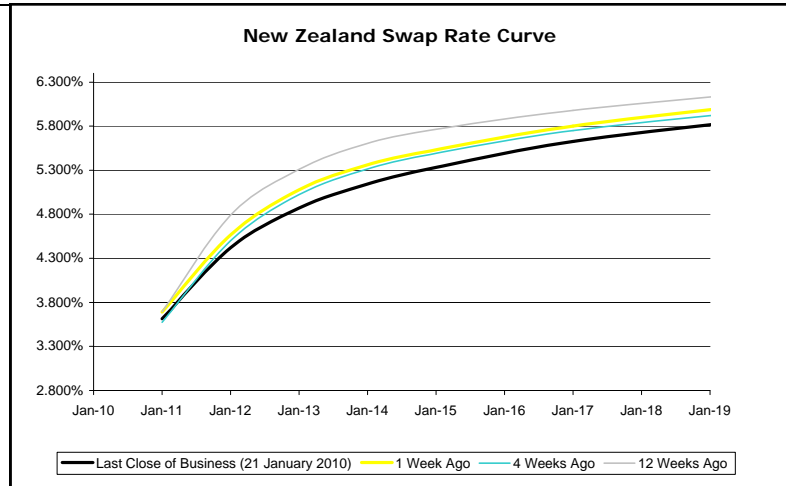


Market Commentary
Consumer Price Index (CPI)

The December quarter CPI came in on RBNZ expectation, with a decline of 0.2%. This is slightly below the market expectation of no change to the last quarter. Food prices drove the decline in tradable inflation, with the main contribution coming from lower vegetable prices. Moreover, inflation in housing appears to be contained for now, with construction costs only increasing 0.4%.

SWAP rates and the New Zealand dollar have tumbled after the news, with the NZ dollar losing 70 basis points against the US dollar by the end of the announcement date.

The key implication for the Reserve Bank is that near-term inflation is benign enough to keep the RBNZ comfortable in the short term. We expect the Reserve Bank to hold the OCR unchanged in January and March, and raise the OCR by 50 basis points in April.


Points of Interest

- State owned energy company **Meridian Energy** has announced an offer of 2 tranches of unsecured unsubordinated fixed rate bonds. The issue size is \$150 million with ability to accept \$50 million oversubscription. These bonds carry a credit rating of BBB+ from Standard and Poor's. The minimum interest rate and margin will be set by a book build on 25 February 2010. Meridian Energy has applied to list on the NZDX market on 1 March 2010.

Tranche 1	16 March 2015	Indicative interest rate 7% - 7.5%
Tranche 2	16 March 2017	Indicative interest rate 7.5%- 8%

Please contact your investment advisor by 27 January if you would like register your interest.

- Fonterra** announced it is considering making an offer of senior unsecured bonds. The offer is expected to open in February/ March 2010. The issue size will be for a maximum of \$250 million. Fonterra intends to use any money raised for general business purposes. Please contact your investment adviser if you would like to express your interest in this planned offer.

- Trustpower** has successfully completed its 5 and 7 year senior bond issues raising \$131 million. The interest rate for the 2014 maturity has been set at 7.6% and the rate for the 2016 maturity has been set at 8%. These 2 Trustpower bonds will list on the NZDX market from 23 December under stock code TPW080 and TPW090.

Trustpower has allocated an extra \$25 million 2016 senior bond to a public pool. This pool will be open until 27 January 2010. Please contact your investment advisor as soon as possible if you would like to apply for an allocation in the 2016 public pool as these bonds are allocated on a first in first served basis.

Swap Rates as at 21 January 2010	
1 Year Swap Rate	3.64%
2 Year Swap Rate	4.46%
3 Year Swap Rate	4.91%
5 Year Swap Rate	5.36%
10 Year Swap Rate	5.94%

Wholesale market	
Official Cash Rate	2.50%
90 Day Bank Bills	2.79%
US 10 year bond	0.00%
Gold per oz (USD)	\$1,112.80
NZD vs USD	\$0.7221

