

# AUSTRALIA & NEW ZEALAND WEEKLY

John Edwards  
Chief Economist

Phone: +612 9255 2744  
[john.k.edwards@hsbc.com.au](mailto:john.k.edwards@hsbc.com.au)

Australia & New Zealand research is  
available online at:-

[www.hsbc.com.au](http://www.hsbc.com.au)

[www.hsbcnet.com](http://www.hsbcnet.com)

## Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure Appendix, and with the Disclaimer, that form part of it.

## In this week's issue

**Investment, credit  
and the RBA** See page 2

How high will the cash rate  
go?

**AUD, NZD currency  
directions** See page 4

We think both toppy

**NZ humming along** See page 5

Rebalancing to exports  
continues

**Revisiting the Henry  
thesis** See page 6

Elegant but unconvincing

**Weekly Calendar** See page 8

**Monthly Calendar** See page 10

**Disclaimer &  
Disclosures**

# Investment, credit and the RBA

## How high will the cash rate go?

In remarking during his House Economics Committee appearance a few weeks ago that the cash rate was more likely to go up than down RBA Governor Ian Macfarlane was making a very specific point about the Bank's likely response to inflation news. With core inflation already at 3% and expected to remain there, any additional expected inflation is certain to evoke a further tightening. But even if inflation is less than expected it will still highly likely be above the target of 2.5% and so would not evoke a rate cut. In that sense the risks are not evenly balanced. As to whether the Bank actually finds itself tightening depends on the flow of data. Following last week's strength in house prices for the June quarter this week's numbers will be telling.

The critical release is Thursday's second quarter business investment survey. After the modest increase of 0.6% in March quarter real business investment we expect to see a 6% increase for June, a big gain on the previous quarter but somewhat below the average quarterly growth in recent years. It would suggest that business investment remains firm (especially in mining and mining related activity) but that the pace is beginning to slow from the 29% gain in the year to March. As we've remarked before, on this measure business investment has been growing faster in Australia than China. It will certainly slow. The key question is how fast it will slow. The last survey pointed to a fall in business investment next year, but the fall implied in each successive survey in the last several quarters has been less than in the previous survey. As RBA Assistant Governor Malcolm Edey told the House Economic Committee, this is a typical pattern during a prolonged investment upswing. We expect to see Thursday that investment plans for the coming year have again been revised up, which will be quite compatible with a decline in the rate of growth of real business investment in the coming year to less than half the rate in the year past. If business investment growth in the June quarter is markedly above 6% (and it may well be) or if spending plans have been radically increased, we would put that as one more powerful argument for another rate increase in November. Interest rate increases won't have much impact on investment, but they will slow household consumption and prolong the downturn in residential construction, giving more room for investment growth in an economy which, as the Reserve Bank relentlessly repeats, is close to operating at full capacity.

In the last few months the Reserve Bank has repeatedly drawn attention to the renewed strength of household borrowing. In June housing lending rose 1.4% on the Reserve Bank's numbers, taking the annual rate to 13.3% and confirming that the decline apparent through to the last quarter of last

year was over. Business lending was a little slower at 0.9%, leaving the annual rate at 16.6%. We'd be surprised if it was quite so strong in July but even so a gain of around 1% in housing credit in July is quite likely, and an overall gain in credit growth of 1.1%. Coming after last week's stronger than expected increases in June quarter house prices, firmer credit growth than we expect would be another pointer to further tightening. By contrast Wednesday's July retail sales will only matter if it is markedly more or markedly less than the 0.5% increase we expect after the 1% gain in June. If it is markedly more it will suggest the tax cuts beginning that month have indeed boosted domestic demand. If it is markedly less, it will be one bit of evidence that for the moment at least the tax cuts are being saved.

