

Weekly Commentary

12 December 2011

Into the wind

Friday's European summit kept hopes alive that the ECB might provide more monetary relief to troubled European economies, but achieved little else. Meanwhile the RBNZ's *Monetary Policy Statement* was the highlight of a busy but low-impact local data week. The tone of the *Statement* was broadly as expected, with a weaker global outlook translating into a softer stance on the outlook for interest rates. But the RBNZ is still actively looking to head off inflation pressures likely to be generated by Christchurch reconstruction, and in contrast to recent market pricing, the RBNZ is not entertaining the idea of rate cuts at this stage. We continue to expect the first OCR hike in September next year, and a steady set of hikes further down the track as reconstruction gathers pace.

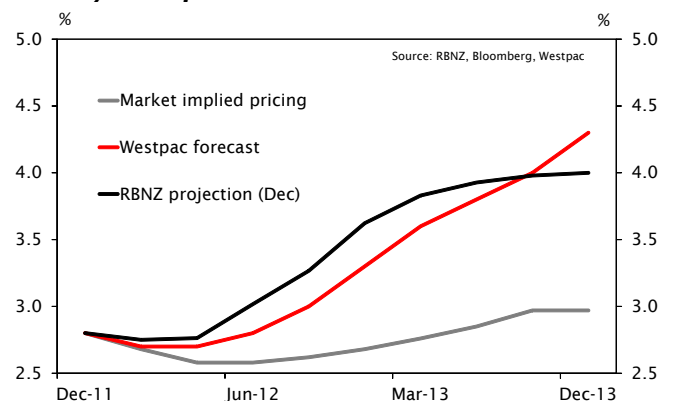
On the European front, the weekend saw little substantive progress: there was no 'big bazooka', such as an expanded euro zone rescue fund. Nor did the summit even lead to a deal, as the proposed new treaty was vetoed by the UK after it failed to win special treatment for its financial sector. Still, the summit did result in 26 of the European Union's 27 members agreeing to proposals to tighten Europe's fiscal framework, and the hope is that this will make the European Central Bank (ECB) less resistant to further monetary easing or bond purchases. The markets appear to have read it in that light, responding positively after some initial hesitation. But while the ECB is likely to see this as a step in the right direction, we don't expect a complete change in tack from the central bank. The ECB is walking a tightrope between two abysses: if it lets interest rates in Italy and Spain rise too high, it risks turning fear of default, and even a disastrous euro zone breakup, into reality. If it provides too much relief, too soon, it removes the pressure for painful reform and restructuring that will give the euro zone a chance of survival in the longer term. Recession in Europe, and ongoing market fragility, continue to be our base case.

That's now also the RBNZ's view, though it remains more optimistic on global growth than we do. In its latest *Monetary Policy Statement* the RBNZ acknowledged that the risks it had previously identified are increasingly becoming reality, and downgraded its global forecasts accordingly. The central bank now expects a European recession, and a significant slowing in Asia ex-Japan. Coming on top of a softer starting point for the

domestic economy, that weaker global outlook has in turn led to a significant downgrade to the RBNZ's near-term forecasts for consumption, business investment and exports. The ongoing tensions in international credit markets are also increasingly being factored into the forecasts, with the RBNZ now expecting that that funding costs for New Zealand banks 'will increase' (not 'could', as previously) over the coming year.

That's led the RBNZ to signal a later and flatter profile for OCR hikes than in its September projections, with a first hike now signalled for June. But even after these significant downgrades to its projections, the RBNZ remains much more hawkish than financial markets, which had been shifting towards pricing in some chance of rate cuts next year. The *Statement* emphasised that higher interest rates will still be necessary in view of the eventual boost to demand from reconstruction in Canterbury. And the RBNZ didn't even entertain the possibility of rate cuts. Perhaps the most hawkish feature of the entire *Statement* was an alternative scenario in which the RBNZ demonstrated what it would take to cancel interest rate hikes for the foreseeable future, never mind cuts. The scenario includes a global downturn almost as deep, and longer-lived, than in 2008-9, and a steep renewed downturn in New Zealand growth. In fairness, the RBNZ emphasized that this was not a worst-case, financial crisis scenario, where credit markets cease to function – in that case we'd probably see fairly

90-day rate forecasts



steep OCR cuts coinciding with a much sharper blowout in funding spreads. It's safe to say that market pricing reflects this tail risk - so until the European situation is fully resolved one way or another, the gap between market pricing and the RBNZ's projections is likely to remain.

