

# Weekly Commentary

16 January 2017



## Happy New Year!

We hope you had a relaxing and enjoyable break and wish you all the best for 2017.

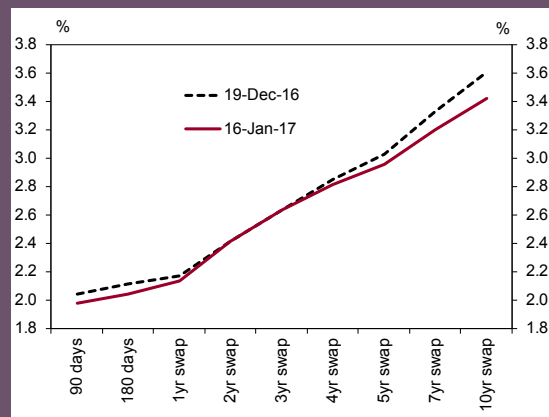
Today's weekly publication includes a brief view of the major upcoming events for the next week. Our regular commentary will return next week.

## Fixed vs Floating for mortgages

For borrowers with a deposit of 20% or more, the best value lies in the two-year rate or shorter terms. Three- to five-year rates seem high relative to where we think short-term rates are going to go over that time. That said, these rates are most likely to be pressured higher by global market trends, so borrowers who prefer the security of a longer term still have a chance to lock in at historically quite low levels.

Floating mortgage rates usually work out to be more expensive for borrowers than short-term fixed rates such as the six-month rate. However, floating may still be the preferred option for those who require flexibility in their repayments.

NZ interest rates



# The week ahead

## NZ Dec REINZ house prices and sales

Jan 17, Sales last: -0.4%, Prices last: 14.9%/yr

- Housing market activity has slowed since the tightening of loan-to-value ratio limits in July, although there are some indications that sales are bottoming out.
- The performance of house prices has been mixed. Price gains appear to have cooled in Auckland, but in many other regions, particularly in the North Island, prices have actually accelerated since July.
- Mortgage rates have been creeping higher since November, and are likely to cap any post-regulation rebound in the housing market. We expect nationwide house price growth to slow to just 5% this year.

## REINZ house prices and sales

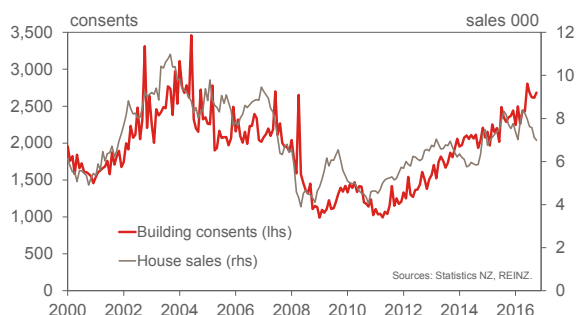


## NZ Nov building consents

Jan 19, Last: 2.6%, Westpac f/c: 0.0%

- The number of new residential dwellings consents issued rose 2.6% in October, leaving issuance up a solid 10% yr.
- We expect that overall dwelling consent issuance will be broadly flat through November. But this masks some divergent regional trends. Activity in Canterbury has slowed in recent months, as residential reconstruction continues to gradually wind back. However, building activity in other parts of the country is ramping up.
- The key area to watch is Auckland, where consents issuance has flattened off at levels below what is needed to keep up with population growth.
- The recent earthquakes near Kaikoura are also likely to have weighed on issuance in November.