We think it is prudent to expect another 25bp tightening to 6.25% at the November board meeting, which follows the Q3 CPI end October. Headline inflation will be down, but core inflation will probably be much the same and the sense the Australia is running up against capacity constraints more advanced. The big issue for the Australian market is how high the cash rate goes. In the most recent completed tightening episode, from the end of 1999 to August 2000, it peaked at 6.25%. In the episode before that, from August 1994 to the end of that year, it went to 7.5% - a big difference. In both cases there were signs of a faster pace of growth of wages, which have not so far been seriously evident in Australia. Real output growth was faster then than now. As RBA Governor-designate Glenn Stevens often says, the most important thing is the level of the rate rather than the changes, and the cash rate was last under 5% nearly three years ago. But it is also true that unemployment is now lower than it was in either of those episodes, and the weighted median measure of core inflation is already at the peak level it reached during those episodes. With the slowdown in the US and seven successive Australian rate increases already exerting an influence, we doubt the pressures will be strong enough to move beyond the likely 6.25% after the November RBA board meeting towards the very restrictive peak of 7.5% in the earlier episode. But it can't be ruled out.

# AUD, NZD currency directions

**We think both top**

Over the last month the Australian dollar has made spirited gains against the big dollar, but it is either unchanged or a little weaker against euro, sterling and the Asian currencies other than yen. The currency fetched EUR0.59 last week for example, and EUR0.59 six months ago. This time last year it was stronger against euro than it is now. This alone tells us that the move from USD0.71 in March to USD0.76 last week is mostly US dollar weakness rather than Australian dollar strength. It may reflect some market response to the August rate rise in Australia and the expectation of another to come, but it mainly reflects what the market widely believes to be the end of the US tightening episode.

The New Zealand dollar by contrast has picked up from its July lows not only against the US dollar but against the Australian dollar and most other currencies as well. Quite why the currency has so persistently firmed we don't know. Part of the market no doubt expects some further tightening in New Zealand, and perhaps the move down to just under USD0.70 was overdone. It may be that buyers are influenced by New Zealand's excellent economic performance. At all events the currency is well supported.

Where to from here? We expect another tightening in Australia in November. We also expect a mild US slowdown. That will put downward pressure on commodity prices, which on the Australian data peaked five months ago. In New Zealand we expect the risks to remain on the side of another tightening, though we don't expect it to actually happen. The US dollar may continue to weaken, but the usual pattern has been for the Australia and New Zealand dollars to weaken with the US dollar against the rest of the world. All this suggests to us that the Australian dollar is close to its highs against the USD. It's a very volatile currency and could move quickly but the probability now is that the New Zealand dollar will remain firmer against the Australian dollar than we had previously expected. We had expected to see at the end of this year AUD/USD0.70, NZD/USD0.60 and consequently NZD/AUD0.86 or AUD/NZD1.17 by the end of this year. It's now more likely we will see AUD/USD0.73, NZD/USD0.62 for NZD/AUD0.85.

# NZ humming along

## Rebalancing to exports continues

There was nothing wrong with our interpretation of New Zealand trade data last week, but it wasn't the right data. For reasons as mysterious to us as they must have been to clients we commented on the June quarter seasonally adjusted data rather than the more recent July raw data. Happily they tell much the same story. July merchandise exports were up 24% on the same month a year ago, confirming that the rebalancing towards exports which the RBNZ has long sought is well underway. Driven by higher oil prices imports were up 23% over the year, but the trend towards lower motor vehicle imports was maintained. On exports the numbers were as good as the June quarter seasonally adjusted numbers. Because they are associated with a decline in real purchasing power, the strength of oil imports will trouble the RBNZ less than an equivalent increase in motor vehicle or consumer electronics imports.

