

## Overview

### Interest Rates

The ECB slightly disappointed markets by only cutting 25bps in April, taking its headline rate down to 1.25%. While President Trichet signalled that a further rate cut is probable, it seems that the ECB is unlikely to cut below 1%, instead will opt for unconventional measures from May. Meanwhile, the BoE and Federal Reserve Bank have been concentrating on Quantitative Easing (QE) measures, both expanding their balance sheets at a rapid pace. We suspect that both will have to do more before starting to tighten policy in the second half of 2010.

### Foreign Exchange

The foreign exchange market has followed broader markets into greater risk-seeking territory in recent weeks, resulting in gains for higher-yielding currencies and those more closely linked to the performance of the financial sector. Gains in the British pound, and the Australian and New Zealand dollars have come at the expense of the more risk-averse US dollar and Yen. But while equity markets have been broadly pushing higher, major FX markets have struggled to stay as directional.

### Commodities

There have been two offsetting forces in commodity markets of late. We have witnessed the paring back of fundamental demand for commodities associated with the dramatic decline in global economic growth. But this has been met to some degree by a cut in supply, even though prices fell quite dramatically across most commodity classes over 2008.

### Inflation-linked Swaps

A relatively quiet period in March for the UK inflation market as the Bank of England maintained their current QE policy stance. RPI swaps drifted wider into quarter-end as stronger equity markets highlighted the potential inflationary consequences of the current economic situation. Last week's IL32 auction was well supported and prompted significant asset swap activity, pushing 20y/30y RPI swaps softer after the auction. Subsequently the 10y-30y swap curve has flattened around 15bps from 37 to 22, and the longer end continues to normalise with 30y-50yr at -10bps compared to last Summer's -40bp extreme.

### Contents

Interest Rates	2
Inflation-linked Swap Commentary	3
Foreign Exchange	4
Commodities	5
Forecasts	6
Contact Details	7

### Fizz Quiz:

Can you name these famous golf courses?



Please send answers to [corporate.quiz@eu.nabgroup.com](mailto:corporate.quiz@eu.nabgroup.com) by the end of April for your chance to win the champagne.

Congratulations to John Barbour from Investec for winning March's competition. A bottle of champagne is on its way!

### Conditions of entry:

1. All completely correct entries will go into a randomly-selected draw for the prize.
2. The judge's decision will be final and no correspondence will be entered into.
3. If there are no correct entries then the prize will jackpot to the next edition of the 'Fizz Quiz'.

Further publications on Commodities, Markets and Economic Commentary can be found on our website:

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

## Interest Rates

The **European Central Bank (ECB)** chose to cut its main refinancing rate by 25bps in April to 1.25%, surprising both ourselves and the rest of the market who had been looking for a 50bps cut.

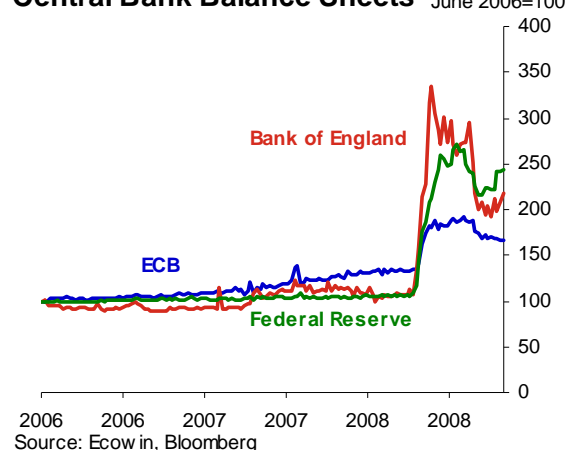
In describing the reasons behind the 25bps rate cut, a defensive ECB President Trichet reminded everyone at the press conference after the decision that the Bank had now cut by a total of 300bps since 8th October 2008. And while Trichet accepted that economic activity in the eurozone remained 'very weak in early 2009', he indicated the economy '... is expected to gradually recover in 2010'. And with economic stimulus and measures to restore the financial system occurring both inside and outside the eurozone, the ECB sees the risks to growth as balanced. Under further questioning, Trichet accepted that the refinancing rate could be cut further, but also signalled that a further fall in the deposit rate was unlikely. It seems the ECB has made no decision currently on whether it needs non-standard 'quantitative easing' type measures, or if so which ones to implement. We therefore believe that the ECB will cut its key refinancing rate by a further 25bps in May, while keeping its deposit rate on hold at 0.25%. The borrowing rate is likely to be cut to 2%, with the ECB then claiming that there is little room for further rate cuts. With the ECB doing less than other central banks, we still believe that the eurozone will struggle to grow this year and next.