Term Investment Rates as at 21 January 2010

Issuer	Freq	3mths	6mths	1 yr	2 yrs	3 yrs	4 yrs	5 yrs
ASB BANK AA Rated								
\$5,000 - \$9,999	4	3.00	3.00	3.00	3.00	3.00	3.00	3.00
\$10,000 - \$49,999	4	3.75	4.80	5.00	5.50	6.00	6.25	6.75
\$50,000 - \$99,999	4	3.75	4.80	5.00	5.50	6.00	6.25	6.75
Kiwi Bonds AAA Rated								
\$1,000 - \$500,000	4	-	2.50	2.75	3.75	-	-	-
Marac Finance BB+ Rated								
\$1,000 - \$49,999	4	5.00	5.25	5.75	7.00	8.00	8.00	8.00
\$50,000 - \$250,000	4	5.00	5.25	5.85	7.00	8.00	8.00	8.00
Tax Paid Marac Bonds								
Minimum \$1,000	4	Not currently available						
Fisher & Paykel Finance								
New Investment	4	4.50	5.75	6.50	7.25	7.50	7.50	7.50
Reinvestment	4	5.00	6.25	7.00	7.75	8.00	8.00	8.00
South Canterbury Finance BB+ Rated								
Min \$5k Secured Debenture	4	4.50	6.00	7.50	8.00	8.50	8.50	8.50
Special		8% specific maturity date 11/10/2010						
UDC Finance AA Rated								
\$5,000 - \$99,999	4	-	-	4.70	5.75	6.25	6.40	7.05
\$5,000 - \$99,999	1	3.75	4.15	4.80	5.75	6.25	6.40	7.05
\$100,000+	4	-	-	4.70	5.75	6.25	6.50	7.15
\$100,000+	1	3.75	4.25	4.80	5.75	6.25	6.50	7.15

Disclosure statements produced under the Securities Market Act 1988 are available on request and free of charge.

To discuss any of these investments please talk to your advisor or contact the Fixed Interest Service

Fixed interest Service Contacts: Wayne Yau 0800 272 732 option 4,

www.asbsecurities.co.nz, fixed.interest@asb.co.nz

Rates shown are market prices and subject to change, and availability. Interest rates are quoted on a per annum basis.

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ASB Securities Limited is an NZX Primary Market Participant (NZX Firm)