## NZ housing activity

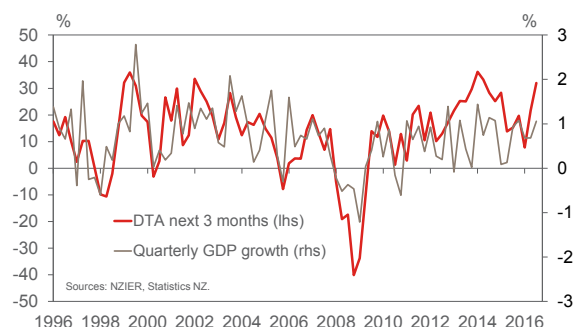


## NZ Q4 Quarterly Survey of Business Opinion

Jan 17, Last: 26, General business situation

- Business confidence strengthened in the September quarter to the highest level since early 2014. This improvement was well-founded, with September quarter GDP showing that quarterly growth accelerated to 1.1%.
- Economic conditions remained favourable through the end of the year, buoyed by strong population growth, the recovery in dairy prices and booming construction and tourism sectors. This should see the survey's activity indicators remain at solid levels.
- We'll be watching the survey's measures of costs and prices closely to see whether inflation pressures are starting to build. Evidence so far has been limited, with firms' pricing intentions falling last quarter, despite cost pressures edging up and firms reporting increasing difficulty in finding labour.

## QSBO domestic trading activity and GDP



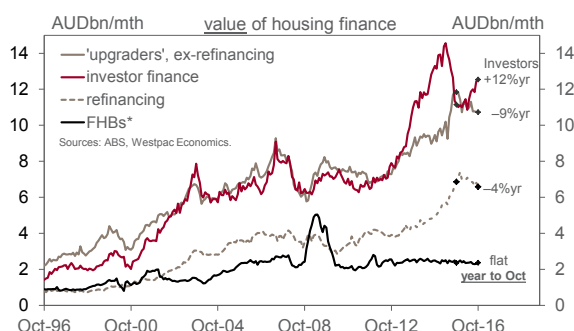
## Aus Nov housing finance (no.)

Jan 17, Last: -0.8%, WBC f/c: 2.0%

Mkt f/c: 0.0%, Range: -1.5% to 2.0%

- Oct finance approvals showed little in the way of direction with small moves in the headline and most of the component detail. Stepping back, approvals over the last 12mths have been dominated by a 'normalisation' after a tightening in credit conditions in 2015 H2 driven by regulatory guidelines. Importantly, the main focus of the tightening was investor housing. Hence approvals to owner occupiers – the 'headline' from this release – initially rose while investor lending fell sharply. Both moves have since seen partial reversals.
- Markets in Sydney and Melbourne have seen a clear pick up in momentum through Oct-Nov-Dec. We expect this to show through in the Nov finance numbers. Industry data points to a solid 2% gain in owner occupier loans in Nov. The degree to which investor loans have risen will be of close interest.

## Value of finance approvals by segment



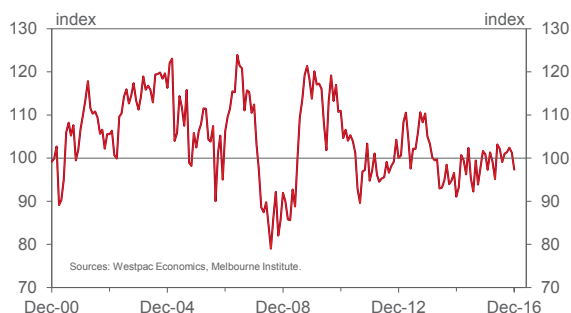
# The week ahead

## Aus Jan Westpac-MI Consumer Sentiment

Jan 18, Last: 97.3

- The **Westpac-Melbourne Institute Consumer Sentiment Index** fell by 3.9% from 101.3 in Nov to 97.3 in Dec. The negative 'jolt' followed six months in which sentiment had held in a narrow, slightly positive range and reflected new concerns around the economy – a surprise negative Q3 GDP print in particular.
- The Jan survey was in the field over the week ended Jan 15. Note that the headline is adjusted to remove a regular 'holiday' sentiment bump worth about 4pts. Other factors that may influence confidence this month include: somewhat better jobs data; and a continued surge in global sharemarkets (ASX up another 3% after a 7% jump last month).