Both the **Federal Reserve** and the **Bank of England** have currently run out of road as far as conventional interest cuts are concerned. The FOMC reached this back in December, cutting the federal funds rate to a 0 to 0.25% range. The Monetary Policy Committee took a while longer, but got there in the end, cutting rates to 0.5% at the March meeting. The MPC could still theoretically cut rates again, but it appears to be persuaded that further reductions would do more harm than good by squeezing bank lending margins.

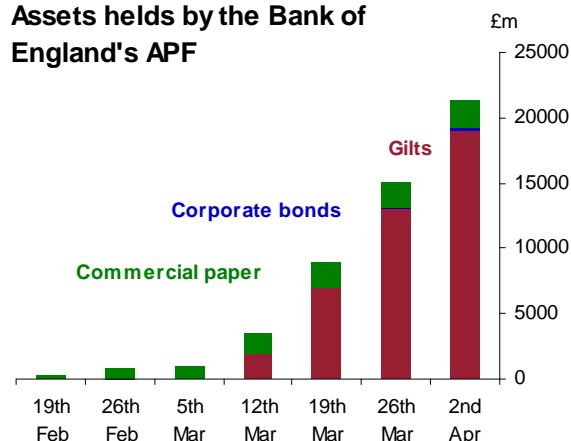
Both Committees are now focussed on non-conventional approaches to directly boosting the money supply through the purchase of assets from 'central bank money', though they are following slightly different approaches. In the case of the FOMC, the Committee is buying mainly Mortgage Backed Securities (MBS), with a target level of purchases of up to \$1.25 trillion this year. At its March meeting the FOMC also augmented this approach with a decision to purchase up to \$300 billion of longer-term Treasury securities over the next six months. In the case of the Bank of England, the MPC is looking to buy up to £150billion worth of assets. While some of this will be in corporate bonds and commercial paper, the majority will be in Gilts. The differences between the two approaches are partly a function of the nature of the degree of disintermediation in the financial system. In the US there is a stronger link between the yields on MBS and the mortgage rates faced by customers, given the historically high proportion of securitisation. So the FOMC's aiming of asset purchases at MBS is a useful way of lowering the cost of mortgages. In contrast in the UK more lending stays on the books of the banks rather than is sold on. Under these conditions it makes more sense to try and lower the cost of funding across a broader range of assets.

But in terms of scale both QE approaches are similar, being worth around 10% of GDP in the respective countries. It's also too early to say in either case whether the policy is being successful, though there are a few positive signs in the UK with the Bank's lending survey suggesting credit conditions are easing. We expect more of the same from both institutions over the rest of this year, with asset purchases continuing and possibly being stepped up; we would not expect any unwinding of purchases until the second half of 2010.

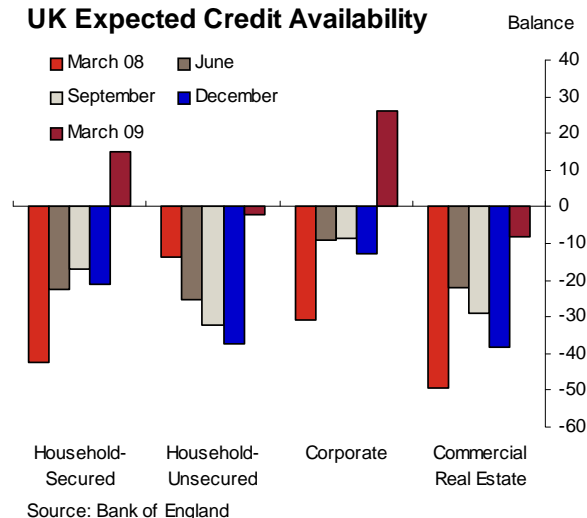
## Central Bank Balance Sheets



## Assets held by the Bank of England's APF



## UK Expected Credit Availability



## Inflation-linked swap commentary

The upward pressure that sterling's fall has had on input and food prices has had a somewhat firmer effect on consumer price inflation than the market was expecting. CPI inflation rose 0.9% in February, taking annual inflation up to 3.2% from 3.0%. That prompted a letter from the Governor to the Chancellor, who went on to explain that the rise in inflation was concentrated in those components with a high import share.

