3% | 20:00 |
| | UK | PPI Input NSA (MoM) - JAN | 0.2% | -0.6% | 22:30 |
| | UK | PPI Input NSA (YoY) - JAN | 6.8% | 8.7% | 22:30 |
| | UK | PPI Output n.s.a. (MoM) - JAN | 0.1% | -0.2% | 22:30 |
| | UK | PPI Output n.s.a. (YoY) - JAN | 3.7% | 4.8% | 22:30 |
| | UK | PPI Output Core NSA (MoM) - JAN | 0.0% | -0.1% | 22:30 |
| | UK | PPI Output Core NSA (YoY) - JAN | 2.3% | 3.0% | 22:30 |
| | CH | Trade Balance (USD) - JAN | \$10.00B | \$16.52B | UNSPECIFIED |
| | CH | Exports YoY% - JAN | -1.4% | 13.4% | UNSPECIFIED |
| | CH | Imports YoY% - JAN | -3.2% | 11.8% | UNSPECIFIED |
| 11-Feb | US | Trade Balance - DEC | -\$48.5B | -\$47.8B | 02:30 |
| | US | U. of Michigan Confidence - FEB P | 74.5 | 75.0 | 03:55 |
| | US | Monthly Budget Statement - JAN | -\$45.0B | -\$49.8B | 08:00 |
| | CH | New Yuan Loans - JAN | 1000.0B | 640.5B | 11-15 Feb |
| | CH | Money Supply - M0 (YoY) - JAN | - - | 13.8% | 11-15 Feb |
| | CH | Money Supply - M1 (YoY) - JAN | 9.1% | 7.9% | 11-15 Feb |
| | CH | Money Supply - M2 (YoY) - JAN | 13.8% | 13.6% | 11-15 Feb |

Key: AU: Australia, EC: Eurozone, GE: Germany, JN: Japan, NZ: New Zealand, UK: United Kingdom, US: United States, CH: China.

Sources: Dow Jones, Reuters, Bloomberg, ANZ, National Bank. All \$ values in local currency

Note: All surveys are preliminary and subject to change.

LOCAL DATA WATCH

Key focus over the next few weeks: The mixed run of local data continued last week, with building consents showing tepid improvement and another net immigration outflow. Commodity prices were resilient, but the high NZD is eroding domestic returns. This week's labour market data are expected to show modest improvement, although we expect the unemployment rate to remain stubbornly high over 2012. We continue to expect a December 2012 start to OCR hikes, with the spirit of our assessment a low OCR endpoint this cycle.