Our own view, reflecting our greater pessimism on global growth, is that the next move will be a 25 basis point hike in September (not June). Our more substantial disagreement with the RBNZ concerns the likely peak in the tightening cycle. To reiterate our argument, we don't believe that higher funding costs can be offset with a lower OCR in the long term. The 'new normal' in global credit markets means that the world is less willing to lend to New Zealand at any given interest rate. To say that this can be completely offset through a lower OCR is tantamount to saying that we can dictate to international lenders at what return they should lend to us. There are many parts of Europe that are currently demonstrating otherwise.

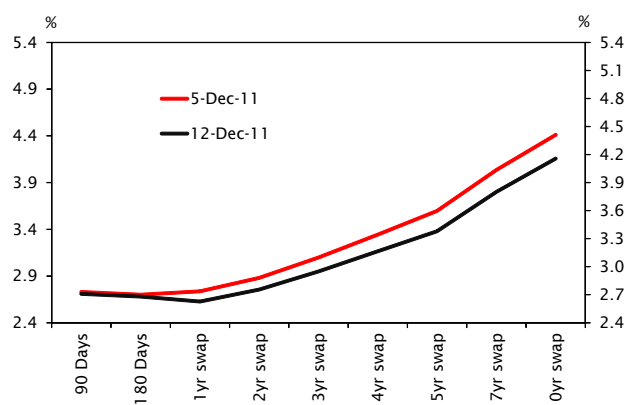
In other local news, partial data for September quarter GDP (building work put in place, wholesale trade, and manufacturing sales) left us broadly comfortable with our 0.8% pick for GDP growth, and November electronic transactions and house sales data gave a first read of household spending following the Rugby World Cup. The construction and wholesale data were weaker than expected, but manufacturing was stronger once stock changes are accounted for. The wholesale trade and manufacturing numbers have been volatile recently, and we're reluctant to read too much into them. The building work data - which showed a 2.3% fall - are testament to the ongoing weakness of the New Zealand construction sector over the past year. By this time next year the data are likely to look very different as Christchurch reconstruction is kicking into gear. It's worth remembering that a lot of the work that is already going on in Christchurch (such as infrastructure repairs) isn't captured in last week's building work numbers, but will help boost the construction component of GDP.

The card transactions and house sales figures showed a household sector that's still subdued, despite a housing market that seems to be picking up again a little. The transactions data showed just a 0.2% fall after October's Cup-boosted 1.8% rise, but the details were less rosy. The main gains turned out to be in fuel spending

(despite price falls), whereas core retail spending was 1.3% lower over the month: categories such as hospitality showed the expected post-tournament hangover, while more domestically oriented sectors such as durables saw only modest increases. The housing data were more unambiguously positive, as house sales rose 2.2% in the month following October's 4.9% increase. So far this year, a lift in housing turnover has largely been confined to Auckland and Christchurch, the two regions with the greatest housing supply shortages. But we expect it to gradually spread more widely. It may be that the RBNZ's on-hold stance is giving the market a shot in the arm, and while we continue to think that eventual rises in mortgage rates (whether through OCR increases or higher bank funding costs) will put a lid on house prices, this latest information suggests they could continue to rise for a bit longer than we previously thought.

Fixed versus floating: Fixed mortgage rates are currently good value given where we think floating rates are heading over the next several years. With no satisfactory resolution to the European debt crisis in the offing, there is no immediate pressure on fixed rates to rise, so borrowers can afford to wait a little longer. But the RBNZ's latest *Statement* made clear that there is limited scope for fixed rates to fall further. A situation where the RBNZ saw fit to cut rates would also probably be one where banks' funding spreads are increasing sharply.

NZ interest rates



Key Data Previews

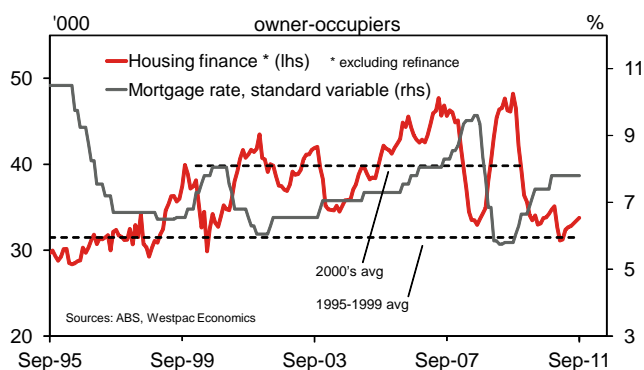
Aus Oct housing finance (no.)