### Consumer Sentiment Index



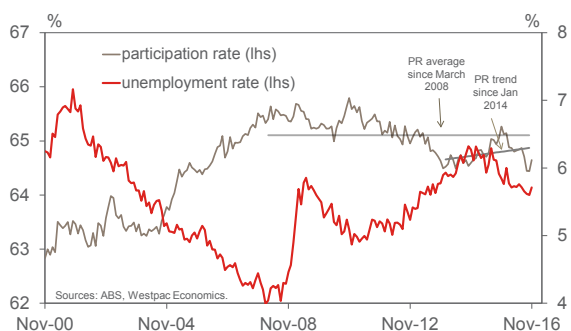
## Aus Dec Labour Force Survey - unemployment

Jan 19, Last: 5.7%, WBC f/c: 5.7%

Mkt f/c: 5.7%, Range: 5.6% to 5.8%

- The unemployment rate is not providing a useful guide on the overall state of the labour market due a collapse in participation. Our own research points to both a cyclical (i.e. weak employment leading to a decline in participation) and a structural component (i.e. a lump of retirees exiting the workforce) to this decline. As such, participation can lift somewhat as the labour market improves.
- In Nov, the 39.1k jump in employment was reported with a 0.1ppt rise in the unemployment rate, all due to a 0.21ppt rise in participation. This rise in participation resulted from a 56.1k gain in the labour force.
- For Dec, we expect the participation rate to rise 0.1ppt to 64.7% which should generate a flat print for unemployment.

### Unemployment and participation rates

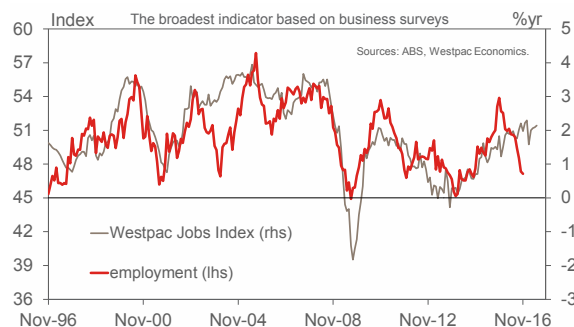


## Aus Dec Labour Force Survey - employment

Jan 19, Last: 39.1k, WBC f/c: 30k, Mkt f/c: 10k, Range: -21k to 30k

- In Nov total employment had grown 49.6k in the previous six months compared to the recent low of 8.9k in Sep. This suggests we have passed the soft patch in the labour market.
- In the month, total employment grew 39.1k compared to market expectations for 17.5k. Due to base effects the annual pace eased a touch to 0.7%yr from 0.8%yr and it is well under what our Jobs Index is suggesting (somewhere around 1.8%yr-2%yr). The six month annualised pace lifted from a low of 0.2%yr in Sep to 0.8%yr and if the current trend holds then it should be getting back close to the Jobs Index by early 2017. December tends to be a more robust month but seasonality has been a bit unstable over the last few years. Our 30k forecast is based on more normal seasonality and employment returning to something around the Jobs Index trend.

### Westpac jobs index

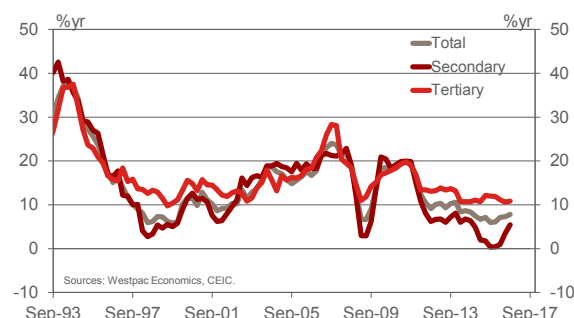


## China Q4 GDP

Jan 20, Last: 6.7%, WBC 6.7%

- In Q3, Chinese GDP came in bang on expectations at 6.7%yr for a third consecutive quarter after having decelerated from 7.5%yr in Q2 2014. On an expenditure basis, the consumer continued to lead the way, with investment growth hindered by domestic spare capacity; still modest external demand; and uncertainty over the outlook.
- Promising for 2017 however, the nominal industry detail highlighted a broadening of the service sector growth pulse, away from the financial sector toward real estate and wholesale & retail trade.
- Come Q4, we are likely to see a very similar headline result. The PMIs gained momentum through H2 2016, while the health of the construction sector is (slowly) improving. Against this, a lack of private sector investment remains a concern. All told, we look for another 6.7%yr result in Q4.

