5 May 2014

Weekly Commentary

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Time to loosen the screws?

New Zealanders go to the polls in 2014 and with the election now a little over 6 months away political announcements are starting to make headlines. Last week we got the details of the opposition Labour Party's proposed revamp of the monetary policy framework should they lead the next government. Changes include widening the RBNZ's mandate and introducing a new tool to help them achieve an additional goal of achieving "positive external balances". Of course the Reserve Bank has already starting experimenting with new tools by introducing restrictions on low equity lending. Six months down the track, we think the RBNZ will soon start loosening these restrictions.

There was always going to be some uncertainty about how the introduction of limits on low equity lending would impact mortgage lending and house price inflation. But on the whole the Reserve Bank has probably relatively pleased with the way things have panned out. The Bank's initial assessment is that the restrictions have helped reduce house price inflation, and recent data confirmed that the pace of growth in bank mortgage lending has slowed (though there have been some signs of leakage into the non-bank sector).

Right from the outset, the Bank was determined that the LVR restrictions wouldn't necessarily become a permanent feature of the policy landscape. In announcing their introduction, Governor Wheeler stated "How long LVR restrictions may remain in place depends on the effectiveness of the measures in restraining the growth in housing

Time to loosen the screws? continued

lending and house price inflation. LVR limits will be removed if there is evidence of a better balance in the housing market and we are confident that their removal would not lead to a resurgence of housing credit and demand". More recent communications have echoed this sentiment.

Data released last week showed that high LVR residential mortgage lending had fallen to just 4.8% in March (well below the 15% threshold the bank intended). We expect the RBNZ will loosen up but not remove the restrictions entirely, in order to get lending to first home buyers closer to the desired level. At the very least, there is likely to be substantial discussion of the impact the rules are having in the Bank's Financial Stability Review out on the 14th of May.

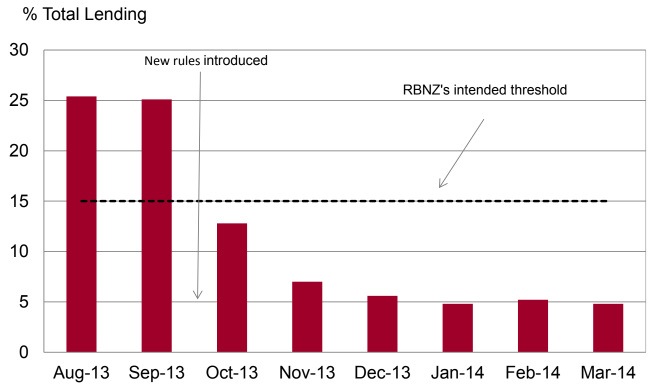
While it's probably a bit soon for changes to be announced in the FSR, eventually we expect the Reserve Bank will act to loosen the rules on low equity lending, and this is one factor feeding into our house price forecast. Easing the restrictions, combined with ongoing strength in net migration (annual net migration is running at close to 32,000 and we expect this to rise to a peak of just over 40,000 by the end of this year) should give the housing market bit of a leg up over the middle part of this year. But this will only be a temporary blip, and ultimately rising interest rates are set to slow the housing market substantially over the next few years.

Last week also saw the Labour party announce its proposed changes to the monetary policy framework in the build up to this year's election. There were three key proposals:

- Giving the RBNZ a dual mandate to target both inflation and "positive external balances" (a higher savings rate).
- Making Kiwisaver compulsory and, over time, increasing contribution rates to 9%.
- Giving the RBNZ the ability to vary compulsory Kiwisaver contribution rates through a new tool – the Variable Savings Rate (VSR).

Our take on the proposals was that while internally consistent, they are likely to have a relatively small effect on the winder economy. Importantly the Reserve Bank will still be required to maintain "stability in the general level of prices" (i.e. an inflation target of 2%) but this would now be done "…in a manner which best assists in achieving a positive external balance over the economic cycle" which could perhaps be defined by some numerical target for the current account balance. So the OCR would still be used to target inflation, and the VSR tool could be used to target savings.

High LVR Lending After exemptions



Making Kiwisaver compulsory is likely to increase the national savings rate, though not by very much. Treasury research suggests the proposed compulsory Kiwisaver scheme (including increasing the employee contribution rate from 3% to 4.5%) could result in a lift national savings of about 0.6% of GDP. In theory, an increase in national savings rate (albeit a small one) should make NZ look like a less risky proposition to lenders, putting downward pressure on interest rates. But for the same reason, NZ dollars' might actually become more attractive (not less) to foreigners, despite the downward pressure on interest rates. Consequently, there won't necessarily be a long run affect on the NZ dollar.