Dec 12, Last: 2.2%, WBC f/c: flat

Mkt f/c: flat, Range: -1.0% to 2.3%

- Housing finance is forecast to be flat for October.
- This follows a partial, but lacklustre recovery over recent months. New lending to owner-occupiers (ie ex refinancing) for September was still 4% lower than at the end of 2010.
- The headline outcomes have been inflated by a spate of refinancing triggered by lower fixed rates, which were 6.5% in October, down from 7.35% in June and below variable at 7.8%.
- The weak start to 2011 reflected the negatives of the RBA's November 2010 rate hike and flood disruptions. Lending to owner-occupiers remains soft, with the current level only a little above that over the second half of the 1990s. This highlights the headwinds facing the sector: interest rates, household's desire to pay down debt and falling house prices.

Owner-occupier finance & the rate cycle



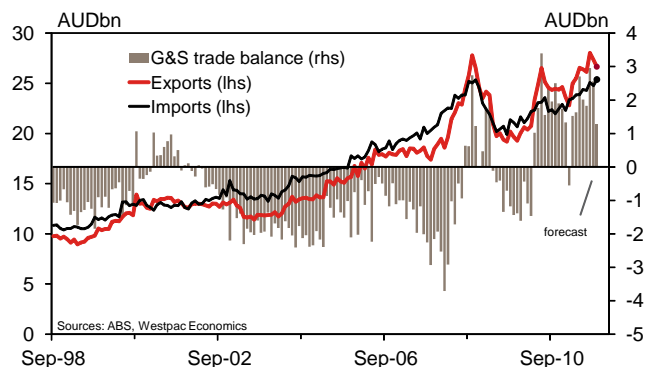
Aus Oct trade balance, AUDbn

Dec 12, Last: 2.6, WBC f/c: \$1.3bn

Mkt f/c: \$2.0bn, Range: \$0.9bn to \$3.0bn

- Australia's trade surplus is forecast to narrow, potentially significantly so.
- We're forecasting a surplus for November of \$1.3bn, half of that recorded for October.
- Imports are forecast to rise by 2½%. Volumes continue to advance to meet rising domestic demand. Also, the AUD was a touch lower in the month, lifting import costs.
- Exports are forecast to fall by 2½%. We expect both volumes and prices to be weaker. Global demand is softening, triggering a drop in global commodity prices.

Trade surplus: to narrow

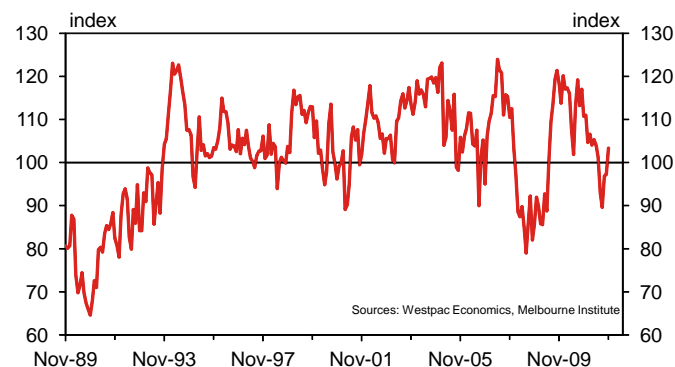


Aus Dec Westpac-MI Consumer Sentiment

Dec 14, Last: 103.4

- Consumers responded very positively to the RBA's November interest rate cut with the Westpac-Melbourne Institute Consumer Sentiment Index rising 6.3% in the month to 103.4, above the 100 mark indicating optimists outnumber pessimists, and the highest reading since May. That said, the survey detail still suggested an air of fragility to the consumer mood with views on family finances still decidedly downbeat.
- The December survey is in the field the week ending December 11 - a week that saw a further 25bp rate cut from the RBA, the release of robust September quarter figures for GDP growth but a softer set of labour market data with the unemployment rate ticking up to 5.3%. Financial markets may continue to have a bearing, although the turbulence subsided a little during the survey week. The ASX200 is 1.4% lower and the AUD is down 2c vs the USD since the November survey.