### Nominal GDP: robust services growth continues



---

# The week ahead

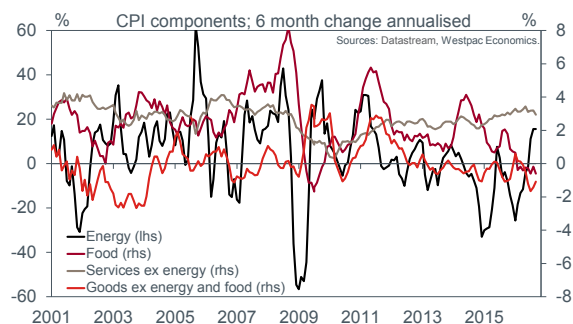
---

## US Dec CPI

Jan 18, Last: 0.2%, WBC 0.3%

- Following the election of Trump to the presidency, reflation and upside risks to the FOMC's 2.0%yr medium-term target have become a key discussion point amongst market participants. To our mind, risks to their target are limited, with little likelihood of inflation running materially above 2.0%yr. That being said, results at or very near target are expected.
- As we have often noted during 2016, core inflation pressures are robust, with the core CPI currently at 2.1%yr. As the last of the oil disinflation washes out, headline inflation (at 1.7%yr in Nov) will tend to 2.0%yr. Critical to the inflation outlook remains the services sector. Rents have been and will remain a key support, and higher wages are also likely to add to inflation pressures. As such, gains of 0.2% for core prices will remain our base expectation. In Dec, oil will add to the headline result.

