



Nugget Point, Balclutha

In this issue

Fixed vs floating	2
The week ahead	3
Data calendar	5
New Zealand forecasts	6
International forecasts	7

No smoking gun

The evidence continues to pile up that the economy is now steaming ahead – and signs are emerging that that’s starting to eat into spare capacity. While that supports the view that interest rate hikes will be needed over the course of this year, it doesn’t force the Reserve Bank’s hand to start moving as soon as its January meeting, as financial markets are speculating. Barring a major surprise on this week’s consumer price data, we continue to expect the first hike in March.

Last week’s *Quarterly Survey of Business Opinion (QSBO)* offered more evidence for the idea that the New Zealand economy entered a substantial expansion phase over the course of last year. To mention just a few highlights, the share of firms saying that activity had picked up over the past three months was the highest since 2005; the share expecting more activity over the next three was the highest since 2002; and general business confidence was the highest in nearly 20 years.

As in other recent surveys, the results were strong across all of the canvassed industries, in sharp contrast to a year ago. Close to 50% of retailers were upbeat, reporting particularly strong results over the past three months; and it was a similar story for manufacturers, with exports holding up well despite the strong NZ dollar and a slowing Australian economy, and domestic sales surging.

The general fact that the economy is picking up strongly is rapidly becoming conventional wisdom. But those parts of the survey that closely follow actual economic growth did suggest that the economy expanded at least as fast as we were expecting over the December quarter, and certainly faster than the Reserve Bank projected in its latest *Monetary Policy Statement*.

That supports our view that we are likely to see more than one percentage point worth of interest rate hikes from the Reserve Bank over the course of this year. But we don’t think it will push the Reserve Bank into raising rates as soon as its next meeting on 30 January, despite market pricing which has the odds at about 30%.

No smoking gun continued

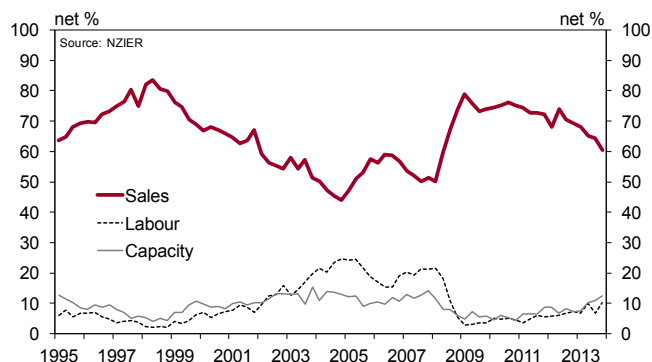
Signs are certainly emerging that the spare capacity left by the 2008-2009 recession is now being used up. In the latest QSBO, firms' intentions to invest in buildings and equipment were the highest since 1994. Hiring intentions have also been fairly strong (though a bit less so than in the previous survey); and compared to the depths of the recession, when around 80% of firms said that lack of demand was the main constraint on their growth, that proportion has now shrunk to around 60%, with capacity and other supply constraints becoming more prominent.

But while this means the stage has been set for home-grown inflation pressures to re-emerge over the next year or two, that effect takes some time to build up. We think it's telling that only a net 10% of firms said that they were able to raise their prices in the last three months, and while future pricing intentions have lifted, they are still only around their historical average. Meanwhile, the NZ dollar is once again skirting post-float highs on a trade weighted basis, which will keep prices of internationally traded goods and services low for a while longer.

So all in all, while higher rates will clearly be needed this year, the risk of the Reserve Bank falling behind the inflation curve by waiting another 6 weeks seems remote. At the same time, an early move would mean foregoing the opportunity to map out its latest strategy in a full Monetary Policy Statement, with all the possibility for miscommunication that that entails (and the Reserve Bank has been vocal about its preferences for transparent communication of late). The balance of regrets seems clear. We expect a first OCR hike in March.

It would take a major surprise on Tuesday's consumer price data to change that assessment. (We are also still waiting for a full set of December housing market data, though as we noted last week, preliminary numbers reported for Auckland continued to suggest that higher mortgage rates and restrictions on low-equity lending are cooling the market.) With all the relevant information now in, we expect to see inflation running at 1.4% a year. That's not only well below the Reserve Bank's 2% target, but right in line with the Reserve Bank's own latest projections. The way things are going, we don't expect to see inflation rising back to 2% before 2015.