Looking forward, we expect CPI inflation to resume its downward trend in coming months. In part that reflects the dropping away of oil price inflation in the annual calculation. Cuts in utility bills coming in March and April will also bear down on overall inflation, and we expect sterling to continue to make gains against the dollar and the euro, which will moderate import price pressures in due course.

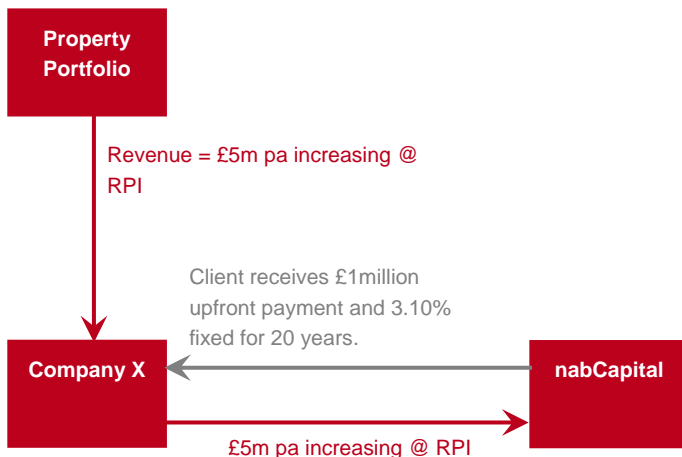
Looking beyond the next year or so however, there is a nagging worry taking hold that the policy of money creation being followed by central banks, including the BoE, will eventually lead to higher inflation. Reflecting this, longer dated breakeven inflation rates continue to edge higher.

A relatively quiet period last month for the UK inflation market as the Bank of England maintained their current QE policy stance. RPI swaps drifted wider into quarter-end as stronger equity markets highlighted the potential inflationary consequences of the current economic situation. Last week's IL32 auction was well supported and prompted significant asset swap activity, pushing 20y/30y RPI swaps softer after the auction. Subsequently the 10y-30y swap curve has flattened around 15bps from 37 to 22, and the longer end continues to normalise with 30y-50yr at -10bps compared to last Summer's -40bp extreme.

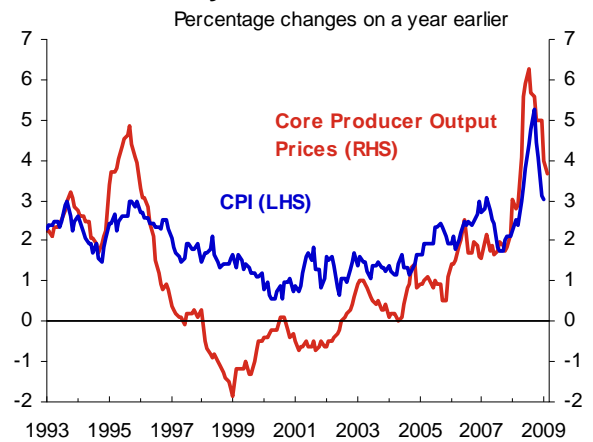
This week we have a IL37 mini tender, but the main focus will be on next week's Budget with many expecting a larger proportion of Linker issuance. Such an increase is already priced into the market, although any surprise is still likely to be on the high side.

### Inflation hedging strategy

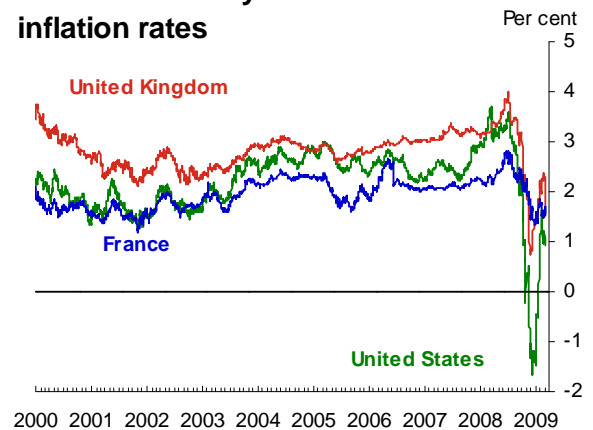
Clients who receive a stream of cashflows which have an RPI up-lift e.g. property companies, should consider locking into the current favourable high yields by receiving fixed inflation and paying floating RPI. As an alternative to receiving fixed at 3.70% for 20 yrs the client could consider a swap where they receive a £1 million upfront payment and lock into a rate of 3.10% for 20 years. Company X has protected their revenue from falling inflation and enhanced cashflow in the first year.