### Underlying inflation pressures robust



# Data calendar

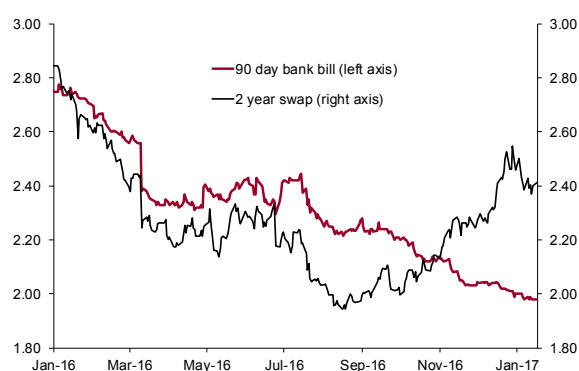
		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 16</b>					
<b>NZ</b>	Dec food price index	-0.1%	-	0.3%	Annual inflation turning mildly positive.
<b>Aus</b>	Dec MI inflation gauge	1.5%	-	-	Holding around a 1½%yr pace inflation risks are very modest.
<b>Eur</b>	Nov trade balance €bn	19.7	-	-	Euro should aid competitiveness in due course.
<b>UK</b>	Jan Rightmove house prices	-2.1%	-	-	Price growth has been slowing in recent months.
	BOE Governor Carney	-	-	-	Speaking at LSE on policy issues affecting the BOE.
<b>Tue 17</b>					
<b>NZ</b>	Q4 Quarterly Survey of Business Opinion	26	-	-	Conf rose to solid levels in Q3 but pricing indicators still subdued.
	Dec REINZ house sales	-0.4%	-	-	Due this week. Sales have slowed after new LVR restrictions.
	Dec REINZ house prices %yr	14.9%	-	-	Signs of prices cooling in Auckland, but still strong in the regions.
<b>Aus</b>	Nov housing finance	-0.8%	0.0%	2.0%	Lacking direction lately but industry data points to solid Nov rise.
	Dec new vehicle sales	-0.6%	-	-	Looking for evidence consumer spend is coming out of its 'flat patch'.
<b>Eur</b>	Jan ZEW survey of expectations	18.1	-	-	ECB and Trump supporting confidence.
<b>UK</b>	Dec CPI	0.2%	0.3%	-	The lower pound has been pushing prices higher.
	PM Theresa May speaking	-	-	-	Expected to discuss details on the UK's approach to Brexit
<b>US</b>	Jan Fed Empire state index	9	8	-	Strength of USD potentially a major issue for manufacturers in 2017.
	Fedspeak	-	-	-	Dudley speaks on consumer behaviour; also Williams.
<b>Wed 18</b>					
<b>NZ</b>	GlobalDairyTrade auction	-3.9%	-	-	Milk powder futures point to a small rise in prices.
<b>Aus</b>	Jan Westpac-MI Consumer Sentiment	97.3	-	-	Fell in Dec, down from 101.3, jolted by surprise GDP fall.
<b>Chn</b>	Dec property prices	-	-	-	Tentative date, 18-21 January. Momentum broadening.
<b>Eur</b>	Dec CPI, final %yr	0.6%	1.1%	1.1%	Flash to be confirmed at 1.1%yr; energy supportive.
<b>Ger</b>	Dec CPI, final %yr	0.8%	1.7%	1.7%	Unsurprisingly, German inflation follows the Continent trend.
<b>UK</b>	Nov ILO unemployment rate	4.8%	-	-	The labour market has been resilient since the Brexit vote.
<b>US</b>	Dec CPI	0.2%	0.3%	0.3%	Headline to tends to 2%yr target; core has been there for months.
	Dec industrial production	-0.4%	0.7%	-	Production trend remains soft.
	Jan NAHB housing market index	70	69	-	Homebuilder confidence robust despite higher mortgage rates.
	FOMC Chair Yellen	-	-	-	Speaks in San Francisco.
	Fedspeak	-	-	-	Kashkari on economy.
<b>Can</b>	Bank of Canada policy decision	0.5%	0.5%	0.5%	Latest Monetary Policy Report due.
<b>Thu 19</b>					
<b>NZ</b>	Dec manufacturing PMI	54.4	-	-	The PMI has eased in recent months, but remains at firm levels.
	Nov building consents	2.6%	-	0.0%	Quake disruptions and a slowdown in Canterbury masking firm trend.
<b>Aus</b>	Jan MI inflation expectations	3.4%	-	-	Trend is holding around 3.4%yr so little change in expectations.
	Dec employment chg, '000	39.1	10	30	Soft patch in employment looks to have passed and the Jobs Index
	Dec unemployment rate	5.7%	5.7%	5.7	is robust but rising participation prevents a fall in unemployment.
<b>Eur</b>	ECB policy decision	0.4%	0.4%	-	Key decisions made in December; changes in tone unlikely.
<b>US</b>	Initial jobless claims	247k	-	-	At historically low levels.
	Dec housing starts	-18.7%	9.6%	-	To bounce in Dec after Nov plunge.
	Dec building permits	-3.8%	0.7%	-	Permits have lost momentum in recent months; still highly volatile.
	Jan Philly Fed index	19.7	15.0	-	Strength of USD potentially a major issue for manufacturers in 2017.
<b>Fri 20</b>					
<b>NZ</b>	Q4 Westpac-MM employment confidence	110.1	-	-	Employee confidence rose strongly in Q3, wages were still concern.
	Jan ANZ consumer confidence	124.5	-	-	Has eased, but still at firm levels.
<b>Chn</b>	Q4 GDP %yr	6.7%	-	-	Authorities keen to maintain robust growth in 2017 ahead of Congress.
	Dec industrial production %yr	6.2%	6.1%	-	PMI's point to stronger momentum; but yet to show in IP data.
	Dec retail sales %yr	10.8%	10.7%	-	Labour market conditions yet to show significant improvement.
	Dec fixed asset investment ytd %yr	8.3%	8.3%	-	Private sector continue to hold fire on new investment.
<b>UK</b>	Dec retail sales	0.2%	-0.2%	-	Spending resilient to date; lower pound will erode purchasing power.
<b>US</b>	FOMC Chair Yellen	-	-	-	Speaks at Stanford.
	Fedspeak	-	-	-	Harker on economic outlook; also Williams.
	Fedspeak	-	-	-	Williams speaking in San Francisco.
<b>Can</b>	Dec CPI %yr	1.2%	-	-	Inflation pressures benign.