Similarly we'd expect cyclical changes to the VSR to lead to only a small reduction in the amplitude of an OCR cycle. A back of the envelope calculation suggests a one percentage point increase in the VSR might be expected to reduce household consumption by around 0.2% of GDP – equivalent to a 10-15 basis point hike in the OCR. Certainly not large enough effects to spark a dramatic reversal in New Zealand's chronic current account deficit.

Fixed vs Floating for mortgages

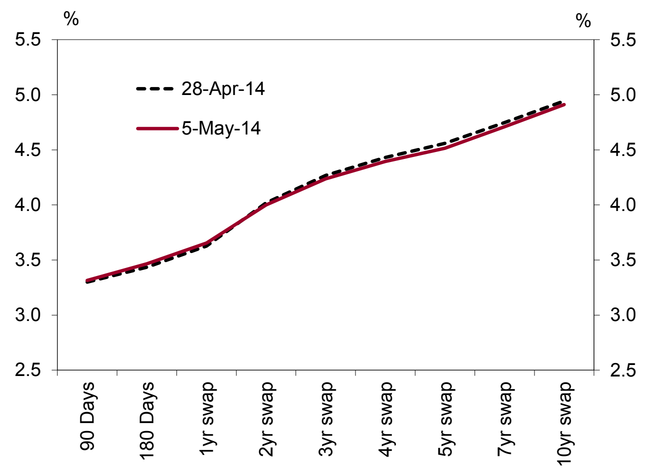
Floating mortgage rates usually work out to be more expensive for borrowers than short-term fixed rates, such as the six month rate. However, floating may still be the preferred option for those who require flexibility in their repayments.

For those who are looking to fix, there is little to gain from waiting. Fixed rates are more likely to rise than fall over the next few months.

Among the standard fixed rates, anything from six months to three years appears to offer similar value. Three-year rates are higher, but this is a fair reflection of where we think shorter-term rates are going to go over the next few years.

Fixing for four or five years may result in higher interest payments over the life of the loan than opting for shorter-term fixed rates. However, these longer-term fixed rates may still be preferred by those who are willing to pay for certainty.

NZ interest rates

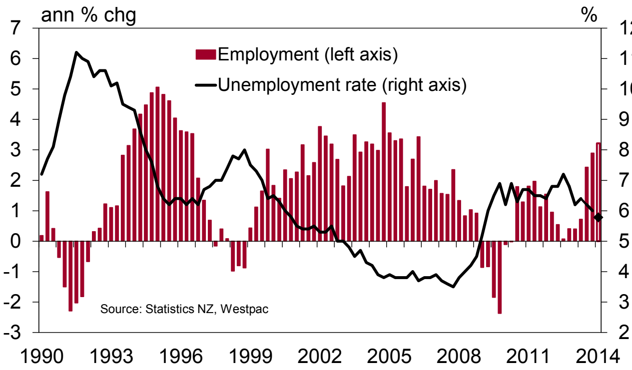


NZ Q1 household labour force survey

May 7, Employment: Last: 1.1%, Westpac f/c: 0.5%, Mkt f/c: 0.6%
Unemployment rate: Last: 6.0%, Westpac f/c: 5.8%, Mkt f/c: 5.8%

- The New Zealand jobs market looks to be firmly in a growth phase, with firms now needing to expand their capacity as demand picks up and the Christchurch rebuild progresses. We expect a drop in the March quarter unemployment rate from 6.0% to 5.8%, which would be the lowest rate in five years.
- While our forecast of 0.5% growth in employment looks modest, we suspect that the combined 2.3% growth over the second half of last year (in tandem with a sharp rise in the labour force participation rate to a near-record high) overstated the pace of improvement. In any case, annual employment growth in the order of 3% looks commensurate with the pace of growth in the broader economy.