We expect to see Wednesday's July building permits down 3% after the nearly 14% fall in June, a succession of outcomes consistent with the long trend decline in the outlook for residential construction. The RBNZ is well pleased to see residential construction contract, particularly given the strength of exports. Despite a very high cash rate New Zealand is still seeing moderate employment growth, strong exports, and probably reasonably firm business investment. Consumption is a little stronger than the RBNZ hoped to see. These are circumstances in which the RBNZ would have little hesitation in again tightening, were the prices or wages growth numbers to deteriorate. But headline inflation in the current quarter is likely to be markedly less than the June quarter, the NZ dollar is a little firmer, and on the most recent numbers there was no evidence of wage acceleration. We think the RBNZ is so far under little pressure to tighten further and it will leave the cash rate unchanged in the September 14 Monetary Policy Statement

# Revisiting the Henry thesis

## Elegant but unconvincing

It's true that Western Australia is growing much faster than NSW and that mining output is growing much faster than manufacturing, but we continue to be a little sceptical of the explanation of these circumstances offered by Treasury Secretary Ken Henry. According to Dr Henry in a thoughtful and interesting in a speech a few weeks ago to the Australian Industry Group, if an economy is operating at full capacity one sector can only expand if another contracts. This then is held to account for the wide differences in growth between the states, and by implication the troubles in the manufacturing sector which the Australian Industry Group represents. So far as it goes the line is plausible and the theory elegant, but if constraints on labour and capital are the key it would not explain why unemployment is markedly higher than NSW than in Western Australia, or why manufacturing output peaked two years ago – well before the mining boom got going. Nor does it explain the surprising but ineluctable fact that the volume of mining output in the March quarter of this year was less than it was five years ago.

The underlying theory Dr Henry relies on is the 1970's Gregory thesis or Dutch Disease thesis, in which resource discoveries crowd out manufacturing output and farming exports through an impact on the exchange rate. Another ineluctable fact, however, is that the Australian exchange rate hasn't changed in the last two years. In real and nominal trade weighted terms it is a little lower than it was two years ago. Yet in those two years the RBA's measures of commodity prices have very nearly doubled. The Gregory thesis is pretty clearly not working. (The speech reiterates a view that the economy works better today than it did in 1970 because the exchange rate responds to commodity price increases. It certainly works better but it is unlikely to be the response of the exchange rate to the terms of trade. In 1972, the last time we saw a doubling of commodity prices in a short period, the nominal trade weighted exchange rate was increased 25%. Between February 2004 and June 2006, the period of the biggest gains in commodity prices, the nominal trade weighted exchange rate fell 5%)

Dr Henry calculates that the mining sector accounts for 8% of GDP, nearly double the size used in a chart offered in a speech by RBA Assistant Governor Ric Battelino last week. Whether it is 8% or 5% or 4%, however, the ABS insists that it accounts for only 1% of employees - surely not big enough to explain what is happening to the remaining 99% of employees.

Dr Henry does make the very useful point that if the economy is already operating at close to capacity a boom in one sector is unlikely to increase the overall rate of growth. As both he and Mr Macfarlane have said have said over the last year or so, GDP growth henceforward is more likely to be in the two and three than the three and fours. The political implications of this have yet to be explored.