### UK Inflationary Pressures



### International 10 year break-even inflation rates



### UK 20-year inflation-linked zero coupon yield



## Foreign Exchange

The foreign exchange market has followed broader markets into greater risk-seeking territory in recent weeks, resulting in gains for higher-yielding currencies and those more closely linked to the performance of the financial sector. Gains in the British pound, and the Australian and New Zealand dollars have come at the expense of the more risk-averse US dollar and Yen. But while equity markets have been broadly pushing higher, major FX markets have struggled to stay as directional.

A broad **US dollar** sell-off following the 18th March FOMC statement on quantitative easing, looked to be setting the scene for a sizeable slide in the dollar. But that slide hit something of a roadblock a week later and short positions were squeezed, particularly against GBP and the EUR. However, the USD was unable to recover all its losses with key supports holding in GBP/USD and EUR/USD. With a resumption of the weaker USD/higher risk appetite scenario in April other USD pairs such as AUD/USD and NZD/USD did not fall back to pre-Fed statement levels.

Evidence of some stabilisation in economic data across a number of countries has been a big help in turning sentiment, as has the initial reaction to the G20 summit and a change to US accounting rules on valuing toxic assets. We are wary on the medium-term implications of the latter two – the G20 claim of a '\$1trillion' boost to the global economy is nowhere near this amount in actual new money, with much of it either promised or essentially an increase in credit limits. Only those that really need the aid will go to the IMF and we do not see major industrialised countries, especially the UK taking this path for fear of reviving painful memories of the 1970s.

But for the moment however, a more positive outlook for emerging markets thanks to additional IMF funding is aiding general sentiment as well as lifting the pessimistic mood on troubled Eastern Europe – a modest boon for the euro too. The ECB has delayed revealing details on non-conventional measures such as quantitative easing until its May meeting and the question remains over whether it will use them. We believe that for now despite poor eurozone data, the euro can hold up against the USD and JPY but will struggle against sterling.

**Sterling** has been on the charge of late. We have argued for some time against getting bearish on GBP below \$1.4 and above £0.95 in EUR/GBP. Much of the earlier weakness in sterling has been related to concerns over UK banking, quantitative easing (QE) and the deterioration in the UK's public finances. But many of these arguments are either not robust or sustainable in terms of their negative impact on the pound. And some of these fears have eased as other economies have also moved to QE and will suffer similar fates in terms of fiscal deterioration over time.

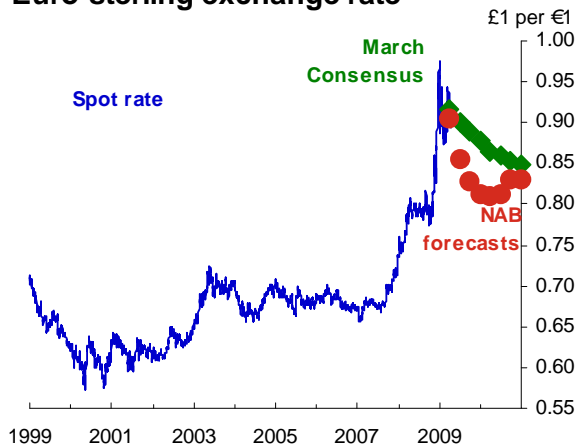
As market sentiment has picked up, sterling has benefited from a strong rally in financial stocks and an improvement in economic data. Signs of a move towards stabilisation are evident in the UK manufacturing and service sector PMIs and mortgage approvals. The UK economy faces considerable headwinds, but on a relative basis is out-performing many of its peer countries. And with the door open to QE and data in Europe falling away, we suspect the euro will struggle to keep up with GBP, the AUD and NZD against a weaker USD. Hence we look for EUR/GBP to return to a 0.86-0.9080 range.

The **Japanese Yen** has resumed its decline as broader market optimism has picked up and as Japan's economic situation continues to deteriorate. We continue to believe the development of a trade deficit will lead to an additional risk premium on the JPY. Capital flow data supports the case for continued overseas investment as the new financial year gets going. We prefer to wait for a clear break of 101.70 before buying USD/JPY.