# New Zealand forecasts

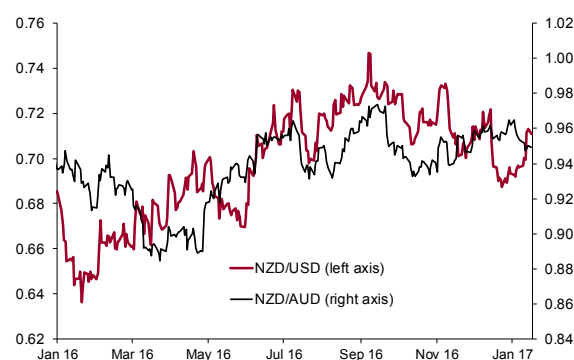
Economic Forecasts	March years				Calendar years			
	% change	2015	2016	2017f	2018f	2014	2015	2016f
GDP (Production) ann avg	3.4	2.4	3.4	3.3	3.4	2.5	3.3	3.3
Employment	3.2	2.0	4.9	2.0	3.6	1.4	5.8	2.1
Unemployment Rate % s.a.	5.4	5.2	4.9	4.4	5.5	5.0	4.8	4.5
CPI	0.3	0.4	1.3	1.2	0.8	0.1	1.2	1.1
Current Account Balance % of GDP	-3.5	-3.1	-2.7	-2.6	-3.2	-3.4	-2.7	-2.6

Financial Forecasts	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18
Cash	1.75	1.75	1.75	1.75	1.75	1.75
90 Day bill	2.05	2.05	2.05	2.05	2.05	2.05
2 Year Swap	2.40	2.50	2.50	2.50	2.50	2.50
5 Year Swap	3.10	3.25	3.35	3.40	3.40	3.40
10 Year Bond	3.40	3.60	3.70	3.80	3.85	3.85
NZD/USD	0.71	0.71	0.70	0.69	0.67	0.66
NZD/AUD	0.96	0.96	0.96	0.96	0.96	0.94
NZD/JPY	82.4	83.8	82.6	82.8	81.7	81.8
NZD/EUR	0.68	0.69	0.69	0.69	0.67	0.67
NZD/GBP	0.58	0.58	0.57	0.57	0.56	0.55
TWI	78.6	79.1	78.6	78.2	76.7	76.1

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 16 January 2017

Interest Rates	Current	Two weeks ago	One month ago
Cash	1.75%	1.75%	1.75%
30 Days	1.85%	1.85%	1.88%
60 Days	1.92%	1.93%	1.98%
90 Days	1.98%	2.00%	2.05%
2 Year Swap	2.41%	2.50%	2.41%
5 Year Swap	2.96%	3.05%	3.03%

NZ foreign currency mid-rates as at Monday 16 January 2017

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.7108	0.6927	0.6982
NZD/EUR	0.6695	0.6609	0.6691
NZD/GBP	0.5916	0.5629	0.5595
NZD/JPY	81.31	81.29	82.37
NZD/AUD	0.9495	0.9648	0.9566
TWI	78.38	77.63	77.91