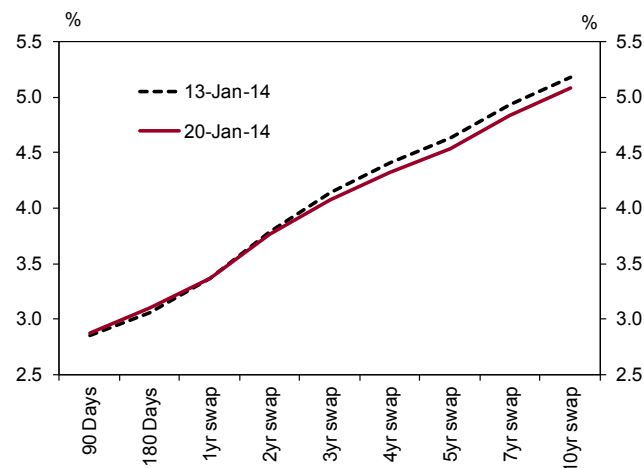
Factors constraining growth



Fixed vs Floating for mortgages

We are indifferent between fixing and floating at present. Interest rates are currently higher for longer fixed terms. However, we expect floating rates and short-term fixed rates to rise substantially over the coming three years. In our view, floating and short-term fixed rates offer no better or worse value than longer-term fixed rates.

NZ interest rates

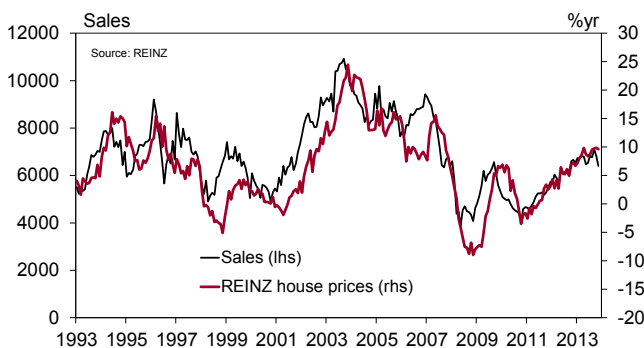


NZ Dec REINZ house prices and sales

Jan 20 (tbc), Sales last: -6%/m, Prices last: +9.6%/yr

- Evidence of a slowing NZ housing market continues to accumulate. Nationwide sales volumes fell 10% over October and November. Partial data on the Auckland housing market suggests turnover declined further in December.
- The timing of this slowdown is consistent with our long-held view that higher interest rates and the Reserve Bank's restrictions on high loan-to-value lending would slow turnover in the housing market from around November. Our view remains that, while the new lending restrictions are likely to bite hard initially, the impact should moderate over time as investors step in to replace sidelined first-home buyers.
- The annual pace of house price inflation remained high in November at 9.6%. Given the relationship between house sales and house prices, we don't expect to see the pace of house price inflation start to cool until early this year.

REINZ house prices and sales

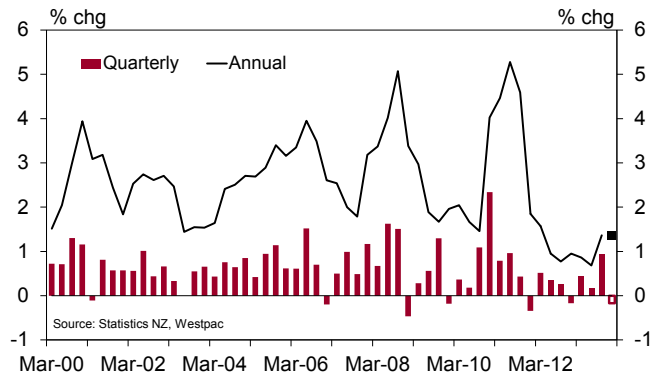


NZ Q4 CPI

Jan 21, Last: 0.9%, Westpac f/c: -0.2%, Mkt f/c: -0.1%

- We expect a 0.2% fall in consumer prices for the December quarter, holding annual inflation at 1.4%. Lower fuel prices and a seasonal drop in food prices are the main reasons for the quarterly decline.
- However, the underlying picture is that home-grown inflation pressures are gradually ticking higher, with the economy moving closer to full capacity and the housing market still running hot.
- Our forecast is in line with market and Reserve Bank projections, and is unlikely to provide the catalyst for an OCR hike as soon as this month. However, the RBNZ may well use its January statement to pave the way for a March hike.