| DATE | DATA/EVENT | ECONOMIC SIGNAL | COMMENT |
|----------------------------------|---|------------------------|---|
| Thur 9 Feb (10:45am) | Household Labour Force Survey – Q4 | Creeping forward | A 0.2 percent quarterly increase in employment is forecast, with the unemployment rate easing to 6.5 percent. |
| Fri 10 Feb (10:45am) | Electronic Card Transactions – Jan | Caution | A 0.2 percent monthly s.a. increase in retail ECT spending is forecast. Higher increases for core retail are expected. |
| Tue 14 th Feb (10:am) | REINZ housing market data - Jan | Sideways | No changes in sales volumes expected, with the upward drift in prices to be supported by the low stock of property listings. |
| Wed 15 Feb (early am) | GlobalDairyTrade auction | Holding | No change in the average dairy price is expected. |
| Wed 15 Feb (10:45am) | Retail Trade – Q4 | Up | Higher cash spending will help deliver a 1.2 percent increase in retail volumes, with core volumes up 0.5 percent. |
| Thur 16 Feb (10:00am) | ANZ Job Ads – Jan | - - | - - |
| Thur 16 Feb (10:30am) | BNZ Business NZ Manufacturing PMI | Flat | January manufacturing confidence to remain in the low 50s given the global outlook. |
| Thur 16 Feb (10:00am) | Budget Policy Statement | Fiscal straightjacket | The PM confirmed a 2014/15 surplus, but with considerably less fiscal headroom given the weaker growth outlook. |
| Thur 16 Feb (1:00pm) | ANZ-Roy Morgan Consumer Confidence | - - | - - |
| Mon 20 Feb (10:45am) | Producer Price Index – Q4 | Moderate | The lower NZD will offset lower crude and wholesale electricity prices, with PPI inputs and outputs both up 0.5 percent. |
| Tue 21 Feb (1:00pm) | National Bank Regional Trends – Q4 | - - | - - |
| Tue 21 Feb (3:00pm) | RBNZ Survey of Expectations – Q1 | Easing | We expect the 2-year-ahead CPI forecast to ease to around 2.5-2.6 percent (versus 2.82 percent in the Q4 survey). |
| Wed 22 Feb (3:00pm) | Credit card billings – January | Sideways | No change is expected, with a fall in overseas billings offset by a small climb in domestic card spending. |
| Mon 27 Feb (10:45am) | Overseas Merchandise Trade - January | Dairy boost | A monthly trade surplus of \$300m is expected, with the annual trade surplus lifting to \$1.4bn mark. |
| Wed 29 Feb (10:45am) | National Employment Indicator – Nov and Dec | Flat | Internet job ads suggest a flattish set of readings |
| Wed 29 Feb (10:45am) | Building Consents - January | Building | A 5 percent seasonally adjusted increase in residential consent numbers is expected. |
| Wed 29 Feb (1:00pm) | National Bank Business Outlook | - - | - - |
| Thur 1 Mar (10:45am) | Overseas Trade Indexes – Q4 | Export boost | The terms of trade are forecast to decline 2.5 percent q/q. Export volumes to lift 3.5 percent q/q, with imports down 1.3 percent. |
| Fri 2 Mar (1:00pm) | ANZ Commodity Price Index - Feb | - - | - - |
| On Balance | | Local vs global | Hitherto resilient domestic gauges are expected to start confirming a loss in economic momentum, with the global backdrop suggesting caution for early 2012. |

KEY FORECASTS AND RATES

| | Sep-11 | Dec-11 | Mar-12 | Jun-12 | Sep-12 | Dec-12 | Mar-13 | Jun-13 | Sep-13 | Dec-13 |
|--------------------------|--------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| GDP (% qoq) | 0.8 | 0.5 | 0.3 | 0.3 | 0.6 | 0.8 | 0.9 | 0.9 | 0.8 | 0.7 |
| GDP (% yoy) | 1.9 | 2.1 | 1.7 | 1.9 | 1.7 | 2.0 | 2.6 | 3.2 | 3.4 | 3.3 |
| CPI (% qoq) | 0.4 | -0.3 | 0.5 | 0.6 | 0.8 | 0.3 | 0.6 | 0.6 | 0.9 | 0.4 |
| CPI (% yoy) | 4.6 | 1.8 | 1.6 | 1.2 | 1.6 | 2.3 | 2.4 | 2.4 | 2.5 | 2.5 |
| Employment (% qoq) | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.4 | 0.4 | 0.3 | 0.3 |
| Employment (% yoy) | 1.1 | 1.7 | 0.7 | 0.8 | 0.8 | 0.7 | 0.9 | 1.2 | 1.3 | 1.4 |
| Unemployment Rate (% sa) | 6.6 | 6.5 | 6.4 | 6.4 | 6.4 | 6.4 | 6.2 | 6.0 | 5.9 | 5.9 |
| Current Account (% GDP) | -4.3 | -4.0 | -4.5 | -4.6 | -4.1 | -4.2 | -4.4 | -4.6 | -4.8 | -4.9 |
| Terms of Trade (% qoq) | -0.6 | -2.4 | 0.1 | -0.6 | -0.5 | -0.5 | -0.3 | -0.2 | -0.1 | 0.2 |
| Terms of Trade (% yoy) | 3.4 | 0.1 | -0.6 | -3.5 | -3.3 | -1.4 | -1.8 | -1.5 | -1.1 | -0.5 |

| | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Jan-12 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Retail ECT (% mom) | 1.4 | -0.8 | 1.1 | 0.3 | -0.4 | 0.5 | 1.5 | -0.6 | -0.3 | |
| Retail ECT (% yoy) | 10.0 | 6.8 | 9.0 | 8.0 | 8.4 | 7.5 | 7.4 | 6.0 | 7.2 | |
| Credit Card Billings (% mom) | 1.7 | 0.4 | 0.5 | 1.0 | -1.1 | 1.1 | 2.6 | -3.4 | 0.9 | |
| Credit Card Billings (% yoy) | 6.5 | 5.6 | 4.5 | 7.4 | 4.7 | 5.1 | 7.8 | 3.2 | 5.9 | |
| Car Registrations (% mom) | -5.4 | 3.4 | -2.3 | -1.8 | 8.6 | -11.1 | 1.1 | 7.4 | 4.2 | |
| Car Registrations (% yoy) | -10.5 | -3.7 | -9.5 | -6.0 | 1.9 | -12.2 | -8.8 | -7.9 | 4.2 | |
| Building Consents (% mom) | -0.8 | 2.9 | -0.9 | 11.0 | 20.2 | -18.2 | 10.8 | -6.2 | 2.1 | |
| Building Consents (% yoy) | -32.3 | -21.7 | -25.5 | -17.6 | 19.1 | -3.9 | 11.6 | -5.0 | 18.1 | |
| REINZ House Price Index (% yoy) | -0.4 | -0.7 | 0.0 | 0.5 | 0.7 | 2.7 | 3.4 | 2.6 | 3.1 | |
| Household Lending Growth (% mom) | 0.2 | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 | |
| Household Lending Growth (% yoy) | 1.3 | 1.2 | 1.2 | 1.2 | 1.2 | 1.1 | 1.1 | 1.0 | 1.1 | |
| ANZ Roy Morgan Consumer Confidence | 101.4 | 103.3 | 112.5 | 109.4 | 113.3 | 112.6 | 112.2 | 109.0 | 108.4 | 116.1 |
| NBNZ Business Confidence | 14.2 | 38.3 | 46.5 | 47.6 | 34.4 | 30.3 | 13.2 | 18.3 | 16.9 | |
| NBNZ Own Activity Outlook | 29.5 | 39.7 | 38.7 | 43.7 | 43.3 | 35.4 | 26.1 | 28.8 | 25.7 | |
| Trade Balance (\$m) | 1158 | 550 | 201 | 103 | -690 | -788 | -226 | -307 | 338 | |
| Trade Balance (\$m ann) | 1238 | 1019 | 999 | 1288 | 1028 | 694 | 688 | 557 | 1113 | |
| ANZ World Commodity Price Index (% mom) | 1.6 | 0.4 | -1.2 | -0.2 | -1.4 | -2.0 | -3.6 | -1.1 | -0.8 | 1.2 |
| ANZ World Commodity Price Index (% yoy) | 19.8 | 19.6 | 20.6 | 22.2 | 22.0 | 16.5 | 9.0 | 5.5 | 3.1 | 0.1 |
| Net Migration (sa) | -50 | -220 | -220 | -170 | 130 | -670 | -570 | -100 | -520 | |
| Net Migration (annual) | 5508 | 4625 | 3867 | 2867 | 2257 | 773 | -103 | -568 | -1855 | |

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

| | ACTUAL | | | Forecast (end month) | | | | | | |
|----------------|--------|--------|-------|----------------------|--------|--------|--------|--------|--------|--------|
| FX RATES | Dec-11 | Jan-12 | Today | Mar-12 | Jun-12 | Sep-12 | Dec-12 | Mar-13 | Jun-13 | Sep-13 |
| NZD/USD | 0.770 | 0.780 | 0.834 | 0.80 | 0.83 | 0.86 | 0.89 | 0.90 | 0.90 | 0.90 |
| NZD/AUD | 0.794 | 0.796 | 0.777 | 0.80 | 0.79 | 0.78 | 0.81 | 0.82 | 0.82 | 0.82 |
| NZD/EUR | 0.570 | 0.575 | 0.635 | 0.58 | 0.59 | 0.61 | 0.61 | 0.62 | 0.62 | 0.62 |
| NZD/JPY | 57.75 | 58.50 | 63.87 | 60.0 | 59.8 | 61.9 | 64.1 | 63.0 | 63.0 | 63.0 |
| NZD/GBP | 0.497 | 0.501 | 0.527 | 0.51 | 0.52 | 0.53 | 0.55 | 0.55 | 0.55 | 0.55 |
| NZ\$ TWI | 68.4 | 69.1 | 73.2 | 70.3 | 71.3 | 72.8 | 74.8 | 75.4 | 75.4 | 75.4 |
| INTEREST RATES | Dec-11 | Jan-12 | Today | Mar-12 | Jun-12 | Sep-12 | Dec-12 | Mar-13 | Jun-13 | Sep-13 |
| NZ OCR | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.75 | 3.25 | 3.50 | 3.75 |
| NZ 90 day bill | 2.75 | 2.72 | 2.74 | 2.70 | 2.80 | 2.80 | 3.20 | 3.70 | 3.80 | 4.20 |
| NZ 10-yr bond | 3.81 | 4.10 | 3.82 | 4.10 | 4.10 | 4.20 | 4.40 | 4.40 | 4.60 | 4.80 |
| US Fed funds | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 |
| US 3-mth | 0.58 | 0.35 | 0.52 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.60 |
| AU Cash Rate | 4.25 | 4.25 | 4.25 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| AU 3-mth | 4.48 | 4.47 | 4.29 | 4.20 | 4.20 | 4.20 | 4.20 | 4.20 | 4.20 | 4.20 |