Household labour force survey

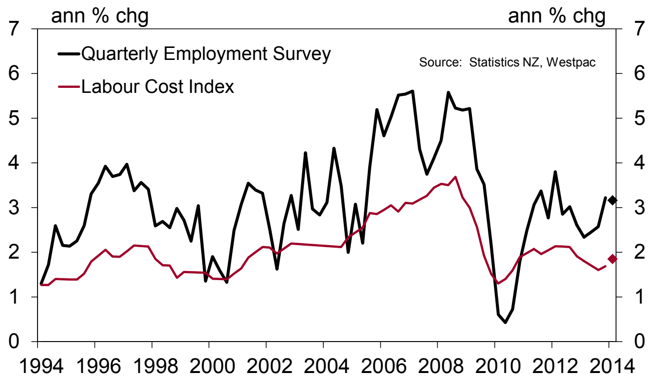


NZ Q1 labour cost index

May 7, Private sector wages: Last: 0.6%, Westpac f/c: 0.5%, Mkt f/c: 0.5%

- Private sector wage costs rose 1.7%yr in December compared to 1.6%yr in September - the first acceleration in the annual growth rate in two years. Given that wage inflation tends to evolve very slowly, even a small move such as this can be significant, though at this stage we can't be confident as to whether it marks the start of a new trend.
- We're expecting the annual pace to pick up to 1.8% in the March quarter. The degree of slack in the labour market is easing, and annual inflation has passed its low point – though it's not rising dramatically. Both of those factors should come to bear on wage growth over time – perhaps more so in the second half of this year, when a greater number of workers have their annual pay reviews.

LCI and QES wages

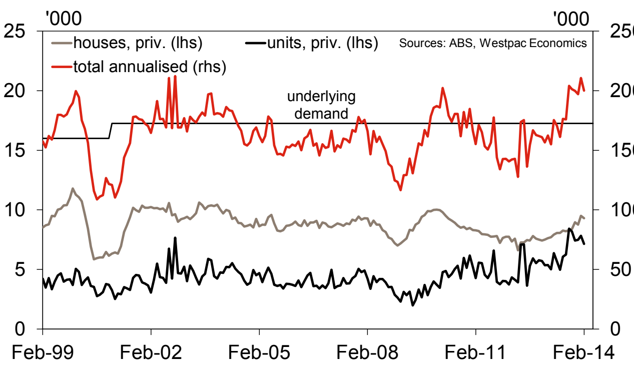


Aus Mar dwelling approvals

May 5, Last: –5.0%, WBC f/c: –1.5%
Mkt f/c: 1.5%, Range: –5.0% to 6.0%

- The Feb report showed a 5% fall in approvals and the first signs that the surge which began in mid-2013 is starting to top out. Given Jan's surprisingly strong 6.9% jump and the seasonal issues that often see much greater volatility around this time of year, the broad picture appears to be of some flattening out at a high level (16.7k/mth, a 200k/yr pace).
- We expect Mar to provide further confirmation of a plateau, with approvals forecast to be down 1.5%mth. Again there is potential for a sharper pull back given the high level of 'high rise' projects in recent readings. However, the guidance from construction-related loan approvals is more mixed, with private dwelling approvals outstripping the number of owner-occupier loans but undershooting the surge in the total value of loans, including loans to investors.

Dwelling approvals

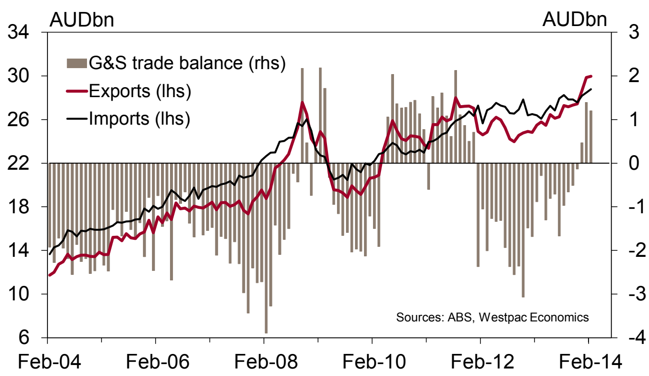


Aus Mar trade balance, AUDbn

May 6 Last: 1.2, WBC f/c: 0.9
Mkt f/c: 1.0, Range: 0.6 to 1.7

- Australia's trade balance is forecast to be $0.9bn in March. While a sizeable surplus, that is down from $1.2bn in February. This would be the fourth consecutive monthly surplus following a run of 23 deficits that stretch back to January 2012.
- The import bill is forecast to be flat, implying a lift in volumes given that the AUD rose 1% in the month.
- Export earnings are forecast to decline by 1%. Commodity prices weakened in March, down 2.6% in AUD terms. Volumes may well be mixed, with iron ore and fuels potentially up, but coal and rural lower.