Consumer sentiment

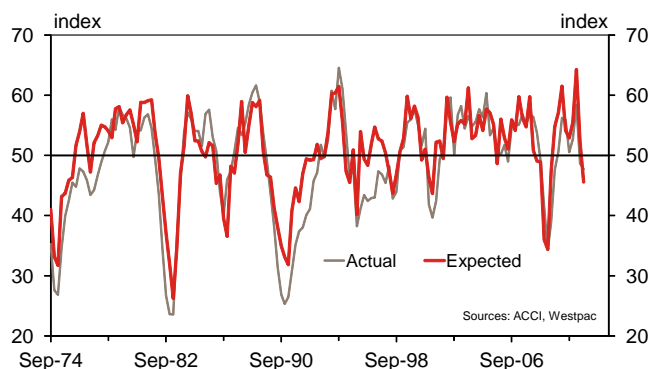


Aus Q4 Westpac-ACCI Survey of Industrial Trends

Dec 15, Last: 47.7

- The Q4 Westpac-ACCI Survey of Industrial Trends - the 201st report of this long running survey - will provide a timely update on current economic conditions and prospects.
- The Actual Composite Index fell 1.2pts to 47.7 in September. That left it 11% below the average level of 2010, which was consistent with solid expansion; however, the index was still well above the average level seen in 2009, which was consistent with a sharp contraction.
- The labour-oriented indicators contained in the report will be of particular significance given the recent deterioration in the labour market. Also of interest will be the overall mood of manufacturers. The survey will capture the November rate cut; however, it also occurred at a time of great global uncertainty and Australian dollar strength.

Westpac-ACCI composite indexes, actual & expected, s.a

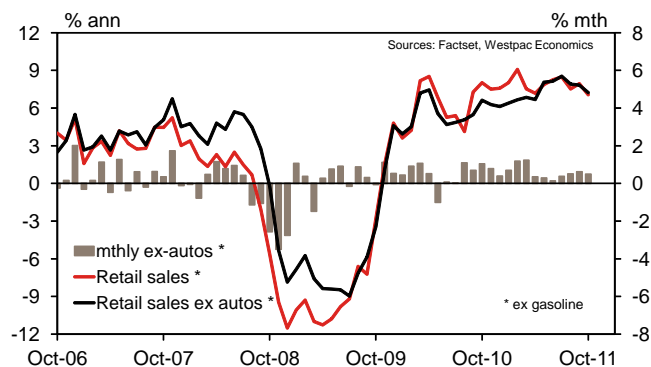


US retail sales to rise in Nov on autos

Dec 13, Last: 0.6%, WBC f/c: 0.5%

- US retail sales rose 0.5% in Oct. Autos posted a modest rise, gasoline was down, but core retailing (excluding those components) was up 0.7%, its fastest pace of gain since March. This is important because it suggests that the stronger Q3 core spending story (revealed in the Sep sales and upward revisions) continued into the first month of Q4. Sales were fairly broad-based across most storetypes; where declines were recorded, they followed solid Sep sales gains.
- Unit auto sales rose 3% in Nov and gasoline prices were lower. Consumer confidence has stabilised in Q4 but household income growth slowed somewhat in Nov.
- We expect a 0.5% Nov retail gain, but just 0.3% ex autos & gas.

US retail sales

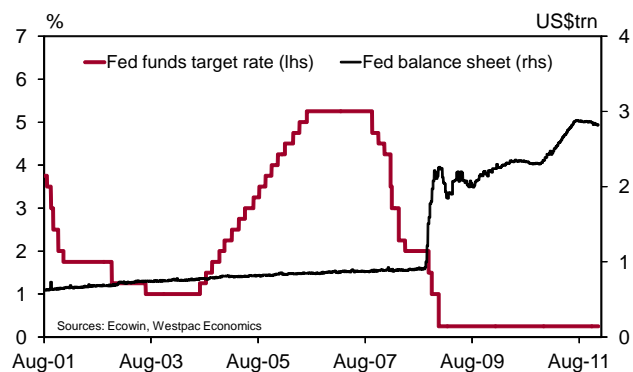


US FOMC decision

Dec 13, Last: 0-0.25%, WBC f/c: 0-0.25%

- Recent less-weak activity data risk fuelling another bout of “the economy is finally responding” claims amongst the American economics consensus, just as we saw in early 2010 and early 2011 (on both occasions it prompted talk of Fed tightening within a year); however, double-dip recession talk followed those episodes and the Fed in fact eased policy further subsequently (QE2 last year and twist this year). Our view remains that the headwinds constraining the economy, including the intensifying one across the Atlantic, will re-assert themselves, leaving 2012 growth weaker than in 2011, and unemployment around 9%.
- In early 2012, once the economic data falter again, the Fed will likely signal a further round of asset purchases (probably mortgage back securities), but we do not expect anything new on the policy front this month.