Secondary Market Issues as at 21 January 2010

Security Issuer	Rating	Minimum Investment	Maturity	Coupon %	Int Freq	Yield %	Price per \$100
Government Stock							
NZ Government Stock	AAA	\$10,000	15-Nov-11	6.00%	2	3.95%	\$104.48
NZ Government Stock	AAA	\$10,000	15-Apr-13	6.50%	2	4.64%	\$106.96
NZ Government Stock	AAA	\$10,000	15-Apr-15	6.00%	2	5.13%	\$105.09
NZ Government Stock	AAA	\$10,000	15-Dec-17	6.00%	2	5.52%	\$103.00
NZ Government Stock	AAA	\$10,000	15-May-21	6.00%	2	5.82%	\$101.75
Corporate Bonds							
ANZ National Bank (Senior)	AA	\$10,000	9-Jun-10	8.50%	2	3.24%	\$102.94
Bank of New Zealand	AA	\$10,000	15-Sep-10	7.50%	2	3.58%	\$105.06
ASB Bank Sub	AA-	\$10,000	15-Jun-11	7.03%	2	5.92%	\$102.04
Infratil Limited	-	\$5,000	15-Feb-20	8.50%	4	9.90%	\$92.09
Auckland City Council	AA-	\$100,000	15-Nov-11	6.84%	2	4.71%	\$104.74
Bank of New Zealand	AA-	\$10,000	15-Jun-12	8.42%	2	6.25%	\$105.38
ANZ National Bank Callable Sub Debt	AA-	\$10,000	23-Jul-12	8.23%	2	6.25%	\$104.25
Bank of New Zealand	AA	\$10,000	15-Sep-12	7.50%	2	5.47%	\$107.33
Powerco Limited	BBB	\$5,000	29-Mar-13	6.39%	4	7.40%	\$97.29
TCNZ Finance Limited	A	\$5,000	22-Mar-13	6.92%	2	6.20%	\$104.34
Wellington International Airport	BBB+	\$10,000	15-Nov-13	7.50%	2	7.40%	\$101.37
Westpac Bank	AA	\$10,000	28-Nov-13	7.05%	2	6.03%	\$104.14
Auckland City Council	AA	\$10,000	24-Mar-14	6.42%	2	6.25%	\$102.35
Contact Energy Ltd	BBB	\$5,000	15-May-14	8.00%	4	7.10%	\$104.40
ASB Bank Limited (Senior)	AA	\$10,000	17-Sep-14	8.22%	2	6.24%	\$110.32
Vector Limited (Senior)	BBB+	\$5,000	15-Oct-14	7.80%	2	6.85%	\$105.46
Westpac Bank	AA	\$10,000	18-Oct-14	8.35%	2	6.09%	\$110.91
NZ Post Callable Sub Debt	AA-	\$5,000	15-Nov-14	7.50%	2	7.20%	\$102.17
Fonterra	A+	\$5,000	10-Mar-15	7.75%	4	6.61%	\$105.39
Manukau City Council	NR	\$10,000	15-Sep-15	6.90%	2	6.19%	\$105.29
Genesis Energy	BBB+	\$5,000	15-Mar-16	7.65%	2	7.00%	\$105.39
TCNZ Finance Limited	A	\$5,000	22-Mar-16	7.04%	2	6.51%	\$105.00
Bank of New Zealand	AA	\$10,000	15-Sep-16	6.91%	2	6.78%	\$102.56
Auckland International Airport	A	\$10,000	15-Nov-16	8.00%	2	6.90%	\$106.81
Trans Power	AA	\$10,000	10-Jun-20	6.95%	2	6.81%	\$101.08
Unrated Issues							
Fletcher Building Finance Ltd	-	\$5,000	15-Mar-10	9.00%	2	7.90%	\$103.30
Sky City Entertainment Limited	-	\$5,000	15-May-10	8.00%	4	7.95%	\$101.44
PGG Wrightson Finance Limited	-	\$5,000	8-Oct-10	8.25%	4	7.60%	\$100.67
South Canterbury Finance	BB+	\$5,000	8-Oct-10	8.00%	4	7.85%	\$100.32
Fletcher Building Limited	-	\$2,000	15-Mar-11	7.55%	2	7.40%	\$102.82
Rural Portfolio Capital Ltd	-	\$5,000	15-Apr-11	10.14%	2	54.90%	\$65.86
Hellaby Holdings Limited	-	\$5,000	15-Jun-11	8.50%	4	11.00%	\$97.54
South Canterbury Finance	BB+	\$5,000	15-Jun-11	10.50%	4	13.90%	\$96.70
Infratil Limited	-	\$5,000	15-Nov-11	8.50%	4	8.40%	\$101.54
Works Infrastructure Finance Ltd	-	\$5,000	15-Jun-12	9.80%	2	9.70%	\$100.98
Vector Limited Capital Bonds	BBB-	\$1	15-Jun-12	8.00%	2	7.10%	\$102.54
Blue Star Print Group	-	\$5,000	15-Sep-12	9.10%	4	47.90%	\$44.27
GPG Finance plc	-	\$5,000	15-Nov-12	8.30%	4	8.90%	\$99.78
South Canterbury Finance	BB+	\$5,000	15-Dec-12	10.43%	4	18.90%	\$82.30
Fletcher Building Finance Ltd	-	\$5,000	15-Mar-13	8.90%	2	7.60%	\$106.43
MARAC Finance Ltd	BB+	\$5,000	15-Jul-13	10.50%	4	9.90%	\$101.63
Infratil Limited	-	\$5,000	15-Sep-13	8.50%	4	9.40%	\$97.82
GPG Finance plc	-	\$5,000	15-Dec-13	9.00%	4	9.15%	\$100.11
Trustpower Subordinated Bonds	-	\$5,000	15-Mar-14	8.50%	4	8.20%	\$101.56
Tower Capital Limited	BBB-	\$5,000	15-Apr-14	8.50%	4	7.70%	\$102.64
Fletcher Building Finance Ltd	-	\$5,000	15-May-14	9.00%	2	8.25%	\$103.96
Infratil Limited	-	\$5,000	15-Nov-15	8.50%	4	9.70%	\$95.83
Hybrids / Other							
ASB Capital Limited Perpetual Preference Share:	A	\$5,000	Perpetual	6.73%	4	-	\$81.00
ASB Capital No. 2 Limited Perpetual Pref Shares	A	\$5,000	Perpetual	3.86%	4	-	\$74.00
Fonterra Co-Operative Ltd Capital Notes	A+	\$5,000	Perpetual	4.83%	4	-	\$84.00
South Canterbury Finance	-	\$5,000	Perpetual	5.61%	4	-	\$60.00
Rabobank Nederland	AA-	\$5,000	Perpetual	4.12%	4	-	\$84.00
Origin Energy Contact Finance No.2 Ltd	BBB-	\$5,000	Perpetual	4.95%	2	-	\$68.50
Infratil Limited	-	\$5,000	Perpetual	4.97%	4	-	\$70.00
Nufarm Finance (NZ) Ltd	BB	\$5,000	Perpetual	5.02%	4	-	\$108.00
Quayside Holdings Limited	-	\$5,000	Perpetual	10.00%	4	-	\$103.50
BNZ Income Securities Ltd	A+	\$5,000	Perpetual	9.89%	4	-	\$103.50
ANZ National Bank Ltd	A+	\$5,000	Perpetual	9.66%	2	-	\$105.40
Rabo PIE Capital Securities	AA-	\$5,000	Perpetual	8.79%	4	-	\$103.70
Fairfax New Zealand Finance Limited	-	\$5,000	15-Jun-10	3.97%	4	-	\$98.00
Macquarie Generator Bonds Ltd	-	\$5,000	7-Sep-11	8.25%	4	14.90%	\$91.45
CBA Capital Australia Limited	AA-	\$5,000	15-Apr-15	3.82%	4	-	\$89.70
Sky Network Television	-	\$5,000	16-Oct-16	4.01%	2	-	\$86.00
Credit Agricole S.A.	A	\$5,000	19-Dec-17	10.04%	4	-	\$100.50