Australia's trade balance: +$1,200mn in Feb

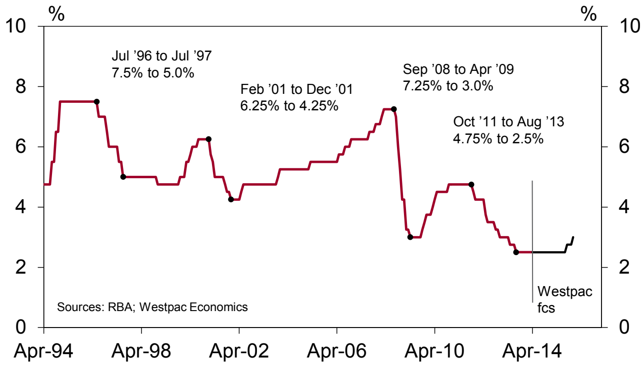


Aus RBA policy decision

May 6, Last: 2.50%, WBC f/c: 2.50%
Mkt f/c: 2.50%, Range: 2.50% to 2.50%

- The RBA is expected to again leave the cash rate on hold at 2.50% at its May meeting and retain its explicit 'neutral' stance, with the Governor's statement accompanying the decision keeping the key line that "... the most prudent course is likely to be a period of stability in interest rates".
- The lower than expected Q1 CPI result has clearly eased some of the pressure for the RBA, effectively negating the concerns seen following Q4's upside surprise. That could see the Bank revisit some of its rhetoric around the AUD. However, it is likely to stay neutral on interest rates, with positives on current economic conditions offset by potential negatives for confidence.

RBA cash rate: easing cycles

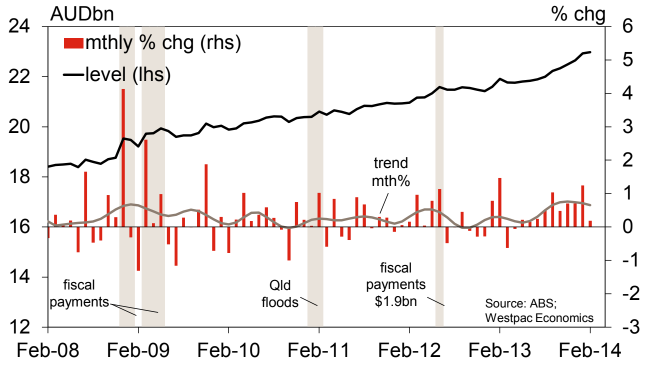


Aus Mar retail trade

May 7, Last: 0.2%, WBC f/c: –0.2% Mkt f/c: 0.4%, Range: –0.2% to 0.7%

- Feb retail sales were a touch softer than expected, but mostly corrected for an outsized 1.2% gain in Jan. Sales over the two months appear to reflect shifting seasonal patterns – taken together they suggest momentum is continuing at the 0.7%mth pace seen late last year, a solid 8% annual growth rate.
- That pace is likely to moderate in coming months. After a big post-election lift late last year, consumer sentiment has wilted in 2014, falling back below neutral in March-April. Confidence around jobs, which never showed that much improvement in 2013, has deteriorated sharply. That typically sees consumers take a more conservative approach to spending. We expect this deterioration to become more apparent this month, although an apparent upturn in spending on housing-related segments will likely continue. Overall, Mar retail sales are expected to be down 0.2%mth, taking trend growth below 6%.

Monthly retail sales

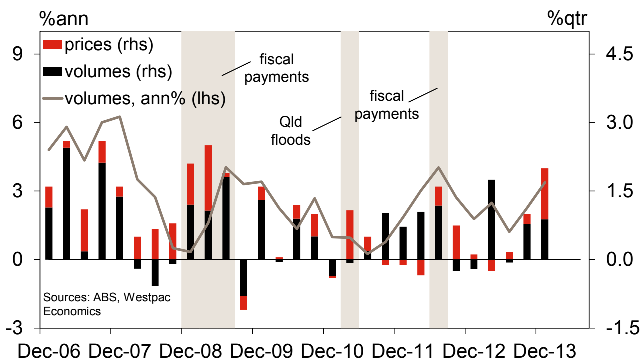


Aus Q1 real retail sales

May 7, Last: 0.9%, WBC f/c: 1.5%
Mkt f/c: 1.6%, Range: 0.9% to 2.0%

- Despite an expected soft finish for the Mar month, retail sales are set to post a strong quarter. The high base from previous monthly gains means nominal sales will be up 2%qtr, in line with Q4. Unlike Q4 however, retail prices are expected to post a much weaker gain in Q1 (+0.5% vs +1.2% in Q4) as foreshadowed by the detail in Q1's surprisingly soft CPI result.
- The net result points to real sales volumes up 1.5%qtr, the strongest quarterly gain since the 1.7% gain of Q1 last year, all the more significant given that it follows robust gains of 0.9% in Q4 and 0.8% in Q3 (the big gain in Q1 last year proved to be a flash in the pan, with sales declining the following quarter).