NZ CPI inflation

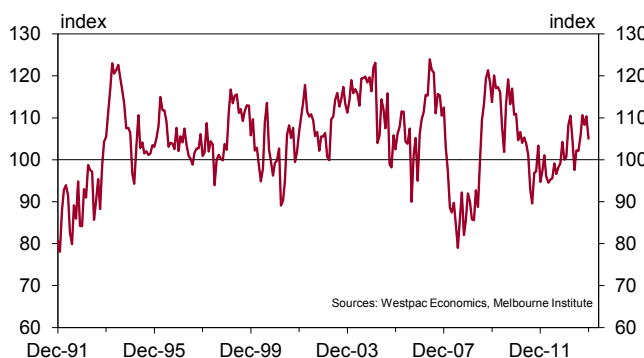


Aus Jan Westpac-MI Consumer Sentiment

Jan 22, Last: 105.0

- The Westpac-Melbourne Institute Consumer Sentiment Index retreated from solidly optimistic levels just over 110 in Nov to a more cautious level reading of 105 in Dec. A fading post-election boost to confidence and renewed concerns about the economic outlook and job security appeared to be key drivers in the Dec decline.
- The Jan survey is in the field from Jan 13-19. The summer holidays typically see a more upbeat mood although the headline index is adjusted to remove regular variations. Recent economic data has been mixed – more strength in housing, improved retail sales but and a weak Dec jobs report. Financial markets have had a shaky start to the year with the AUD down below 90c US and the ASX down 0.8%ytd but off 2.6% at one stage. Other factors such as the weather (a heatwave during the survey week) and sport (Australia's 5-nil Ashes white-wash) may also have a bearing.

Consumer Sentiment

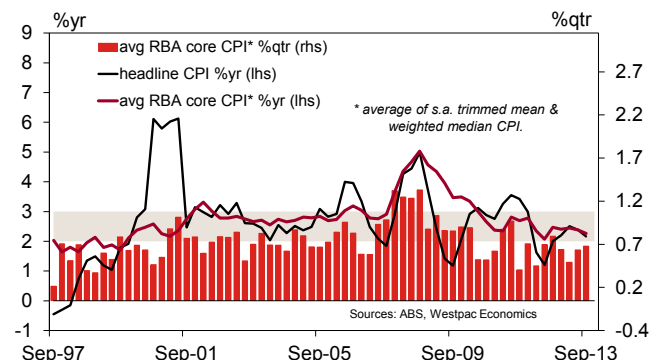


Aus Q4 CPI

Jan 23, Last: 1.2%, WBC f/c: 0.6%qtr
Mkt f/c: 0.5%, Range: 0.2% to 0.7%

- The Sep quarter CPI rose 1.2%, well above the market expectation of a 0.8% rise but closer to Westpac's top of the range 1%. The annual rate edged down to 2.2%yr from 2.4%yr in Q2 and 2.5%yr in Q1. This is the last quarter we expect to see any residual impact from the Carbon Price introduction.
- Our Q4 CPI forecast is 0.6%qtr/2.6%yr. Core inflation, as measured by the average of the trimmed mean and weighted median, is forecast to rise by 0.7%qtr/2.4%yr in Q4.
- A larger than usual seasonal rise in fruit, a normal seasonal rise in domestic holidays plus an unseasonal rise in vegetables - they normally decline in Q4 – are key drivers. Together, fruit & vegetables explain almost half of the projected increase in the headline CPI. Please see the preview for more information.