**John Edwards**

# Weekly Calendar

**Week commencing Monday August 28, 2006**

Country/ Region	Event or Economic Release	Period	HSBC	Market F'casts Cons	Range	Actual Previous	
<b>Monday August 28, 2006</b>							
UK	Public Holiday						
<b>Tuesday August 29, 2006</b>							
AU	Conference Board Australia June Leading Index						
US	Consumer confidence (15:00 BST)	Month	Aug	103.0	103.7	-	106.5
US	FOMC minutes (19:00 BST)		8 Aug				
<b>Wednesday August 30, 2006</b>							
AU	Construction Work Done		2Q				
AU	Retail Sales		Jul	0.5%	0.5%	-	1%
NZ	Building Permits		Jul	-3%	-	-	-13.7%
NZ	NBNZ Business Confidence		Aug				
JPN	Retail sales (00:50 BST)	Large stores	Jul	-1.0%	-	-	-1.2%
		Retail trade		0.5%	-	-	0.2%
UK	HSBC consumer index (09:30 BST)		Aug				
UK	Consumer credit & mortgages (09:30 BST)	Consumer credit GBPbn	Jul	1.0	1.0	-	0.8
		New mortgages (‘000s)		118	118	-	120
UK	CBI distributive trades report (11:00 BST)	Reported sales (% net balance)	Aug	+4	+5	-	+7
US	GDP (13:30 BST)	Quarter	Q2, prelim	3.1%	3.1%	-	2.5%
		Price deflator		3.3%	3.3%	-	3.3%
<b>Thursday August 31, 2006</b>							
AU	Private Sector Credit		Jul	1.1%	1.1%	-	1.2%
AU	Private Capital Expenditure		2Q	6%	-	-	0.6%
AU	Housing Industry Association July New Home Sales						
JPN	Industrial production (00:50 BST)	Month	Jul, prelim	0.7%	-	-	2.1%
		Year		6.8%	-	-	5.0%
JPN	Housing starts (06:00 BST)	Year	Jul	3.5%	-	-	4.7%
JPN	Construction orders (06:00 BST)	Year	Jul	5.5%	-	-	-0.2%
UK	Nationwide house prices (07:00 BST)	Month	Aug	0.2%	0.4%	-	0.8%
		Year		6.0%	6.2%	-	5.9%
EMU	GDP (10:00 BST)	Quarter	Q2, prelim	0.9%	0.9%	-	0.6%
		Year		2.4%	2.4%	-	2.0%
EMU	CPI (10:00 BST)	Year	Aug, est	2.2%	2.3%	-	2.4%
UK	Gfk Consumer confidence (10:30 BST)	Balance	Aug	-5	-5	-	-4
EMU	ECB meeting & press conference (12:45 BST rate announcement) (13:30 BST press conference)						

# Weekly Calendar (continued)

**Week commencing Monday August 28, 2006**

Country/ Region	Event or Economic Release		Period	HSBC	Market F'casts Cons	Range	Actual Previous	
US	Personal income & spending (13:30 BST)	Personal income	Jul	0.5%	0.5%	-	0.6%	
		Personal spending		0.8%	0.8%	-	0.4%	
		Core PCE deflator						
		Month			0.2%	0.2%	-	0.2%
		Year		2.4%	2.4%	-	2.4%	
US	Initial jobless claims (13:30 BST)	Week (000)	Wk 26 Aug	315	-	-	313	
US	Chicago PMI (15:00 BST)	Month (000)	Aug	57.0	57.0	-	57.9	
<b>Friday September 01, 2006</b>								
AU	AiG Performance of Mfg Index		Aug					
AU	Current Account Deficit	AUDbn	2Q	13.4	13	-	14	
EMU	PMI manufacturing (09: BST)	Index	Aug	57.2	57.4	-	57.4	
UK	PMI manufacturing (09:30 BST)	Index	Aug	53.2	53.9	-	53.8	
EMU	Unemployment (10:00 BST)	Rate	Jul	7.8%	7.7%	-	7.8%	
US	Nonfarm payrolls (13:30 BST)	Nonfarm payrolls ('000)	Aug	145	118	-	113	
		Unemployment rate			4.7%	4.8%	-	4.8%
		Average hourly earning						
		Month			0.3%	0.3%	-	0.4%
		Year		4.0%	4.0%	-	3.8%	
US	Michigan confidence (14:45 BST)	Month	Aug, final	79.5	79.0	-	78.7	
US	Construction spending (15:00 BST)	Month	Jul	-0.3%	-0.1%	-	0.3%	
US	Pending home sales (15:00 BST)	Month	Jul	-1.5%	-1.0%	-	0.4%	
US	ISM manufacturing (15:00 BST)	Month	Aug	55.0	55.0	-	54.7	
		Prices	Aug		75.0	76.2	-	78.5