Quarterly retail volumes and prices

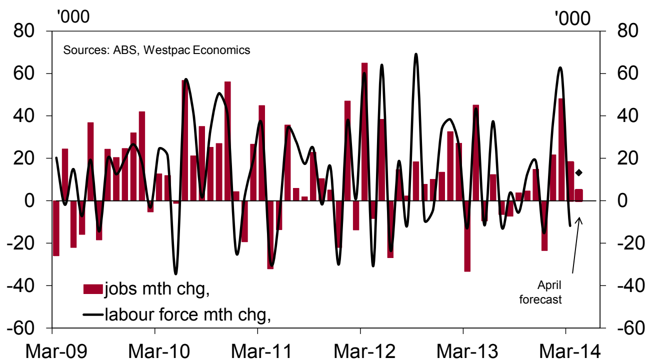


Aus Apr labour force - employment '000

May 8 Last: 18.1k, WBC f/c: 5.0k
Mkt f/c: 9.5k, Range: –10k to 27k

- Total employment rose 18.1k in Mar; the detail was more mixed with a 22.1k fall in full-time more than offset by a 40.2k rise in part-time. The lift in employment has taken the annual rate of growth up to 1.1%yr (or 122k), more in line with what the leading indicators are suggesting.
- The switching between part-time and full-time employment is ongoing. In the year to Mar, full-time employment is up just 23.4k in the year (it was 43.0k in Feb), or 0.3%yr. Annual growth in part-time employment has also been volatile, but is up 98.6k in the year to Mar (was 27.1k in Feb), a 2.9%yr pace (was 0.8%yr in Feb).
- For Apr, there is the added confusion of a late Easter falling in the same week as Anzac day. The AiGroup PMI suggests this may have had an effect on activity and employment.

Labour force vs. total employment



Aus Apr labour force - unemployment rate %

May 8 Last: 5.8%, WBC f/c: 5.9%
Mkt f/c: 5.9%, Range: 5.8% to 6.1%

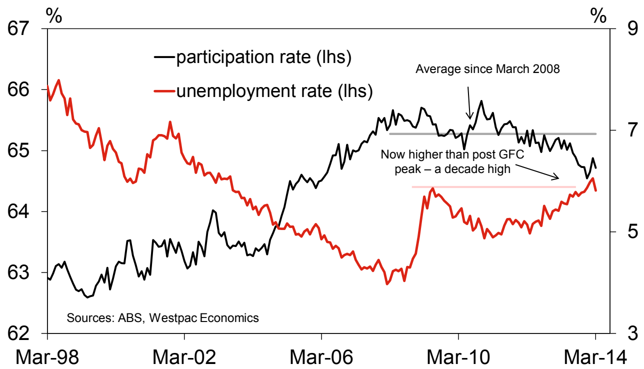
- The stronger than expected 18.1k Mar print for employment (market +5k, Westpac –20k) did not explain the fall in the unemployment rate from 6.1% to 5.8%. This was explained by the surprisingly large fall in participation rate, from 64.9% to 64.7%. If the participation rate had held at 64.9%, the unemployment rate would have been 6.0% in Mar (i.e. the fall in the part-rate was worth 0.2ppts of the 0.3ppt fall in the unemployment rate),
- We suspect that any Easter/Anzac effect would also appear in participation. As such, we have held the participation rate flat at 64.7%, versus looking for a bounce. This is why we are forecasting a 0.1ppt rise in the unemployment rate.

ECB Council meeting

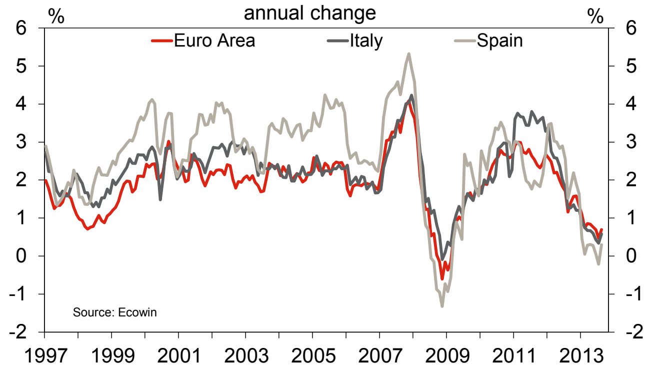
May 8, repo rate Last: 0.25%, WBC f/c: 0.25%

- At the April presser, Draghi warned the longer that inflation remained low, the greater the risk inflation expectations become unanchored. He then discussed quantitative easing at length. But he also noted the surprise fall in the flash CPI for March was in part due to “volatility of services prices ... especially travel ... which produced much lower inflation in March and may well produce higher inflation data next month.” The CPI did indeed rise from 0.5% to 0.7%yr in April; that would suggest the ECB is not inclined to ease further yet.
- Our analysis indicates travel discounting stretching into May (which was deeper than last year thanks to euro appreciation) will push the May CPI back down to 0.5%yr. The ECB will have seen Q1 GDP and updated growth and inflation forecasts by then; ahead of the June 5 ECB Council meeting, easing speculation will be intense.