Headline & core in the lower half of the band

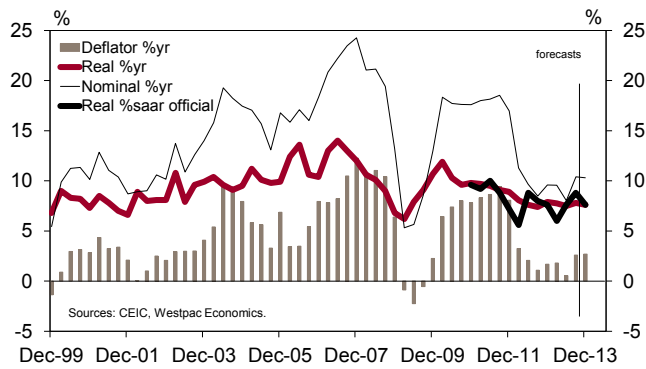


Chn Q4 GDP

Jan 20, Last: 7.8%yr, WBC f/c: 7.6%yr
Mkt f/c: 7.6%yr, Range: 7.1% to 7.9%

- The Chinese economy reportedly expanded by 7.8%yr in real terms in Q3, with the NBS putting the annualised pulse just shy of 9%. We do not believe that this momentum was sustained in Q4, and are therefore expecting a step down to 7.6%yr and an annualised rate just shy of 8%. The calendar year will be 7.7%.
- A balanced reading of the major partial indicators of activity puts the peak in growth in this rather compressed upswing late in the September quarter. The full October and November data rounds and the partial December round (comprising trade figures, inflation, money and credit plus the business surveys) are consistent with a step down in momentum from that prevailing in Q3. In terms of ytd contributions on the expenditure side, we expect +0.2ppt from net exports, 3.7ppts from GCF and 3.8ppts from FCE.