Fed funds target rate & balance sheet



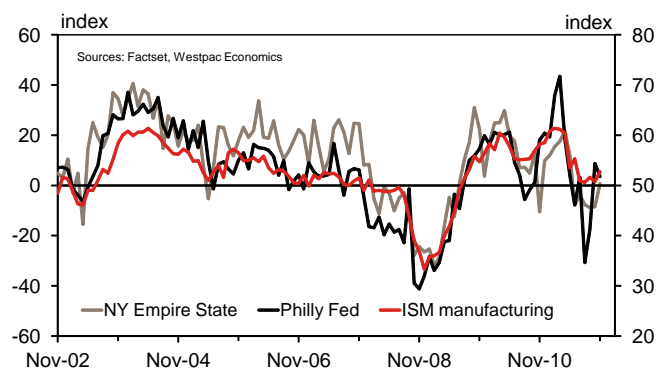
US Dec NY and Philly Fed surveys

Dec 15, New York Fed: Last: 0.6, WBC f/c: 0.0

Dec 15, Philadelphia Fed: Last: 3.6, WBC f/c: 0.0

- Six months ago we wrote ahead of the May NY/Philly Fed: “We are concerned about the 2011 economic outlook and these surveys should be among the first to sustain a move lower in coming months, if our concerns are justified.”
- The NY Fed fell from 22 in April to -8 in June, and was little changed for much of H2 2011 before recovering to just above 0 in Nov. Over roughly the same period, the Philly Fed dropped from 43 to -31 before turning positive again early in Q4.
- There was some overshoot in these surveys, especially Philly, which cover just a hundred of so businessmen each and whose headlines are questions about business conditions, not composites of activity detail, which has generally not been so negative or volatile. So with the dust settling, we expect readings closer to zero for both these surveys.

US manufacturing surveys



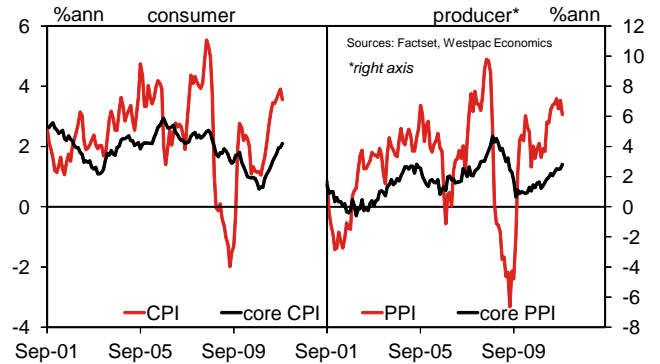
US Nov PPI/CPI

Dec 15, PPI headline/core: Last: -0.3%/0.0%, WBC f/c: 0.4%/0.3%

Dec 16, CPI headline/core: Last: -0.1%/0.1%, WBC f/c: 0.1%/0.1%

- Falling capital equipment and energy prices (together 47% of the PPI) delivered the second fall in the headline PPI in five months; core prices were constrained by declines in both autos and light truck prices. In Nov, the survey timing will capture higher fuel prices while vehicle prices are due to bounce.
- Oct CPI's 0.1% fall reflected energy prices down 2%, auto prices down 0.4%, food up just 0.1% and the highly weighted owners' equivalent rent component up 0.2% – a slower trend growth rate relative to earlier this year for this component. The core rate was up just 0.1% after Sep's flat outcome, so that in the 3 months to Oct, core CPI grew at an annualised 1.8% pace, down from 3.1% in May-Jul. We expect that trend to continue, although slower gasoline price falls may deliver a positive headline CPI in Nov.

US price inflation

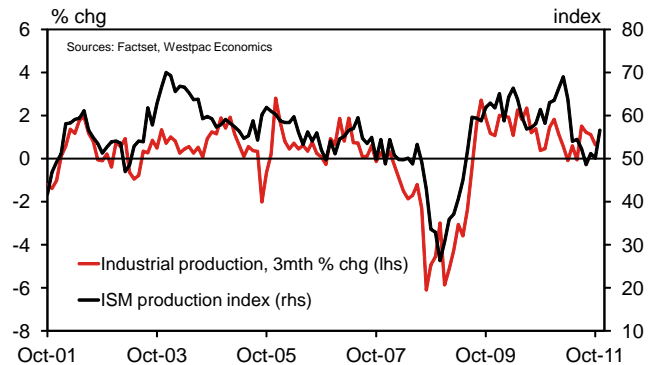


US Nov industrial production

Dec 15, Last: 0.7%, WBC f/c: 0.1%

- Industrial production was up 0.7% in Oct, but Sep was revised down 0.3ppts to -0.1%. Factory output rose 0.5% (0.3% ex autos), and there was a boost to total IP from a 2.3% mining output rise in Oct.
- Nov payrolls showed a 0.5% fall in factory hours worked, but the Nov ISM survey production index jumped 6pts to 56.1. These conflicting signals probably mean that any steep jump/fall in industrial output is likely to prove transitory rather than sustainable.
- We expect a 0.1% rise in Nov industrial production, with risks balanced – a material swing in utility output is a wildcard.