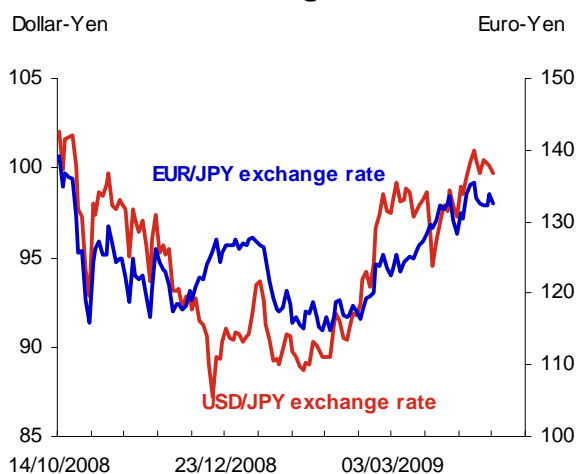
### US dollar effective exchange rate



### Euro-sterling exchange rate



### Yen bilateral exchange rates



## Commodities

There have been two offsetting forces in commodity markets of late. We have witnessed the paring back of fundamental demand for commodities associated with the dramatic decline in global economic growth. But this has been met to some degree by a cut in supply, even though prices fell quite dramatically across most commodity classes over 2008. In the short term, significant government spending packages have ignited some interest in commodities from investors amid fears of inflation and a devaluing of the greenback. Nevertheless, prices are expected to fall further over 2009 with the re-negotiation of contract prices for some commodities and the continued slowing in global production until the bottom of the economic cycle in Q1 2010.

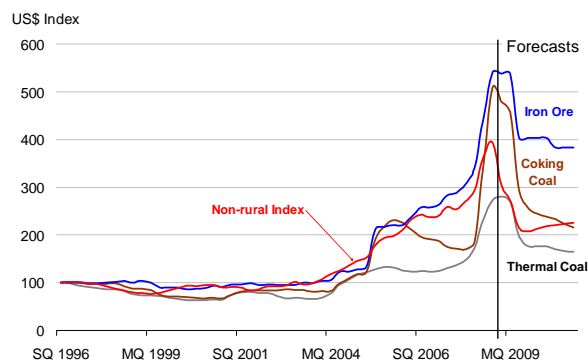
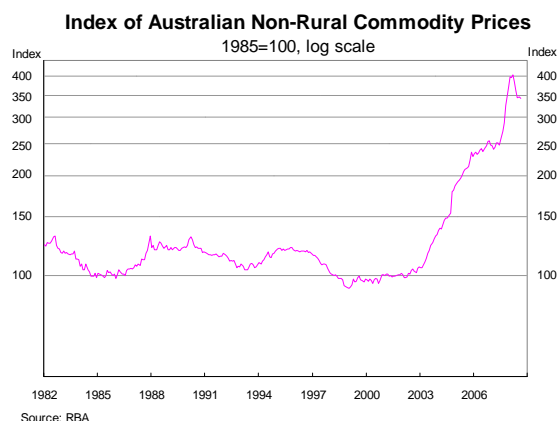
The price of **oil** has weakened considerably due to a decline in global transport activity along with a fall in demand for fuel oil as global production has slowed. OPEC cut production at the December 2008 meeting. However, OPEC then left output targets unchanged at the March meeting (though agreed to enforce supply curbs more strictly), citing some evidence that output cuts so far are starting to remove excess oil from the market. Since late 2008, OPEC oil supply has fallen markedly whilst production capacity has remained broadly flat. This has caused an increase in spare oil production facilities to levels not seen since the early 2000's. The implication for the oil price is that once demand for oil does rebound, an appropriately timed supply response is likely, causing a gradual price recovery instead of a sudden spike when world economic activity returns to grow at around trend.

Contract price negotiations for iron ore and coal contracts are currently underway. A benchmark for coking coal prices has been set with Nippon Steel and BMA (BHP Billiton-Mitsubishi Corp) agreeing to a price of \$128-\$129 a tonne. This is down almost 60 per cent from 2008-09 contract prices. While iron ore contracts are still being negotiated, Chinese steel mills are pushing miners for drastically reduced provisional prices until an agreement is struck; Rio Tinto and Vale are offering steel mills discounts of 20 per cent to JFY2008-09 benchmark prices, but steel producers are reportedly pushing for around a 40 per cent reduction in the interim period.

In the last month there have been signs that the substantial falls in **base metal prices** may have subsided. Copper has rallied in recent months, in line with global equity markets, from around \$3200 per tonne in early February to \$4000 per tonne for cash buyers. That said, much of the demand for copper has originated from China, with reports suggesting that Beijing's State Reserves Bureau have been increasing strategic stocks of the metal. This indicates that the current rally in the copper price may have little to do with economic fundamentals, diminishing its use as a signal of future global growth as some commentators have suggested.