Forecasts finalised as at 2 February 2012

| | 3 Jan | 30 Jan | 31 Jan | 1 Feb | 2 Feb | 3 Feb |
|--------------------------|---------|---------|---------|---------|---------|---------|
| Official Cash Rate | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| 90 day bank bill | 2.72 | 2.76 | 2.78 | 2.72 | 2.74 | 2.74 |
| NZGB 04/13 | 2.43 | 2.49 | 2.49 | 2.49 | 2.49 | 2.49 |
| NZGB 04/15 | 2.69 | 2.80 | 2.77 | 2.74 | 2.79 | 2.75 |
| NZGB 03/19 | 3.50 | 3.63 | 3.60 | 3.53 | 3.58 | 3.55 |
| NZGB 05/21 | 3.76 | 3.88 | 3.84 | 3.77 | 3.81 | 3.78 |
| 2 year swap | 2.72 | 2.77 | 2.76 | 2.74 | 2.79 | 2.78 |
| 5 year swap | 3.27 | 3.39 | 3.36 | 3.30 | 3.36 | 3.35 |
| RBNZ TWI | 69.7 | 72.5 | 72.3 | 72.5 | 73.1 | 73.0 |
| NZD/USD | 0.7828 | 0.8222 | 0.8232 | 0.8242 | 0.8344 | 0.8318 |
| NZD/AUD | 0.7611 | 0.7738 | 0.7740 | 0.7764 | 0.7775 | 0.7777 |
| NZD/JPY | 60.19 | 63.63 | 62.78 | 62.81 | 63.53 | 63.38 |
| NZD/GBP | 0.5042 | 0.5242 | 0.5232 | 0.5230 | 0.5263 | 0.5261 |
| NZD/EUR | 0.6033 | 0.6270 | 0.6243 | 0.6303 | 0.6329 | 0.6335 |
| AUD/USD | 1.0285 | 1.0626 | 1.0636 | 1.0615 | 1.0732 | 1.0695 |
| EUR/USD | 1.2976 | 1.3114 | 1.3187 | 1.3076 | 1.3184 | 1.3131 |
| USD/JPY | 76.89 | 77.39 | 76.26 | 76.21 | 76.14 | 76.20 |
| GBP/USD | 1.5526 | 1.5684 | 1.5733 | 1.5758 | 1.5853 | 1.5812 |
| Oil (US\$/bbl) | 98.83 | 99.47 | 98.75 | 98.46 | 97.63 | 96.36 |
| Gold (US\$/oz) | 1579.40 | 1734.15 | 1735.95 | 1739.30 | 1747.95 | 1756.00 |
| Electricity (Haywards) | 5.02 | 9.58 | 9.08 | 9.07 | 10.46 | 11.61 |
| Baltic Dry Freight Index | 1624 | 702 | 651 | 662 | 651 | 647 |
| Milk futures (USD) | 140 | 137 | 137 | 136 | 136 | 135 |

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This publication has been prepared by ANZ National Bank Limited, Level 7, 1 Victoria Street, Wellington 6011, New Zealand, Phone 64-4-802 2000, Fax 64-4-496 8639, <http://www.nbnz.co.nz> and e-mail nzeconomics@nbnz.co.nz.