US industrial sector



Key Data and Events

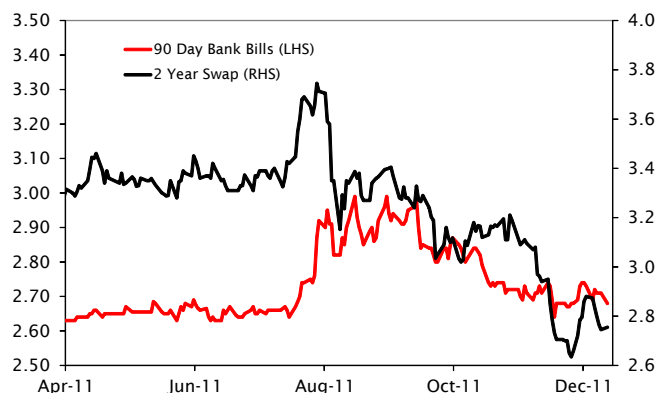
		Market Last	Westpac median forecast	Risk/Comment	
Mon 12					
Aus	Oct housing finance (no.)	2.2%	flat	flat	Finance remained lacklustre ahead of RBA's Nov & Dec rate cuts.
	Oct trade balance, AUDbn	2.6	2.0	1.3	Imports +2½%, higher vols. Exports -2½%, prices & vols both lower.
Chn	Nov new lending RMB bn	586.8b	550.0b	-	Tentative date. Late year flurry offsetting the collapse in bill finance.
	Nov M2 money supply %yr	12.9%	12.8%	-	Tentative date. Deposit growth has been softening.
Jpn	Nov corporate goods prices %yr	1.7%	1.5%	-	Strong yen, softening commodity prices.
UK	Nov consumer confidence	36	-	-	Tentative date for Nationwide index, due 12-16/12.
US	Nov Federal budget \$bn	-150.4	-140.0	-	US fiscal policy remains a source of uncertainty heading into 2012.
Tue 13					
NZ	Nov Food Prices	-1.3%	-	1.0%	Seasonal pickup but annual inflation easing.
Aus	Q3 dwelling commencements	-5.8%	-0.5%	-1.0%	Approvals down slightly for Q3 overall but fell sharply in Sep-Oct.
	Nov NAB business survey	-1	-	-	Conditions down 3pts to -1. But confidence up 3pts to +2.
Jpn	Oct tertiary industry index %mth	-0.7%	0.4%	-	Modest rebound after weak end to Q3.
Ger	Dec ZEW analysts' survey	-55.2	-55.0	-57.0	Further deterioration if latest Summit disappoints.
UK	RICS house prices net balance %	-2.4%	-	-	Clear majority or surveyors still looking for lower prices.
	Oct house prices %yr	-1.4%	-	-	DCLG index.
	Nov CPI %yr	5.0%	4.8%	4.8%	Inflation will hover around current levels, fall sharply in 2012.
US	Nov NFIB small business optimism	90.2	-	89.5	European concerns stating to impact?
	Nov retail sales	0.5%	0.6%	0.5%	Auto sales up 3% in Nov but gasoline prices lower; household income constrained, confidence steadier after falling in Q3.
	Nov retail sales ex autos and gas	0.7%	0.5%	0.3%	Are European concerns enough to impact on confidence Stateside?
	Dec IBD/TIPP economic optimism	40.6	42.0	41.5	Guide to inventory contribution to Q4 GDP growth.
	Oct business inventories	flat	0.4%	-	Further QE expected in Q1 2012. See text box.
	FOMC decision	0-0.25%	0-0.25%	0-0.25%	
Wed 14					
Aus	Dec Westpac-MI consumer sentiment	103.4	-	-	Second interest rate cut, solid Q3 GDP should support confidence.
	RBA Deputy Gov Battellino speaking	-	-	-	To Australasian Finance & Banking Conference, 2.30PM NZ time
Eur	Oct industrial production	-1.7%	-0.3%	0.3%	German industrial production surprised to upside in Oct.
UK	Nov unemployment change	5.3k	13.6k	15k	Benefit claimant count measure.
US	Nov import prices	-0.6%	1.0%	1.2%	Commodity prices fell in Nov but averaged higher than in Oct.
Can	Nov leading index	0.2%	-	-	Still sluggish but up from 0.1% per mth in Q3.
	Oct manufacturing sales	2.6%	-	-	Very solid sales right through Q3.
Thu 15					
NZ	Nov Business NZ PMI	46.5	-	-	May have been hit by gas supply disruption in October.
Aus	ACCI-Westpac Industrial Trends Survey	47.7	-	-	Timely read on conditions in the Manufacturing sector.
	Dec Westpac-MI unemp. expectations	130.2	-	-	Improved considerably through Oct-Nov after sharp rise May-Sep.
	Dec MI inflation expectations	2.5%	-	-	Right where a central bank targeting 2-3% inflation would want them.
	Nov new vehicle sales	1.1%	-	-1.0%	Have tracked sideways since rebound from tsunami disruptions.
	Q4 RBA Bulletin	-	-	-	Rich source of Australian economic research.
Chn	Dec HSBC flash manufacturing PMI	48.0	-	-	Tentative date.
Jpn	Q4 Tankan large manuf. conditions	2	-2	-2	Benefit of bounceback hitting the reality of global slowdown.
	Q4 Tankan non-manuf. conditions	1	1	0	Not the worst of times, but those servicing households subdued.
Eur	Dec PMI factory advance	46.4	-	45.5	Increasingly clear signals from the business surveys that eurozone ...
	Dec PMI services advance	47.5	-	46.0	... entered recession in Q4 2011.
	Nov CPI final %yr	3.0% a	-	3.0%	Core rate was 1.6% in Oct.
UK	Nov inflation expectations	4.2%	-	-	BoE/GfK data.
	Nov retail sales	0.6%	-0.4%	0.2%	Total sales including fuel.
	Dec CBI industrial trends survey	-19	-	-	Total orders index.
US	Nov PPI	-0.3%	0.2%	0.4%	Survey timing to capture higher commodity prices.
	Nov PPI core	flat	0.2%	0.3%	Possible rebound in new vehicle prices to lift core PPI.
	Q3 current account balance \$bn	-118.0	-107.8	-	Lower trade deficits in Q3.
	Dec NY Fed factory index	0.6	2.0	0.0	These surveys have corrected for recent overshoot to the downside.
	Initial jobless claims w/e 10/12	381k	390k	-	May be a Thanksgiving Holiday distortion at play.
	Oct net long term TIC flows \$bn	68.6	-	-	Recent inflows due safe haven status of US\$ assets.
	Nov industrial production	0.7%	0.2%	0.1%	Factory hours worked down 0.5% in Nov. See text box.
	Dec Philadelphia Fed factory index	3.6	5.0	0.0	These surveys have corrected for recent overshoot to the downside.
Can	Q3 capacity utilisation	78.4%	-	-	Slowed in Q2 for first quarter since mid 2009.
Fri 16					
Eur	Q3 labour costs %yr	3.6%	-	-	No longer a key focus given recession risk, rising unemployment.
	Oct trade balance €bn sa	2.1	-	-	Sep saw rare trade surplus.
US	Nov CPI	-0.1%	0.1%	0.1%	Gasoline prices lower.
	Nov CPI core	0.1%	0.1%	0.1%	Underlying prices pressures subdued.