The **gold price** declined over much of 2008 in line with other commodities, as economies around the world began to slow rapidly and investors started to comprehend the decline in global demand that was underway. By the end of the year, however, the price had bounced, appearing to bottom at a high real level by historical standards. The recent rally in the gold price has appeared to mostly reflect investors seeking to increase holdings in response to the uncertainty surrounding the world economy. In addition to this, the announcement of the Federal Reserve plan to buy US treasuries – under an informal 'quantitative easing' policy – has fuelled fears of a depreciation of the US dollar and future inflation, causing investors to move into gold as a hedging strategy.

**Gerard.Burg@Nab.com.au**



## Forecast Table

### Interest Rates

		Jun-08	Sep-08	Dec-08	Mar-09	Now 14/04/2009	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
<b>United States</b>	Repo	2.00	2.00	0.25	0.25	0.25	0.13	0.13	0.13	0.13	1.0	1.5	2.0
	3mth Libor	2.78	4.05	1.43	1.19	1.13	0.93	0.73	0.63	1.00	1.75	2.00	2.00
	2yr Gov	2.62	1.96	0.76	0.80	0.88	2.47	2.71	3.09	3.00	3.00	4.00	5.00
	3yr Swap	3.90	3.67	1.75	1.69	1.82	2.87	3.04	3.42	3.33	3.33	4.33	5.33
	10yr Gov	3.97	3.82	2.21	2.66	2.86	2.60	2.80	3.00	3.20	3.40	3.60	3.80
	10yr Swap	4.67	4.43	2.60	2.90	3.07	3.10	3.30	3.50	5.00	5.00	6.00	7.00
<b>United Kingdom</b>	Repo	5.00	5.00	2.00	0.50	0.50	0.50	0.50	0.50	0.50	1.00	1.50	2.50
	3mth Libor	5.95	6.30	2.77	1.65	1.56	2.00	1.75	1.60	1.50	2.10	2.70	3.20
	3yr Gov	5.20	4.06	1.82	2.01	2.10	2.90	3.10	3.20	3.60	4.00	4.00	4.00
	3yr Swap	6.23	5.27	2.88	2.48	2.58	3.00	3.30	3.40	3.80	4.20	4.20	4.20
	10yr Gov	5.13	4.45	3.02	3.17	3.24	3.50	3.50	3.50	3.60	3.80	4.00	4.20
	10yr Swap	5.66	5.05	3.45	3.61	3.71	3.75	3.75	3.75	3.90	4.10	4.30	4.50
<b>Eurozone</b>	Repo	4.00	4.25	2.50	1.50	1.25	1.00	1.00	1.00	1.00	1.00	1.50	2.50
	3mth Libor	4.95	5.27	2.89	1.51	1.43	1.80	1.60	1.50	1.50	1.30	1.80	2.80
	3yr Gov	4.61	3.59	1.85	1.65	1.75	2.00	2.20	2.30	2.50	3.00	3.50	4.00
	3yr Swap	5.29	4.63	2.96	2.14	2.28	2.40	2.42	2.52	4.70	4.70	4.70	4.70
	10yr Gov	4.62	4.02	2.95	2.99	3.21	3.20	3.20	3.20	3.30	3.50	3.70	3.90
	10yr Swap	5.05	4.67	3.74	3.38	3.57	3.52	3.52	3.52	3.60	3.80	4.01	4.22

### Interest Rates

		Jun-08	Sep-08	Dec-08	Mar-09	Now 14/04/2009	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
<b>Australia</b>	Repo	7.25	7.00	4.25	3.25	3.00	2.50	2.00	2.00	2.00	2.50	2.75	3.25
	10yr Gov	6.00	6.00	6.00	6.00	4.61	4.10	4.30	4.40	4.50	4.70	4.90	5.10
<b>New Zealand</b>	Repo	8.25	7.50	5.00	3.00	3.00	2.00	2.00	2.00	3.00	3.75	4.25	4.75
	10yr Gov	6.20	6.20	6.20	6.20	5.33	4.40	4.50	4.60	4.80	5.20	5.60	6.00