Unemployment and participation rates



Unusual seasonality at play, but inflation weak



Data calendar

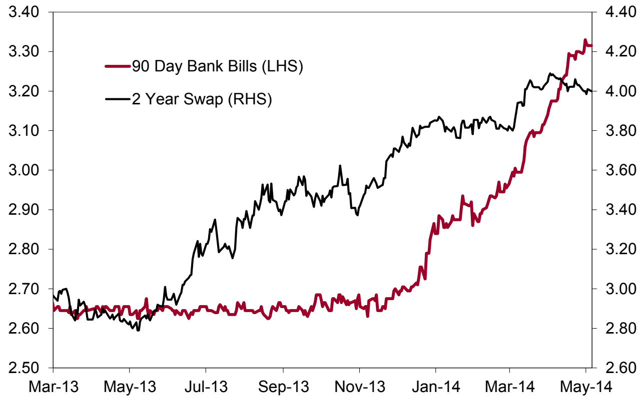
		Last	Market median	Westpac forecast	Risk/Comment
Mon 5					
Aus	Apr TD–MI inflation gauge %yr	2.7%	–	–	Has picked up from the late '13 low of 2.1%yr, but still within the band.
	Mar dwelling approvals	–5.0%	1.5%	–1.5%	Strong surge over second half of 2013 showing signs of 'topping out'.
	Apr ANZ job ads	1.4%	–	–	There has been three positive months in a row, but Easter/Anzac risks.
Chn	Apr HSBC manufacturing PMI - final	48.3	48.4	–	Flash improved by 0.3pts from March, no compelling case for revision.
Eur	May Sentix investor confidence	14.1	14.0	13.0	Slippage due Chinese slowdown, Ukraine; equities upswing curtailed.
	Mar PPI %yr	–1.7%	–1.8%	–	PPI decelerating at fastest pace in four years.
	Spring Economic Forecasts	–	–	–	Forecasts for inflation might be revised lower, but not for growth.
UK	Early May Bank Holiday	–	–	–	UK markets closed.
US	April PMI services final	54.2 a	–	–	Alternative to ISM non-manufacturing, sometimes consistent.
	Apr ISM non-manufacturing	53.1	54.1	54.0	Struggling to recover from early yr weakness that was not just about snow.
Tue 6					
Aus	Mar trade balance, AUDbn	1.2	1.0	0.9	A 4th consecutive surplus. Imports flat, exports -1% on lower prices.
	RBA policy decision	2.50%	2.50%	2.50%	Rates on hold, but comments on AUD may shift after low Q1 CPI.
Eur	Apr PMI composite final	54.0 a	–	54.0	Divergence between French and German PMIs opening up again?.
	Mar retail sales	0.4%	–0.3%	0.2%	German retail sales fell in March, but French consumer spending up.
UK	Apr PMI services	57.6	57.8	57.5	Services growth solid not spectacular.
	Apr BRC shop price index %yr	–1.7%	–	–	Clue to part of CPI basket, useful for flagging turning points in CPI.
	Apr house prices %yr	8.7%	8.9%	–	Halifax index due 6-9 May.
US	May IBD-TIPP economic optimism	48.0	–	47.0	First read on confidence for May.
	Mar trade balance $bn	–42.3	–40.4	–	In Feb, imports were up 2.1%, but exports rose 3.6%.
	Fedspeak	–	–	–	Stein.
Can	Mar trade balance C$bn	0.3	0.5	–	Exports down 0.6% in Feb, imports up 0.1%.
	Apr Ivey PMI	55.2	–	–	Partial recovery from Dec's lowest reading since 2009 stalled.
Wed 7					
NZ	GlobalDairyTrade auction	–2.60%	–	–	Tentative signs of stabilisation.
	Q1 HLFS employment	1.10%	0.60%	0.50%	More sustainable growth after a sharp catch-up in H2 last year.
	Q1 HLFS unemployment rate	6.00%	5.80%	5.80%	Surveys suggest a continuation of the recent pace of improvement.
	Q1 labour cost index	0.60%	0.50%	0.50%	Wage growth picking up, but not dramatically with inflation still low.
Aus	Mar retail sales	0.2%	0.4%	–0.2%	Some moderation in mthly sales likely following weaker consumer ...
	Q1 real retail sales	0.9%	1.6%	1.5%	... sentiment but base effects and low CPI point to big Q1 volume gain.
Chn	Apr HSBC China services PMI	51.9	–	–	Business survey universe has been downbeat in 2014 without exception.
Ger	Mar factory orders	0.6%	0.4%	–0.4%	Four back-to-back (modest) gains rare, but kept annual growth >6%.
US	Mar consumer credit $bn	$16.4	$15.0	–	Student and auto loans the main drivers in 2013 and so far this year.
	Q1 productivity % ann	1.8%	–0.5%	–1.3%	No GDP growth!
Can	Mar building permits	–11.6%	4.0%	–	Plunge led by residential down 21% in Feb.
Thu 8					
Aus	Apr employment '000	18.1k	9.5k	5.0k	Easter/Anzac falling in the same week adds to the potential volatility...
	Apr unemployment rate	5.8%	5.9%	5.9%	... should impact employment and participation.
Chn	Apr trade balance USDbn	7.71	18.9	–	Expect another major swing in y/y M, less so for X, surplus to widen.
Eur	ECB Council decision	0.25%	0.25%	0.25%	Policy easing in some form likely by June. See text box.
Ger	Mar industrial production	0.4%	0.2%	0.5%	Factory PMI solid, orders up 6%yr, but China/euro gains worries.
UK	Apr house prices net bal %	57%	55%	–	RICS survey of member surveyors.
	Mar trade balance £bn	–9.0	–9.0	–	Exports down 1.6% and imports off 2.2% saw deficit narrow in Feb.
	BOE policy decision	0.50%	0.50%	0.50%	Asset purchases to remain suspended at £375bn.
US	Initial jobless claims w/e May 3	344k	–	325k	Seasonality distortions around Easter, spring break lifting claims.
	Fedspeak	–	–	–	Evans, Tarullo, Bullard.
Can	Mar new house prices %yr	1.5%	–	–	Had slowed to 1.3%yr in Dec.
	Apr housing starts	–17.7%	–	–	Permits plunge fed into starts.
Fri 9					
Aus	May RBA Statement on Monetary Policy	–	–	–	Includes updated forecasts - inflation down, growth potentially up.
Chn	Apr PPI %yr	–2.3%	–1.8%	–	Deflationary impulse evident at all stages of supply chain.
	Apr CPI %yr	2.4%	2.1%	–	Food volatile, non-food rolling over, with shelter topping out.
Ger	Mar exports	–1.4%	1.0%	0.9%	With IP rising, foreign orders mixed, exports should rise not bounce.
UK	Mar construction output	–2.8%	0.6%	–	Flooding disruption.
	Mar industrial production	0.9%	–0.1%	0.4%	Factory PMI for Mar was lowest since July last year, but rose in April.
US	Mar wholesale inventories	0.5%	0.5%	–	Inventories significant drag on Q1 GDP growth.
	Fedspeak	–	–	–	Kocherlakota.
Can	Apr employment ch	43k	21k	5k	Jobs growth volatile, but uptrend might be emerging.
Sat 10					
Chn	Apr new bank loans RMBbn	1050	803	–	Tentative date: Seasonality points down, banks share of total rising.
	Apr total new credit RMBbn	2070	–	–	Tentative date: Entrusted loans still strong, but bills, trusts contracting.
	Apr M2 money supply %yr	12.1%	12.1%	–	Tentative date: Soft capital inflows & weaker nominal activity hit M2.