New Zealand Economic and Financial Forecasts

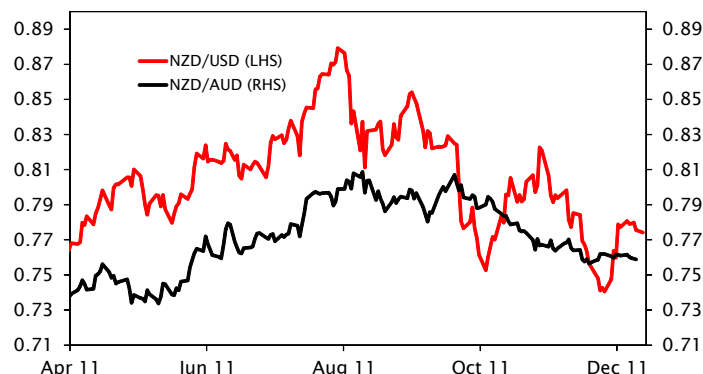
Economic Growth Forecasts	March years				Calendar years			
	2010	2011e	2012f	2013f	2010	2011f	2012f	2013f
% change								
GDP (Production) ann avg	-0.7	1.6	2.2	3.6	1.6	2.1	3.2	3.8
Employment	-0.1	1.8	1.1	2.3	1.3	1.9	2.1	2.5
Unemployment Rate % s.a.	6.1	6.5	6.3	5.7	6.7	6.5	5.7	5.0
CPI	2.0	4.5	2.1	2.5	4.0	2.4	2.3	2.8
Current Account Balance % of GDP	-1.9	-3.6	-4.4	-5.9	-3.5	-3.8	-5.8	-5.2