# International forecasts

Economic Forecasts (Calendar Years)	2013	2014	2015	2016f	2017f	2018f
<b>Australia</b>						
Real GDP % yr	2.1	2.8	2.4	2.2	2.1	2.8
CPI inflation % annual	2.7	1.7	1.7	1.6	1.7	2.5
Unemployment %	5.8	6.2	5.8	5.7	5.4	5.3
Current Account % GDP	-3.4	-3.0	-4.8	-3.0	-1.7	-2.5
<b>United States</b>						
Real GDP %yr	1.5	2.4	2.6	1.6	2.1	2.4
Consumer Prices %yr	1.5	1.6	0.1	1.2	1.7	1.7
Unemployment Rate %	7.4	6.2	5.3	4.8	4.5	4.4
Current Account %GDP	-2.3	-2.3	-2.3	-2.6	-2.7	-2.8
<b>Japan</b>						
Real GDP %yr	1.4	0.0	0.5	0.6	0.6	0.7
<b>Euroland</b>						
Real GDP %yr	-0.3	0.9	1.6	1.6	1.4	1.3
<b>United Kingdom</b>						
Real GDP %yr	2.2	2.9	2.2	2.1	1.6	1.4
<b>China</b>						
Real GDP %yr	7.7	7.3	6.9	6.7	6.6	6.0
<b>East Asia ex China</b>						
Real GDP %yr	4.2	4.1	3.7	3.7	3.9	3.9
<b>World</b>						
Real GDP %yr	3.3	3.4	3.1	3.2	3.5	3.5

Forecasts finalised 16 December 2016

Interest Rate Forecasts	Latest	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
<b>Australia</b>								
Cash	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
90 Day Bill	1.78	1.80	1.80	1.80	1.80	1.80	1.80	1.80
10 Year Bond	2.67	2.95	3.05	3.15	3.25	3.40	3.50	3.65
<b>International</b>								
Fed Funds	0.625	0.625	0.875	0.875	1.125	1.125	1.375	1.375
US 10 Year Bond	2.36	2.55	2.65	2.75	2.85	3.00	3.10	3.25
ECB Deposit Rate	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40

Exchange Rate Forecasts	Latest	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
AUD/USD	0.7484	0.74	0.74	0.73	0.72	0.70	0.70	0.68
USD/JPY	114.68	116	118	118	120	122	124	124
EUR/USD	1.0614	1.05	1.03	1.01	1.00	1.00	0.99	0.98
AUD/NZD	1.0540	1.04	1.04	1.04	1.04	1.04	1.06	1.06



---

# Contact the Westpac economics team

---

**Michael Gordon**, Acting Chief Economist +64 9 336 5670

**Satish Ranchhod**, Senior Economist +64 9 336 5668

**Sarah Drought**, Economist +64 9 336 5696

**Any questions email:** [economics@westpac.co.nz](mailto:economics@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

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ("Westpac").

### Disclaimer

This material contains general commentary, and market colour. The material 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 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 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. 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.

### Country disclosures

**Australia:** Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a wholesale client of Westpac.

**New Zealand:** In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address [www.westpac.co.nz](http://www.westpac.co.nz). 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](http://www.westpac.co.nz).

**China, Hong Kong, Singapore and India:** This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients in Singapore of this material should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. 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 activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. 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.

**UK:** The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in



---

# Disclaimer continued

---

the UK (as Branch No. BR00106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the Prudential Regulation Authority. Westpac is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. 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 communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. The investments to which this communication 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 communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

## Investment Recommendations Disclosure

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.

Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation.

Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution.

Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

- (i) Chinese Wall/Cell arrangements;
- (ii) physical separation of various Business/Support Units;
- (iii) and well defined wall/cell crossing procedures;
- (iv) a "need to know" policy;
- (v) documented and well defined procedures for dealing with conflicts of interest;
- (vi) steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

**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. All disclaimers set out with respect to Westpac apply equally to WCM. 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.