New Zealand forecasts

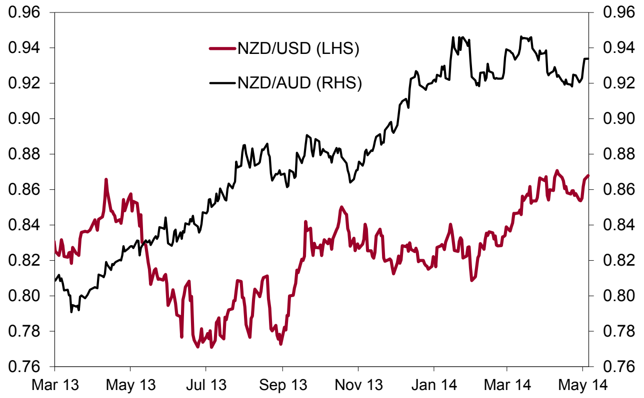
Economic Growth Forecasts	March years				Calendar years			
% change	2013	2014f	2015f	2016f	2012	2013	2014f	2015f
GDP (Production) ann avg	2.3	3.1	4.0	3.0	2.6	2.7	4.0	3.2
Employment	0.4	3.3	2.8	1.5	0.4	2.9	2.9	1.8
Unemployment Rate % s.a.	6.2	5.8	5.1	4.8	6.8	6.0	5.1	4.7
CPI	0.9	1.5	1.8	2.4	0.9	1.6	1.6	2.2
Current Account Balance % of GDP	-3.9	-3.1	-4.9	-5.2	-4.1	-3.4	-4.1	-5.3