**Source:- Dow Jones, Reuters, Bloomberg**
**Notes:- p=preliminary, r=revised, n.f.=not forecast, n.s.a.=not seasonally adjusted, ann.=annualised, bn=billion, m=million**

# Monthly Economic Calendar

**Week commencing September 04, 2006**

Monday September 04, 06	Tuesday September 05, 06	Wednesday September 06, 06	Thursday September 07, 06	Friday September 08, 06
AU TD Securities Inflation (Aug) AU ANZ Job Advertisements (Aug) AU Building Approvals (Jul) AU Company Operating Profit (2Q) AU Inventories (2Q) NZ ANZ Commodity Price (Aug) JN Capital Spending (2Q) UK PMI Construction (survey) (Aug) EC Euro-Zone PPI (Jul)	AU Reserve Bank September Policy-Setting Meeting AU AiG Performance of Service Idx (Aug) AU Westpac-ACCI 3rd-Qtr Survey of Industrial Trends UK PMI Services (survey) (Aug) UK BRC August Retail Sales Monitor EC Euro-zone August Composite PMI EC Euro-Zone Retail Sales (Jul)	AU RBA Cash Target (Sep) AU Gross Domestic Product (2Q) AU Gross Domestic Product (2Q) UK Nationwide Consumer Confidence (Aug) UK Bank of England's Monetary Policy Committee Meets UK Industrial Production (Jul) UK Industrial Production (Jul) UK Manufacturing Production (Jul) US ABC Consumer Confidence (Sep 5) US MBA Mortgage Applications (Sep 2) US Nonfarm Productivity (2Q F) US Unit Labor Costs (2Q F)	AU Employment Change (Aug) AU Unemployment Rate (Aug) AU Participation Rate (Aug) UK NIESR GDP Estimate (Aug) UK BOE Announces Rates (Sep 8) US ISM Non-Manufacturing (Aug) US Fed's Beige Book US Initial Jobless Claims (Sep 3) JN BoJ Monetary Policy Meeting JN Machine Tool Orders (Aug P) EC ECB Publishes Sep. Monthly Report	AU Home Loans (Jul) AU Trade Balance (Jul) AU Exports (Jul) AU Imports (Jul) JN Bank Lending (Aug) JN BoJ Target Rate (Sep 8) JN BoJ Monthly Report EC Euro-Zone OECD Leading Ind. (Jul)
Monday September 11, 06	Tuesday September 12, 06	Wednesday September 13, 06	Thursday September 14, 06	Friday September 15, 06
UK PPI Input NSA (Aug) UK Trade Balance Non EU25 GBP/Mn (Jul) UK DCLG UK House Prices (Jul) JN Gross Domestic Product (2Q F) JN Machine Orders (Jul)	AU National Australia Bank's August Business Survey UK CPI (Aug) US Trade Balance US Fed's Kohn Speaks at Payments Conference in Las Vegas US Fed's Poole Speaks at NABE Annual Meeting in Boston JN Consumer Confidence (Aug) EC Euro-zone Current Account (2Q)	AU Westpac September Consumer Confidence NZ Retail Sales (Jul) US Fed's Yellen Speaks on Economic Outlook in Emeryville JN Current Account Total (Jul) JN Industrial Production (Jul F) JN Capacity Utilization (Jul F) JN BoJ Monetary Policy Meeting Minutes	NZ RBNZ Official Cash Rate (Sep 14) NZ ANZ-Business NZ PMI (Aug) UK Retail Sales (Aug) UK RICS House Price Balance (Aug) US Import Price Index (Aug) US Advance Retail Sales (Aug) US Initial Jobless Claims (Sep 10) US Continuing Claims (Sep 3) JN Machine Tool Orders (Aug F)	NZ Manufacturing Activity (2Q) US Business Inventories (Jul) US Consumer Price Index (Aug) US Empire Manufacturing (Sep) US Industrial Production (Aug) US Capacity Utilization (Aug) US U. of Michigan Confidence (Sep P) EC Euro-Zone CPI (Aug) EC Euro-Zone CPI (Aug) EC Euro-Zone CPI - Core (Aug) EC Euro-Zone Trade Balance (Jul) EC Euro-Zone Trade Balance sa (Jul)