Chinese GDP: real & nominal estimates



Data calendar

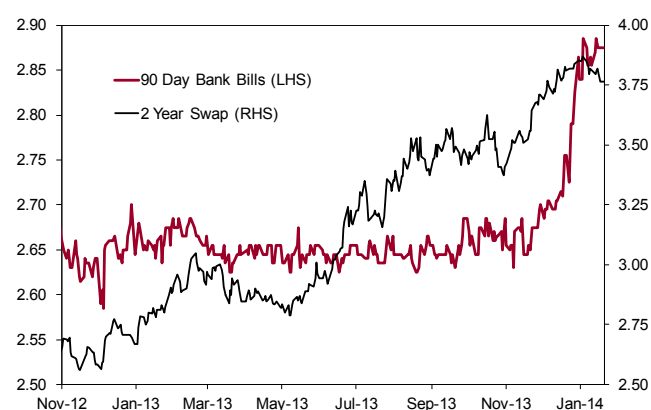
		Last	Market median	Westpac forecast	Risk/Comment
Mon 20					
NZ	Q4 employment confidence index	102.8	–	–	Labour market recovery has been sluggish.
	Dec REINZ house sales	–6.6%	–	–	LVR restrictions and higher mortgage rates have slowed turnover.
	Dec REINZ house price index %yr	9.60%	–	–	Impact on prices should become more apparent early this year.
Aus	Dec TD–MI inflation gauge %yr	2.40%	–	–	Has been running ahead of the CPI, does this continue in Q4?
Chn	Q4 GDP %yr	7.80%	7.60%	7.60%	Partials point to a modest deceleration from Q3 pace.
	Dec industrial production %yr	10.00%	9.80%	–	PMIs lost ground in Dec, and inventories not as lean as in Q3.
	Dec fixed asset investment %ytd	19.90%	19.80%	–	Transport and manufacturing slowing, utilities and real estate steady.
	Dec retail sales %yr	13.70%	13.60%	–	Auto sales were decent, but CPI a drag on nominal growth.
Eur	Jan consumer confidence advance	–13.6	–12.6	–13.5	Pessimism has eased, but little evidence household spending higher.
Ger	Dec producer prices %yr	–0.8%	–0.6%	–	Decelerating at fastest pace on record.
UK	Jan house prices %yr	5.40%	–	–	Rightmove index of asking prices.
Tue 21					
NZ	Q4 CPI	0.90%	–0.1%	–0.2%	Lower fuel & normal seasonal decline in food, holding inflation at 1.4%yr.
Ger	Jan ZEW analysts' survey	62	63	–	General sense that policy-makers are on top of things in Eurtoipe.
	Jan CBI industrial trends survey	12	–	–	Total orders index. Quarterly optimism survey also due.
Can	Nov wholesale trade	1.40%	0.50%	–	Sales have not posted a fall since June.
	Nov manufacturing sales	1.00%	0.40%	–	Oct boosted by canola harvest.
Wed 22					
NZ	GlobalDairyTrade auction	–0.8%	–	–	Strong Chinese demand has kept dairy prices at high levels.
Aus	Jan Westpac–MI consumer sentiment	105	–	–	Retreated in Dec on fading election boost, economy & job concerns.
	Jan Westpac–MI unemploy. expect.	151.4	–	–	Rising six of the last 10 months the pace of growth accelerated in Dec.
	Q4 CPI %qtr	1.20%	0.50%	0.60%	Dry conditions boosting fruit & vege prices, smaller fall in fuel.
UK	Dec PSNCR £bn	0.4	–	–	Public sector net credit requirement. PSNB ex intv'ns £16.56bn in Jun.
	Dec unemployment	–37k	–30k	–	Benefit claimant count.
	Jan BoE MPC meeting minutes	–	–	–	Feb meeting will incorporate revised forecasts.
Can	BoC policy decision	1.00%	1.00%	1.00%	Mild tightening bias unlikely to be reinstated any time soon.
Thu 23					
NZ	Dec manufacturing PMI	56.7	–	–	Consistently strong over 2013.
Aus	Jan MI inflation expectations	2.10%	–	–	Inflation expectations remain well anchored below 2.5%yr.
Chn	Jan HSBC manufacturing PMI – flash	50.5	50.4	–	LNY begins Jan 31, so altered seasonal dynamic vis-a-vis Feb 10 in '13.
Eur	Jan PMI factory, advanced	52.7	53	50.3	Gap between French and German PMIs widening again.
	Jan PMI services, advanced	51	51.2	49.7	Composite PMI fact/ser was 52.1 in Dec.
	Nov current account EURbn	21.8	–	–	Oct surplus widest since euro created in 1999.
UK	Jan CBI retail survey	24	–	–	Business optimism index.
US	Dec Chicago Fed national activity index	0.6	–	–	Based on 80 or so data inputs, not a business survey.
US	Initial jobless claims w/e 18/1	326k	332k	–	Claims still distorted by weekly seasonal adjustment issues.
	Jan Kansas City Fed factory index	–3	–	–2	Dec saw first <0 reading since June.
	Nov house prices	0.50%	0.30%	–	FHFA index.
	Dec leading index	0.80%	0.10%	–	Patchy growth story ahead if leading index is any guide.
	Dec existing home sales	–4.3%	0.60%	0.00%	Pending home sales have not posted a meaningful rise since May.
Can	Nov retail sales	–0.1%	0.20%	–	Oct retail sales weighed down by autos, ex autos up 0.4%.
Fri 24					
UK	Dec mortgages no.	45.0k	–	–	BBA data covering about 70% of the market.
Can	Dec CPI % yr	0.90%	1.30%	–	BoC core rate 1.1% yr in Nov.

New Zealand forecasts

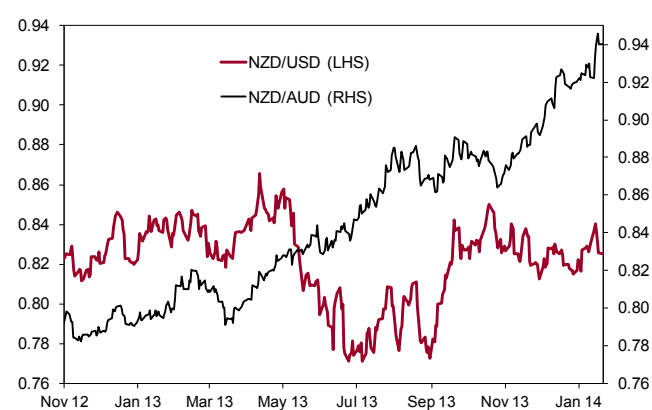
Economic Growth Forecasts	March years				Calendar years			
	2012	2013f	2014f	2015f	2011	2012	2013f	2014f
% change								
GDP (Production) ann avg	2.4	2.3	3.1	3.8	1.9	2.6	2.8	3.9
Employment	0.9	0.4	3.0	2.6	1.6	0.4	2.4	2.8
Unemployment Rate % s.a.	6.8	6.2	5.7	5.1	6.3	6.7	6.0	5.1
CPI	1.6	0.9	1.3	2.2	1.8	0.9	1.5	1.9
Current Account Balance % of GDP	-3.1	-3.9	-3.4	-4.0	-2.9	-4.1	-3.7	-3.4