Financial Forecasts	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15
Cash	3.25	3.50	3.75	4.00	4.00	4.25
90 Day bill	3.50	3.75	4.00	4.20	4.30	4.50
2 Year Swap	4.10	4.30	4.50	4.65	4.80	5.00
5 Year Swap	4.70	4.80	4.90	5.05	5.20	5.35
10 Year Bond	4.80	5.00	5.10	5.20	5.30	5.40
NZD/USD	0.86	0.86	0.84	0.83	0.82	0.83
NZD/AUD	0.95	0.96	0.95	0.95	0.94	0.93
NZD/JPY	89.4	88.6	85.7	85.5	85.3	86.6
NZD/EUR	0.63	0.63	0.64	0.64	0.63	0.63
NZD/GBP	0.50	0.51	0.50	0.49	0.47	0.45
TWI	80.5	80.9	80.0	79.6	78.6	78.4

2 Year Swap and 90 Day Bank Bills



NZD/USD and NZD/AUD



NZ interest rates as at market open on Monday 5 May 2014

Interest Rates	Current	Two weeks ago	One month ago
Cash	3.00%	2.75%	2.75%
30 Days	3.18%	3.16%	3.00%
60 Days	3.25%	3.23%	3.09%
90 Days	3.32%	3.30%	3.17%
2 Year Swap	4.00%	4.07%	4.05%
5 Year Swap	4.52%	4.62%	4.64%

NZ foreign currency mid-rates as at Monday 5 May 2014

Exchange Rates	Current	Two weeks ago	One month ago
NZD/USD	0.8679	0.8565	0.8582
NZD/EUR	0.6251	0.6209	0.6265
NZD/GBP	0.5141	0.5101	0.5177
NZD/JPY	88.68	87.89	88.62
NZD/AUD	0.9339	0.9183	0.9244
TWI	80.60	79.67	80.18

International forecasts

Economic and Financial Forecasts

Economic Forecasts (Calendar Years)	2010	2011	2012	2013	2014f	2015f
Australia						
Real GDP % yr	2.2	2.6	3.6	2.4	2.7	3.0
CPI inflation % annual	2.8	3.0	2.2	2.7	2.2	2.4
Unemployment %	5.2	5.2	5.3	5.8	6.5	6.3
Current Account % GDP	-3.5	-2.8	-4.1	-2.9	-3.1	-2.0
United States						
Real GDP %yr	2.5	1.8	2.8	1.9	2.2	2.5
Consumer Prices %yr	1.6	3.1	2.1	1.5	1.5	1.5
Unemployment Rate %	9.6	8.9	8.1	7.4	6.8	6.2
Current Account %GDP	-3.0	-2.9	-2.7	-2.3	-2.4	-2.3
Japan						
Real GDP %yr	4.9	-0.3	1.5	1.6	1.5	1.3
Euroland						
Real GDP %yr	1.9	1.6	-0.6	-0.4	0.8	0.8
United Kingdom						
Real GDP %yr	1.6	1.2	0.2	1.7	2.6	2.1
China						
Real GDP %yr	10.4	9.3	7.7	7.7	7.3	7.6
East Asia ex China						
Real GDP %yr	7.8	4.3	3.9	4.0	4.0	5.0
World						
Real GDP %yr	5.2	3.9	3.2	2.9	3.2	3.8
Forecasts finalised 4 April 2014						

Interest Rate Forecasts	Latest	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
Australia						
Cash	2.50	2.50	2.50	2.50	2.50	2.50
90 Day Bill	2.68	2.55	2.55	2.55	2.55	2.65
10 Year Bond	3.90	3.90	4.00	4.10	4.30	4.50
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	2.62	2.60	2.70	2.80	3.00	3.20
ECB Repo Rate	0.25	0.25	0.25	0.25	0.25	0.25

Exchange Rate Forecasts	Latest	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15
AUD/USD	0.9278	0.91	0.90	0.88	0.87	0.87
USD/JPY	102.35	104	103	102	103	104
EUR/USD	1.3863	1.36	1.34	1.30	1.28	1.28
AUD/NZD	1.0751	1.06	1.05	1.05	1.05	1.06

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Disclaimer continued

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