# Monthly Economic Calendar...(continued)

**Week commencing August 28, 2006**

Monday September 18, 06	Tuesday September 19, 06	Wednesday September 20, 06	Thursday September 21, 06	Friday September 22, 06
US Current Account Balance EC Euro-Zone Ind. Prod. (Jul)	US NAHB Housing Market Index (Sep) US Producer Price Index (Aug) US Housing Starts (Aug) US Building Permits (Aug) EC ZEW Survey (Econ. Sentiment) (Sep)	AU Westpac MI Leading Index For July AU DEWR Skilled Vacancies (Sep) UK Bank of England Minutes US ABC Consumer Confidence (Sep 19) US MBA Mortgage Applications (Sep 16) US Fed's Open Market Committee Meets on Interest Rates, Economy	AU Reserve Bank of Australia August Bulletin AU New Motor Vehicle Sales (Aug) NZ Current Account Balance (2Q) UK U.K. CBI September Industrial Trends US Initial Jobless Claims (Sep 17) US Continuing Claims (Sep 10) US FOMC Rate Decision Expected (Sep 21) JN Merchnds Trade Balance Total (Aug) EC ECB Euro-Zone Current Account (Jul)	NZ Visitor Arrivals (Aug) US Philadelphia Fed. (Sep) JN BSI Large All Industry (3Q) JN All Industry Activity Index (Jul) EC Industrial New Orders (Jul)
Monday September 25, 06	Tuesday September 26, 06	Wednesday September 27, 06	Thursday September 28, 06	Friday September 29, 06
	NZ Trade Balance (Aug) UK Nat'wide House prices (Sep) UK Total Business Investment (2Q F) US Existing Home Sales (Aug) US Existing Home Sales (Aug)	NZ Westpac NZ Consumer Confidence (3Q) UK GDP (2Q F) UK BBA releases August UK Mortgage Lending Figures UK CBI September Distributive Trades Report US Consumer Confidence (Sep) US Richmond Fed Manufact. Index (Sep) US MBA Mortgage Applications (Sep 23) US Durable Goods Orders (AUG) US Durables Ex Transportation (Aug)	AU Job vacancies (Aug) NZ NBNZ Business Confidence (Sep) US New Home Sales (Aug) US GDP Annualized (2Q F) US Continuing Claims (Sep 17) JN Large Retailers' Sales (Aug)	AU TD Securities Inflation (Sep) AU TD Securities Inflation (Sep) AU Private Sector Credit (Aug) NZ Building Permits (Aug) NZ Gross Domestic Product (2Q) UK Mortgage Approvals (Aug) UK GfK Consumer Confidence Survey (Sep) US Personal Income (Aug) US Personal Spending (Aug) US PCE Deflator (Aug) US PCE Core (Aug) US U. of Michigan Confidence (Sep F) JN Tokyo Consumer Prices (Sep) JN Industrial Production (Aug P) JN Construction Orders (Aug) EC Business Climate Indicator (Sep) EC Euro-Zone Indust. Confidence (Sep) EC Euro-Zone CPI Estimate (Sep)

The research analyst(s) who prepared this report certifies (y) that the views expressed herein accurately reflect the research analyst's(s') personal views about the subject security(ies) and issuer(s) and that no part of his/her/their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report.

#### Disclaimer

The research analyst(s) who prepared this report certifies(y) that the views expressed herein accurately reflect the research analyst's(s') personal views about the subject security(ies) and issuer(s) and that no part of his/her/their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report.