### Foreign Exchange

	Jun-08	Sep-08	Dec-08	Mar-09	Now 14/04/2009	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10
EUR/USD	1.57	1.41	1.40	1.32	1.33	1.45	1.45	1.45	1.46	1.47	1.47	1.47
USD/JPY	106.19	106.19	90.79	99.35	99.7	87	89	93	95	97	98	100
GBP/USD	1.99	1.78	1.46	1.43	1.49	1.66	1.72	1.74	1.77	1.77	1.77	1.77
EUR/GBP	0.79	0.79	0.96	0.92	0.89	0.87	0.84	0.83	0.82	0.83	0.83	0.83
USD/CAD	1.02	1.06	1.22	1.26	1.22	1.15	1.12	1.08	1.08	1.08	1.08	1.08
EUR/CHF	1.61	1.58	1.49	1.51	1.52	1.58	1.61	1.64	1.65	1.66	1.66	1.66
EUR/SEK	9.49	9.76	10.96	10.93	10.87	11.00	10.00	9.50	9.30	9.30	9.00	9.00
EUR/NOK	8.02	8.28	9.71	8.94	8.79	8.75	8.50	8.00	8.00	8.00	8.00	8.00
AUD/USD	0.96	0.79	0.70	0.69	0.73	0.75	0.77	0.79	0.80	0.80	0.80	0.80
AUD/GBP	0.48	0.44	0.48	0.48	0.49	0.45	0.45	0.45	0.45	0.45	0.45	0.45
NZD/USD	0.76	0.67	0.59	0.57	0.59	0.58	0.60	0.63	0.65	0.65	0.65	0.65
NZD/GBP	0.38	0.38	0.40	0.40	0.40	0.35	0.35	0.36	0.37	0.37	0.37	0.37
USD/ZAR	7.82	8.33	9.41	9.52	8.99	10.00	10.20	9.50	9.00	9.00	9.00	9.00
GBP/ZAR	15.57	14.83	13.72	13.61	13.38	16.60	17.54	16.53	15.93	15.93	15.93	15.93

## Main Offices

### London

88 Wood Street, London EC2V 7QQ  
T +44 (0) 20 7710 2100

### Sydney

Level 27, 255 George Street, SYDNEY NSW 2000  
T +61 (0) 2 9295 1166

### Wellington

BNZ, 1 Willis Street/P.O. Box 2392, WELLINGTON  
NZ  
T +64 (0) 4 473 3791

### Melbourne

Level 32, 500 Bourke Street, MELBOURNE VIC 3000  
T +61 (0) 3 9277 3321

### New York

National Australia Capital Markets LLC  
Level 28, 245 Park Avenue, New York, NY 10167  
Toll free 877-377-5480 T +1 (0) 212 916 9677

### Hong Kong

1 Pacific Place, 88 Queensway, Hong Kong  
T +(85 2) 2822 9801

### Singapore

5 Temasek Boulevard #15-01  
Suntec City Tower, Singapore 0103 88  
T +(65) 6332 2993

### Tokyo

National Australia Capital Markets (Japan) Co.  
Mitsui Nigokan, 2-1-1 Nihonbashi-Muromachi  
Chuo-ku 103-0022  
T +(81 3) 3270 5691

## Contacts

### Corporate Sales

Nicola Jolley	Head of Corporate Sales – UK	+44 (0) 20	7600 6065
Mark Roche	Interest Rate / Inflation	+44 (0) 20	7600 6065
Rich Moore	Interest Rate / Inflation	+44 (0) 20	7600 6065
Richard Hill	Interest Rate / FX	+44 (0) 20	7600 6065
Alasdair Smith	Interest Rate / FX	+44 (0) 20	7600 6065
David Harrington	FX / Commodities	+44 (0) 20	7796 3091
Stephen Royce	FX / Commodities	+44 (0) 20	7796 3091
Olivia Core	FX / Commodities	+44 (0) 20	7796 3091

### Treasury Solutions

Neil Pickard	Head of Treasury Solutions – UK	+44 (0) 20	7710 2913
David McGill	Head of Treasury Solutions – North	+44 (0) 14	1242 4004
Linda Clark	Manager	+44 (0) 14	1242 4002

### FX Options

Andy Tyrell-Clark	Global Head of FX Options	+44 (0) 20	7710 2950
Robert Davies	Structured FX Options Trader	+44 (0) 20	7726 2978

### Research

Tom Vosa	Head of Market Economics – UK	+44 (0) 20	7710 1573
Nick Parsons	Head of Strategy -UK	+44 (0) 20	7710 2993
David Tinsley	UK Economist	+44 (0) 20	7710 2434
Gavin Friend	Markets Strategist	+44 (0) 20	7710 2155