Financial Forecasts	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Cash	2.50	2.50	2.50	2.75	3.00	3.25
90 Day bill	2.70	2.70	2.80	3.00	3.30	3.60
2 Year Swap	2.80	3.00	3.30	3.70	4.10	4.40
5 Year Swap	3.50	3.70	4.10	4.40	4.70	4.90
10 Year Bond	4.10	4.10	4.20	4.30	4.60	4.80
NZD/USD	0.75	0.73	0.71	0.75	0.78	0.80
NZD/AUD	0.76	0.76	0.76	0.77	0.77	0.78
NZD/JPY	57.8	55.5	54.0	58.5	63.2	67.2
NZD/EUR	0.57	0.58	0.59	0.61	0.61	0.63
NZD/GBP	0.49	0.49	0.49	0.50	0.49	0.49
TWI	67.1	66.6	66.2	69.0	70.6	72.4

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 12 December 2011

Interest Rates	Current	Two Weeks Ago	One Month Ago
Cash	2.50%	2.50%	2.50%
30 Days	6.50%	2.69%	2.67%
60 Days	2.66%	2.66%	2.68%
90 Days	2.71%	2.68%	2.71%
2 Year Swap	2.76%	2.66%	2.94%
5 Year Swap	3.38%	3.38%	3.70%

NZ foreign currency mid-rates as at Monday 12 December 2011

Exchange Rates	Current	Two Weeks Ago	One Month Ago
NZD/USD	0.7742	0.7483	0.7878
NZD/EUR	0.5793	0.5628	0.5711
NZD/GBP	0.4949	0.4833	0.4897
NZD/JPY	60.14	58.064	60.761
NZD/AUD	0.7593	0.7825	0.7663
TWI	68.560	66.820	68.820

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2007	2008	2009	2010	2011f	2012f
Australia						
Real GDP % yr	4.6	2.6	1.4	2.7	1.7	3.0
CPI inflation % annual	3.0	3.7	2.1	2.7	3.5	3.3
Unemployment %	4.4	4.3	5.6	5.2	5.1	5.6
Current Account % GDP	-6.3	-4.5	-4.2	-2.7	-2.0	-3.5
United States						
Real GDP %yr	1.9	-0.3	-3.5	3.0	1.8	1.0
Consumer Prices %yr	2.9	3.8	-0.3	1.6	3.2	2.0
Unemployment Rate %	5.8	5.8	9.3	9.6	9.1	9.3
Current Account %GDP	-5.3	-4.7	-2.7	-3.2	-3.3	-3.0
Japan						
Real GDP %yr	2.2	-1.5	-6.6	4.3	-0.4	3.2
Consumer Prices %yr	0.1	1.4	-1.3	-0.7	0.2	0.6
Unemployment Rate %	3.9	4.0	5.1	5.1	4.6	4.5
Current Account %GDP	4.8	3.3	2.8	3.6	2.0	2.1
Euroland						
Real GDP %yr	2.8	0.3	-4.0	1.7	1.6	-0.6
Consumer Prices %yr	2.1	3.3	0.3	1.7	2.5	1.0
Unemployment Rate %	7.5	7.5	9.5	10.0	10.3	11.0
Current Account %GDP	0.2	-0.8	-0.7	-0.5	-0.5	0.0
United Kingdom						
Real GDP %yr	2.7	-0.1	-4.9	1.4	0.9	0.4
Consumer Prices %yr	2.3	3.6	2.2	3.2	4.0	2.2
Unemployment Rate %	5.3	5.6	7.6	7.8	8.3	9.0
Current Account %GDP	-2.6	-1.6	-1.3	-2.4	-2.0	-1.5

Forecasts finalised 7 November 2011

Interest Rate Forecasts	Latest (Dec 12)	Mar-12	Jun-12	Sep 12	Dec 12	Mar 13
Australia						
Cash	4.25	4.00	3.75	3.75	3.75	3.75
90 Day Bill	4.50	4.00	3.75	3.75	3.80	3.80
10 Year Bond	3.79	4.20	4.40	4.50	4.70	4.70
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	1.98	2.20	2.40	2.50	2.60	2.60
ECB Repo Rate	1.00	0.75	0.75	0.75	0.75	0.75

Exchange Rate Forecasts	Latest (Dec 12)	Mar-12	Jun-12	Sep 12	Dec 12	Mar 13
AUD/USD	1.0109	0.96	0.93	0.97	1.01	1.02
USD/JPY	77.62	77	76	78	81	84
EUR/USD	1.3326	1.26	1.20	1.23	1.27	1.28
AUD/NZD	1.3158	1.32	1.31	1.29	1.29	1.28

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