*In this publication, HSBC Group means HSBC Bank plc, its subsidiaries and associate undertakings, and any of their branches.*

This document is issued in Australia by HSBC Bank Australia Limited (ABN 48 006 434 162) AFSL No. 232595 and HSBC Bank plc – Sydney Branch (ABN 98 067 329 015) AFSL 232596 (together "HBAU") for the general information of its "wholesale" customers (as defined in the Corporations Act 2001). It makes no representations that the products or services mentioned in this document are available to persons in Australia or anywhere else or are necessarily suitable for any particular person or appropriate in accordance with local law. No consideration has been given to the particular investment objectives, financial situation or particular needs of any recipient.

It is issued in New Zealand on behalf of The Hongkong and Shanghai Banking Corporation Limited and is being provided to recipients otherwise than as a member of the "public" under the Securities Act 1978 (the Act). By accepting this document in New Zealand each recipient is deemed to have acknowledged that the recipient is a person whose principal business is the investment of money or the recipient in the course of and for the purposes of the recipient's business habitually invest money in terms of section 3(2)(iii) of the Act. All recipients are prohibited from copying or distributing any material in this document to any person and in particular should not distribute any material in this document to any member of the public in New Zealand in terms of the Act.

Any distribution of this document in the United Kingdom is intended for persons of a kind described in Articles 11(3) of the Financial Services Act 1986 (Investment Advertisements)(Exemptions) Order 1966 (as amended). The protection afforded by the regulatory regime in the United Kingdom are available only to those dealing with a representative of HSBC Bank plc in the United Kingdom.

Any distribution of this document in the United States is intended solely for "major US institutional investors" (as defined in Rule 15a-6 of the US Securities Exchange Act of 1934). Such recipients should note that any transactions effected on their behalf will be undertaken through HSBC Securities (USA) Inc. in the United States. Each major US institutional investor that receives this document by such act agrees that it shall not distribute or provide a copy of this document to any other person.

This document is not and should not be construed as an offer to sell, purchase or subscribe for any investment or a solicitation of such an offer.

The information in this document is derived from sources HBAU believes to be reliable but which have not been independently verified. All charts and graphs are from publicly available sources or proprietary data. HBAU makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy or completeness of any information. HBAU is not responsible for errors of transmission of factual or analytical data, nor shall it be liable for damages arising out of any person's reliance upon any information in this document. The opinions in this document constitute the present judgement of HBAU and are subject to change without notice.

A member of the HSBC Group and its affiliates and/or their officers, directors and employees may have positions in any securities or instruments or related investments mentioned in this document and may from time to time add to or dispose of any such securities instruments or investments. A member of the HSBC Group and its affiliates may act as market maker or have assumed an underwriting commitment in the securities or instruments of any companies, or in any securities or instruments or related investments, mentioned in this document; or may sell or buy them on a principal basis. Brokerage or fees may be earned by a member of the HSBC Group or its affiliates in respect of any business transacted by them in all or any of the securities or instruments referred to in this document. A member of the HSBC Group may also perform or seek to perform banking or underwriting services for or relating to any companies mentioned in this document.

This document is intended to be distributed in its entirety. It may not be further distributed in whole or in part for any purpose.

Unless governing law permits otherwise, you must contact a HSBC Group member in your home jurisdiction if you wish to use HSBC Group services in effecting a transaction in any investment mentioned in this document.

© Copyright. HSBC Bank Australia Ltd 2004, ALL RIGHTS RESERVED. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Bank Australia Ltd. (May 2004)

#### HSBC Bank Australia Limited

HSBC Centre  
580 George Street  
Sydney, NSW 2000  
Australia  
Telephone: +61 2 9006 5888  
Fax: +61 2 9255 2205  
Website: [www.hsbc.com.au](http://www.hsbc.com.au)

#### The Hongkong and Shanghai Banking Corporation Limited

1 Queen Street  
Auckland  
New Zealand  
Telephone: +64 9 308 8888  
Fax: +64 9 918 8699  
Website: [www.markets.hsbc.com](http://www.markets.hsbc.com)