Financial Forecasts	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Cash	2.75	3.25	3.50	3.75	4.00	4.00
90 Day bill	3.10	3.50	3.75	4.00	4.20	4.30
2 Year Swap	3.90	4.10	4.30	4.50	4.60	4.80
5 Year Swap	4.60	4.70	4.80	4.90	5.00	5.10
10 Year Bond	4.75	4.80	4.85	4.90	4.95	5.00
NZD/USD	0.83	0.82	0.81	0.80	0.79	0.78
NZD/AUD	0.92	0.93	0.93	0.93	0.93	0.92
NZD/JPY	84.7	82.8	81.0	79.2	79.0	77.7
NZD/EUR	0.62	0.63	0.62	0.63	0.63	0.63
NZD/GBP	0.52	0.51	0.51	0.50	0.48	0.48
TWI	78.6	78.5	77.7	77.2	76.6	76.0

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 20 Jan 2014

Interest Rates	Current	Two weeks ago	One month ago
Cash	2.50%	2.50%	2.50%
30 Days	2.73%	2.71%	2.66%
60 Days	2.81%	2.80%	2.71%
90 Days	2.88%	2.87%	2.76%
2 Year Swap	3.77%	3.85%	3.82%
5 Year Swap	4.53%	4.72%	4.70%

NZ foreign currency mid-rates as at Monday 20 Jan 2014

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.8252	0.8276	0.8209
NZD/EUR	0.6094	0.6089	0.6005
NZD/GBP	0.5025	0.5046	0.5025
NZD/JPY	85.89	86.77	85.38
NZD/AUD	0.9402	0.9239	0.9198
TWI	78.47	78.3	77.60

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2009	2010	2011	2012	2013f	2014f
Australia						
Real GDP % yr	1.5	2.3	2.6	3.6	2.4	2.6
CPI inflation % annual	2.1	2.8	3.0	2.2	2.3	2.5
Unemployment %	5.6	5.2	5.2	5.3	5.8	6.4
Current Account % GDP	-4.7	-3.5	-2.8	-4.1	-3.1	-3.8
United States						
Real GDP %yr	-2.8	2.5	1.8	2.8	1.6	1.6
Consumer Prices %yr	-0.3	1.6	3.1	2.1	1.5	1.7
Unemployment Rate %	9.3	9.6	8.9	8.1	7.5	7.1
Current Account %GDP	-2.7	-3.0	-2.9	-2.7	-2.5	-2.5
Japan						
Real GDP %yr	-5.5	4.7	-0.6	2.0	1.7	1.6
Consumer Prices %yr	-1.3	-0.7	-0.3	0.0	-0.2	0.1
Unemployment Rate %	5.2	5.1	4.5	4.3	4.3	4.3
Current Account %GDP	2.8	3.6	2.0	2.1	2.0	2.0
Euroland						
Real GDP %yr	-4.4	2.0	1.5	-0.6	-0.5	-0.1
Consumer Prices %yr	0.3	1.7	2.7	2.2	1.4	1.2
Unemployment Rate %	9.5	10.0	10.1	11.7	12.4	13.0
Current Account %GDP	-0.2	-0.1	0.0	0.9	1.0	1.0
United Kingdom						
Real GDP %yr	-5.2	1.7	1.1	0.2	1.1	0.9
Consumer Prices %yr	2.2	3.2	4.0	2.8	2.3	1.8
Unemployment Rate %	7.6	7.8	8.4	8.0	8.5	8.5
Current Account %GDP	-1.3	-2.5	-1.9	-3.8	-2.5	-1.5

Forecasts finalised 11 December 2013

Interest Rate Forecasts	Latest	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Australia						
Cash	2.50	2.50	2.25	2.00	2.00	2.00
90 Day Bill	2.61	2.55	2.30	2.10	2.10	2.10
10 Year Bond	4.10	4.10	3.60	3.80	4.00	4.10
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	2.84	2.80	2.80	2.60	2.80	3.00
ECB Repo Rate	0.25	0.25	0.25	0.25	0.25	0.25