## Important Notices

**ANALYST DISCLAIMER:** The person or persons named as the author(s) of this report hereby certify that the views expressed in the research report accurately reflect their personal views about the subject securities and issuers and other subject matters discussed. No part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report. Research analysts responsible for this report receive compensation based upon, among other factors, the overall profitability of the Markets Division which is part of nabCapital a division of National Australia Bank Limited, a member of the National Australia Bank Group ("NAB"). The views of the author(s) do not necessarily reflect the views of NAB and are subject to change without notice. NAB may receive fees for banking services provided to an issuer of securities mentioned in this report. NAB, its affiliates and their respective officers, and employees, including persons involved in the preparation or issuance of this report (subject to the policies of the National), may also from time to time maintain a long or short position in, or purchase or sell a position in, hold or act as advisors, brokers or commercial bankers in relation to the securities (or related securities and financial instruments), of companies mentioned in this report. NAB or its affiliates may engage in these transactions in a manner that is inconsistent with or contrary to any recommendations made in this report.

**AUSTRALIAN DISCLAIMER:** National Australia Bank Limited (ABN 12 004 044 937, AFSL 230686), its affiliates, related bodies and any officer, employee, agent, adviser or contractor thereof ("NAB") does not warrant or represent that the information, recommendations, opinions or conclusions contained in this document ("Information") is accurate, reliable, complete or current. The Information has been prepared for dissemination to professional investors for information purposes only and any statements as to past performance do not represent future performance. The Information does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. In all cases, anyone proposing to rely on or use the Information should independently verify and check the accuracy, completeness, reliability and suitability of the Information and should obtain independent and specific advice from appropriate professionals or experts. The Information is not intended as an offer or solicitation for the purchase or sale of any financial instrument. To the extent permissible by law, NAB shall not be liable for any errors, omissions, defects or misrepresentations in the Information or for any loss or damage suffered by persons who use or rely on such Information (including by reason of negligence, negligent misstatement or otherwise). If any law prohibits the exclusion of such liability, NAB limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. NAB may hold a position or act as a price maker in the financial instruments of any issuer discussed within this document or act as an underwriter, placement agent, adviser or lender to such issuer. The Information is governed by, and is to be construed in accordance with, the laws in force in the State of Victoria, Australia, and any dispute or claim arising from, or in connection with, the Information is subject to the non-exclusive jurisdiction of the courts of that State.

**UK DISCLAIMER:** So far as the law and the Financial Services Authority rules allow, nabCapital - A division of National Australia Bank Limited ("NAB") disclaims any warranty or representation as to the accuracy or reliability of the information and statements in this document. NAB will not be liable (whether in negligence or otherwise) for any loss or damage suffered from relying on this document. This document does not purport to contain all relevant information. In accordance with our Terms of Business, if we agree to provide you with investment advice, we are only advising you on the products, services and transactions provided by us or an Associate. It is your responsibility to seek further advice if your circumstances change. We shall not be responsible for reviewing the suitability of any transaction on an ongoing basis. If we effect a transaction with or for you following provision of advice by us, you accept the basis upon which this advice was given. NAB may have proprietary positions in the products described in this document. This document is for information purposes only, is not intended as an offer or solicitation, nor is it the intention of NAB to create legal relations on the basis of the information contained in it. No part of this document may be reproduced without the prior permission of NAB. NAB has its UK branch (number BR001924) at 88 Wood Street, London EC2V 7QQ and its registered office at Level 35, 500 Bourke Street, Melbourne, Victoria 3000, Australia. National Australia Bank Limited is authorised and regulated in the United Kingdom by the Financial Services Authority ("FSA"). Our FSA reference number is 141309.

**U.S. DISCLAIMER:** This information has been prepared by National Australia Bank Limited or one of its affiliates or subsidiaries ("NAB"). If it is distributed in the United States, such distribution is by nabCapital Securities, LLC which accepts responsibility for its contents. Any U.S. person receiving this information wishes further information or desires to effect transactions in the securities described herein should call or write to nabCapital Securities, LLC, 28th Floor, 245 Park Avenue, New York, NY 10167 (or call (877) 377-5480). The information contained herein has been obtained from, and any opinions herein are based upon, sources believed to be reliable and no guarantees, representations or warranties are made as to its accuracy, completeness or suitability for any purpose. Any opinions or estimates expressed in this information is our current opinion as of the date of this report and is subject to change without notice. The principals of nabCapital Securities, LLC or NAB may have a long or short position or may transact in the securities referred to herein or hold or transact derivative instruments, including options, warrants or rights with securities, or may act as a market maker in the securities discussed herein and may sell such securities to or buy from customers on a principal basis. This material is not intended as an offer or solicitation for the purchase or sale of the securities described herein or for any other action. It is intended for the information of clients only and is not for publication in the press or elsewhere.