Exchange Rate Forecasts	Latest	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
AUD/USD	0.8817	0.90	0.88	0.87	0.86	0.85
USD/JPY	104.40	102	101	100	99	100
EUR/USD	1.3614	1.34	1.30	1.30	1.27	1.26
AUD/NZD	1.0621	1.08	1.07	1.07	1.08	1.08

Westpac economics team contact details

Dominick Stephens, Chief Economist
+64 9 336 5671

Michael Gordon, Senior Economist
+64 9 336 5670

Felix Delbrück, Senior Economist
+64 9 336 5668

Anne Boniface, Senior Economist
+64 9 336 5669

Any questions email:
economics@westpac.co.nz

For email address changes contact:
WNZResearch@westpac.co.nz

Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Disclaimer

Things you should know: Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

If you are located in Australia, this material and access to this website is provided to you solely for your own use and in your own capacity as a wholesale client of Westpac Institutional Bank being a division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ('Westpac'). If you are located outside of Australia, this material and access to this website is provided to you as outlined below.

This material and this website contain general commentary only and does not constitute investment advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information has been prepared without taking account of your objectives, financial situation or needs. This material and this website may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material and this website does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract. Past performance is not a reliable indicator of future performance. The forecasts given in this material and this website are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Transactions involving carbon give rise to substantial risk (including regulatory risk) and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information has been prepared without taking account of your objectives, financial situation or needs. Statements setting out a concise description of the characteristics of carbon units, Australian carbon credit units and eligible international emissions units (respectively) are available at www.cleanenergyregulator.gov.au as mentioned in section 202 of the Clean Energy Act 2011, section 162 of the Carbon Credits (Carbon Farming Initiative) Act 2011 and section 61 of the Australian National Registry of Emissions Units Act 2011. You should consider each such statement in deciding whether to acquire, or to continue to hold, any carbon unit, Australian carbon credit unit or eligible international emissions unit.

Additional information if you are located outside of Australia

New Zealand: The current disclosure statement for the New Zealand division of Westpac Banking Corporation ABN 33 007 457 141 or Westpac New Zealand Limited can be obtained at the internet address www.westpac.co.nz. Westpac Institutional Bank products and services are provided by either Westpac Banking Corporation ABN 33 007 457 141 incorporated in Australia (New Zealand division) or Westpac New Zealand Limited. For further information please refer to the Product Disclosure Statement (available from your Relationship Manager) for any product for which a Product Disclosure Statement is required, or applicable customer agreement. Download the Westpac NZ QFE Group Financial Advisers Act 2008 Disclosure Statement at www.westpac.co.nz.

China, Hong Kong, Singapore and India: Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activity.

Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking Regulatory Commission (CBRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

Disclaimer continued overleaf.



Disclaimer continued

U.K.: Westpac Banking Corporation is registered in England as a branch (branch number BR000106), and is authorised and regulated by the Australian Prudential Regulatory Authority in Australia. WBC is authorised in the United Kingdom by the Prudential Regulation Authority. WBC is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. This material and this website and any information contained therein is directed at a) persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services Act 2000 (Financial Promotion) Order 2005 or (b) high net worth entities, and other persons to whom it may otherwise be lawfully communicated, falling within Article 49(1) of the Order (all such persons together being referred to as “relevant persons”). The investments to which this material and this website relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this material and this website or any of its contents. In the same way, the information contained in this material and this website is intended for “eligible counterparties” and “professional clients” as defined by the rules of the Financial Services Authority and is not intended for “retail clients”. With this in mind, Westpac expressly prohibits you from passing on the information in this material and this website to any third party. In particular this material and this website, website content and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction.

U.S.: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission (“CFTC”) as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC (“WCM”), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 (“the Exchange Act”) and member of the Financial Industry Regulatory Authority (“FINRA”). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

For the purposes of Regulation AC only: Each analyst whose name appears in this report certifies that (1) the views expressed in this report accurately reflect the personal views of the analyst about any and all of the subject companies and their securities and (2) no part of the compensation of the analyst was, is, or will be, directly or indirectly related to the specific views or recommendations in this report.

